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Strength with Speed

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consideration. If the intervention of the free nations brings the Korean episode to a speedy and successful end, then, clearly, political necessity and military advantage will have gone hand in hand. But if the Korean campaign is lost or bogs down in a long-drawn-out struggle, the commitment of a large part of the free nations' military reserves to one particular spot might positively invite Communist adventures in other areas. It is true that the Russians have so far adopted a non-committal attitude over Korea, contenting themselves with denunciations of "American aggression" and of the "illegality" of the Security Council's action. But the possibility of them increasing their support to North Korea or intensifying their pressure on some other weak spot along the Soviet periphery cannot be ruled out. They enjoy, after all, a central position and can strike in many directions without actually committing Soviet troops. A western intervention in Korea does not automatically put a stop to these dangerous possibilities. It is only a first step. The crucial question now is to determine how the west's will to check aggression—which the Korean action has made plain—can be translated into the ability to check aggression, which has yet to be proved.

The Communists will become convinced that aggression does not pay on two conditions only. The first is that local coups

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can be checked by the speedy and successful application of western force. The second is that these local interventions do not so weaken and disorganise the nations of the free world that they are unprepared for the general conflict that would be unleashed if the Russians, in their folly, were to commit direct aggression and launch an invasion not by their satellites but by their own troops. One has only to set out these conditions of successful deterrence to realise how very far the free nations are from being able to fulfil them. Their level of armament, degree of preparedness and readiness for mobilisation are such that even relatively small police actions place a strain upon their military resources. If the strain were repeated or multiplied, their interventions might become progressively less effective. Unless, therefore, they are prepared to reconsider at once and drastically the whole scale of their military effort, it is impossible to see how the Korean intervention can fulfil its real purpose—which is not, heaven knows, primarily to restore an unstable little state below the 38th parallel but to serve notice on the "Communist half" that aggression does not pay.

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There is no denying that a policy of increased armaments is probably the most unpalatable prospect the democracies can be asked to face. It is a tremendous irony of the postwar world that the Russians, whose own disarmament has been partial, who have armed Far Eastern Communism and who in Europe have embarked on the most hazardous of all military policies—the rearmament of Germany—can still pose as peace-lovers. It is a still greater irony that they can, while remaining armed themselves, brand as warmongers the democracies, whose sense of distaste and repulsion at the grim necessity of rearmament can hardly be exaggerated. The inhibitions are not simply psychological. They do not only spring from the demand for peace which free speaking and freely governed peoples can make vocal and effective. The economic difficulties are immense. In the 1930s both Britain and the United States had unused resources which could be mobilised for rearmament. Today, however, the decision to expand the armament of the free world involves a real abandonment of other social expenditures. In fully employed economies, whose tendency is towards inflation, the choice of guns involves less butter. The necessities of defence must begin to touch a most sensitive spot—the pocket of the electorate.

The problem of speed is not much less difficult than the problem of scale. The policies of the Atlantic powers are at the moment geared to the expectation of maximum effort in two or three years' time. The aim is complete defence by 1953 or 1954. The lesson of Korea is, surely, that the defence that is available within six months, or six days, has far greater value than possibly better and more technically efficient defence that would nevertheless not be ready for another two years. The time-tables of military planning have to be given the urgency of near-war. Yet if there is one lesson more than another taught by the experience of 1939, it is that nothing is more difficult to create than genuine urgency when the "shooting war" is not actually on the doorstep.

The gravest and most unpalatable of all the decisions involved in western defence is, however, the question of the atom bomb. It is here that the west feels most deeply its pacific convictions, and here, too, that the Communists, with their petitions to outlaw the bomb, have used their peace propaganda to greatest effect. Nevertheless, as Mr Churchill reminded the House of Commons, the free nations must know that, with no effective strategic line in Europe, and with the Korean adventure to remind them that Communists, like nature, abhor a vacuum, the atom bomb is the basis of their security. If, out of moral conviction and pacific intent, they abandon this weapon in advance and virtually inform the Russians that it will in no circumstances be used, they only reveal their own strategic nakedness. Fuller mobilisation of western military resources and the speeding-up of the western military time-table may create within a reasonable time a situation in which the vast frontiers of the free world can be held without reliance upon the deterrent effects of the atom bomb. But it would be blindness to believe that such is the position today.

These difficulties are not stressed in order to hint that the task of effective defence is beyond the democracies' capacities. On the contrary, the Korean incident may well provide the impetus necessary to translate the palpable need for greater military preparedness into terms of actual policy. Tragic as was the start of the incident, discouraging as the opening phases have been, the campaign can be the turning-point in the western powers' ability to meet the challenge presented by the Communist decision to use force. The issues that must now be faced have been inherent in western policy ever since the attempt to contain Communist expansion became the official strategy of the west; but so far it has been possible to postpone or delay or simply gloss over the really difficult questions of scale and expense and speed. Now, however, the Korean episode has come in time to give the democracies that stimulus to urgency and inventiveness without which their policy of containment would always have been found wanting. Who knows how long, without the jolt of Korea, the defence of the west might have been allowed to drag on in relative ineffectiveness? Who knows how long governments might not have hesitated, for fear of their own electorates? Now the warning has been given in terms which no one will misunderstand.

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To say so much and to insist upon the overwhelming need for greater military realism in the west is not, however, to suggest that war is inevitable. It cannot be repeated too often that the overriding aim of western diplomacy is to find a *modus vivendi* with Russia, to achieve an accommodation of interests and even, if necessary, to make some sort of division of the world into spheres of interest a workable proposition. But the case of Korea has proved all over again what should have been realised already—that whatever line is fixed can be maintained only if the western powers put force behind it. Last year's withdrawal of American troops from South Korea was a direct test of the possibility of holding a line with little or no military backing. The Communists have seen fit to answer the question in the most unequivocal form—that of aggression. Henceforth, the way to a negotiated peace—which is and must be the main aim of the west—can lie only through strength. Korea has shown that there is no other way.

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Home Rule

IT is easy to forget that the British are not a homogeneous race and that the island which they inhabit is one political entity only because the political independence of two of its three races has been extinguished. For many years it was assumed that—whatever trouble the Irish might create—the political status of Wales had been irrevocably settled in the Middle Ages, and that the relation of Scotland and England had been fixed forever by the Act of Union. A generation ago this view went almost unchallenged except by a few romantic idealists such as Cunninghame Graham, for Macaulay had educated public opinion to believe in the perfection of existing constitutional arrangements, and in any case the government at Westminster dealt very gently with the liberties of both local institutions and of individuals.

But with the growth of centralised planning and the enormous expansion of the powers of the departments in Whitehall, there has been a growing demand in both Scotland and Wales for a greater measure of local autonomy than is granted at present. Last Saturday Lady Megan Lloyd George, the deputy leader of the Liberal Party, moved at a meeting in Llandrindod Wells, which included many of the leading figures in Welsh life, a resolution for parliamentary self-government for Wales. In Scotland the demand for home rule has since the war taken the form of support for the Scottish Convention, an ably led body which seeks the limited aim of a Scottish parliament with powers over domestic subjects. This organisation has so far secured about a million and a quarter signatures, or just under half the voting turnout in Scotland at the last general election. This week the appointment of a departmental committee under the chairmanship of Lord Catto, the late Governor of the Bank of England, to study Anglo-Scottish statistics has been announced. It is to be presumed that this committee will provide the groundwork for an official answer to the contention of the Scottish Convention that Scotland contributes more to the revenue of the United Kingdom than it receives back in benefits and services.

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The record of official action during the past few years shows that the Government has responded, up to a point, to the pressure of Scottish and Welsh opinion for greater freedom and administrative autonomy. Since the end of the war an annual White Paper on Welsh affairs has been published. In 1948 the Government, though rejecting the proposal to create a Secretary of State for Wales, set up an advisory council for Wales and Monmouthshire. The concessions to Scottish national pride have been more extensive. Just before the war the administrative centre of the Scottish Office was removed from London to Edinburgh. In 1948 the Government strengthened the position of the Scottish Grand Committee of the House of Commons by enabling it to debate Scottish Bills in principle. But any proposals for effective home rule—that is, for the creation of a Scottish or Welsh parliament with control over domestic policy and expenditure—still meets with stony opposition in Whitehall.

It would be difficult to say exactly what it is that inspires the present demand in Wales and in Scotland for a greater measure of political freedom. National pride, the memory of old achievements and ancient wrongs, the wish to preserve Celtic culture, the desire to arrest London's slow drain of all vitality and talent, or a sheer anarchic dislike of strong government—all these play an important part in the minds of the leaders of the movements. But it is fair to say that the support which they have begun to acquire among ordinary people is due to the growing centralisation of all power and decision in the hands of the Government of the United Kingdom and its servants. The utilitarian arguments for home rule are becoming more cogent in Scotland and Wales as it becomes increasingly difficult to exercise any local initiative or take any important action without reference to Whitehall.

Thus what the leaders of the Welsh and Scottish home rule movements now demand is the very thing which the officials of Whitehall have persuaded generations of politicians to oppose—the hiving off of control from the central to local governments. To suggest that the Civil Service consciously sees its power threatened by demands for home rule, and consciously uses its influence with Ministers to oppose it, would be to paint too melodramatic a picture. The fact nevertheless remains that politicians, and whole parties, who are sympathetic to home rule when in opposition, find that it is not expedient to do anything about it when they are in office. Just what the arguments are that are whispered so potently in Whitehall, but which cannot be repeated in public, it is really very difficult to say. One suspects that it is not so much deliberate power-seeking as misplaced paternalism, a reflection of the growing belief that people cannot be trusted to decide things for themselves. They may be right; Scottish and Welsh governments might make a lot of mistakes. But what the official mind does not realise is that this is not by a long chalk a decisive argument. The Scots and the Welsh have a right to govern themselves foolishly if they wish, and if it will do no great harm to their neighbours.

Private and public opinion in England, as distinct from the official view, so far as it can be ascertained does not seem to share this hostility to the principle of home rule. Most of the factors that bedevilled and long delayed the grant of home rule to Ireland do not apply to either Scotland or Wales; and as for those that still exist, the Irish case has taught the English their lesson. Ireland has also proved, in the constitution of Northern Ireland, that it is perfectly possible to devise a system that provides substantial home rule without disrupting the basic structure of the United Kingdom. To the proposition that the Scots and the Welsh, if they can prove themselves reasonably united in the demand, should have home rule on the Northern Ireland pattern, there would probably be an overwhelming majority of assent among the English public.

The essential proviso, of course, is that the transfer of powers should not be such as to endanger the safety of the realm, to weaken it in its external relationships or to undermine its wealth or welfare. All these, however, are safeguarded under the constitution of Northern Ireland, where the writ of the United Kingdom still

runs in matters of foreign affairs, defence, foreign trade, taxation, finance and currency, the Post Office, civil aviation and the like. It does not follow that the Northern Ireland solution could be applied without amendment to the cases of Scotland and Wales. The leaders of the Scottish Convention have made it clear that they want more fiscal autonomy than Northern Ireland has. Their proposal is that Scotland should keep all taxes raised within its borders except customs and excise. This certainly goes too far; there is not a federal government in the world that has found it possible to get on without direct taxation. But it might be that some arrangement could be made that would leave rather more freedom of action to Edinburgh than is now left to Belfast.

Another difficulty, and possibly a more intractable one, would arise out of the nationalisation of industry, which was hardly a serious question in 1921 when Northern Ireland was constituted. To treat Great Britain as three separate areas for nationalisation purposes would obviously curtail the economies of large-scale organisation and centralised administration which are part of the putative purpose of nationalisation. It would be extremely awkward if the government of Wales were to adopt the National Coal Board's policy and sell its anthracite to England at a higher price than it charged its own consumers. Yet at the same time it is centralisation of decision in the nationalised industries which has largely contributed to the rising desire for autonomy and no solution which left in London the absolute control of whole industries would satisfy opinion in Scotland or Wales.

This discussion has bracketed together the questions of home rule for Scotland and for Wales. This is not to imply that the two questions can in fact be treated alike. On almost every score Scotland has a claim to more home rule than Wales. Scotland is a richer country with a more balanced economy and it has much better prospects of becoming a viable economic unit than has Wales. Scotland has reasonably good internal rail and road communications whereas direct communication between North and South Wales is notoriously difficult.

Scotland has a capital city whereas Wales can find no common centre within its own borders. The framework of Scottish government exists in the departments of the Scottish Office, whereas a Welsh government would have to be created from nothing. Finally, Scotland has its own highly developed legal system. Much wider powers could probably be granted to a Scottish than to a Welsh government.

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The only sensible course for the English to adopt is to say that if Scotland and Wales really want a Northern Ireland status, plus or minus a little, they should have it. But this is not by any means the same thing as saying that they would be wise to want it. Subject to what Lord Catto's committee may find, it seems overwhelmingly probable that the Scots and the Welsh would be economic losers from any subdivision of the United Kingdom. Individually, anything that put barriers across the road to London would injure the careers of their ambitious sons and daughters. Indeed, there are some who argue that the reserves of talent and ability in Scotland (and even more so in Wales) are too small to enable them to staff legislatures and administrations of their own and still maintain their representation at Westminster. But the English will be very foolish if they try to tell the Scots and the Welsh where their interest lies.

In one sense the contemporary desire for home rule is a protest against the power of any government in a planned economy. Whitehall is as exasperating and callous towards Manchester or Lincolnshire as towards Scotland or Wales. The Scots and the Welsh are merely fortunate enough to possess valid claims to home rule which Cornwall, Gloucestershire or Yorkshire do not. But in an age when the influence of the citizen upon his Government is rapidly diminishing, any attempt to reverse the process deserves the support of the private citizen against his official masters. Who knows, home rule for Scotland and Wales might even encourage someone to demand a little freedom for the patient English.

Leasehold Reform

THE climate of opinion over the respective rights of landlord and tenant has its own slow rhythm of change. A century ago the tenant was expected to be content with what rights he could extract from a landlord in the legal contract called the lease. Today, the tenant expects something more than his contractual rights; he looks for statutory protection as well. It is with this aspect of his position that the Jenkins Committee on Leaseholds, whose final report was published this week (Cmd. 7982) were concerned.

In the broadest sense, the term lease can cover a great many varieties of agreement for the tenancy of real property. But the interest and the problems of the subject arise in connection with the system of long leases, which is almost peculiar to English law, and is much more prevalent in some parts of the country—such as South Wales, Merseyside and London—than in others. To the layman (though the lawyer might demur), leasehold is a system whereby a man may be the builder or owner of a building but not of the land on which it stands. Under a building lease, land will be leased for a long period, usually 99 years, on the condition that any buildings erected on it shall revert to the freeholder at the end of the lease. Anyone who holds a lease at the end of its life may find "his" house taken away from him, or at least he will have to pay heavily for the privilege of retaining it. This consequence was, of course, fully foreseen at the start; but that does not prevent the tenant in occupation, especially when he is a poor and ignorant man, from feeling badly used when the time comes for the lease to fall in. Hence the political importance of the problem.

The Jenkins Committee (of which Lord Uthwatt was chairman until his death) were not called upon to advise whether the system of leasehold should be abolished. Had they been, there is little doubt that they would have reported against any such proposal. The chief defect of the system is that in the last twenty or thirty years of a long lease's life, there is progressively less inducement for either freeholder or tenant to spend money on improvements of the property, or even on necessary repairs. There may be and usually is a legal obligation on the tenant to keep the property "in good and tenantable repair," but he has no interest in performing his covenant and legal obligations are poor substitutes for practical inducements. But in spite of this defect, there can be little doubt that leasehold is a useful form of tenure. In the past, it has enabled development to proceed with a minimum requirement of capital; and its utility in the present age is perhaps best demonstrated by the fact that both the coalition government in 1944 and the Labour government in 1947, in their respective Planning Acts, laid it down that land compulsorily acquired by local authorities should be developed on this system. Leasehold was the basis of development in Letchworth and Welwyn and is to be in each New Town.

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The practical question, therefore, is not whether leasehold should continue but what can be done to remedy its defects. The questions to which the Jenkins Committee addressed themselves fall under three heads, of which two do not require much discussion.

The first, and the one on which most agreement was reached, relates to the position of the tenant (using that word in its broadest sense) with regard to repairs and improvements he may have made. The Committee recommends no basic change in the existing position that the liabilities of both landlord and tenant with regard to repairs should be regulated by the agreement originally made between them, subject to the statutory liability for repair thrown on the owner of small houses by the Housing Acts of 1936. As for improvements, the Committee would extend to all kinds of tenancies the right of a tenant to be compensated for improvements he has made to the premises (at the moment, only tenants of business premises have a somewhat restricted right to compensation under the Landlord and Tenant Act, 1927). With that recommendation few would disagree. The real controversy starts with the other two questions.

The second question relates to the rights of leaseholders of business premises. A tenant who carries on a business or profession in rented premises may create that real but intangible attribute, goodwill. That goodwill is of obvious value to the tenant and is a strong link between him and a particular site. It may also be of value to the landlord, since, when the tenant's lease ends, he may be able to let the premises more easily or more advantageously to another man in the same trade. Is it right that the tenant should forfeit that goodwill simply because his lease expires? Parliament answered that question in the negative as long ago as 1927. What the Committee had to consider was whether the 1927 Landlord and Tenant Act is adequate. They consider that it is not. It does not cover the professional man, only the trader. It enables the landlord to defeat a claim for the renewal of a lease by an offer of compensation, yet the basis on which that compensation is assessed is not wholly satisfactory. In general, the majority of the Committee would not give the business or professional tenant automatic security of tenure, but they would strengthen his right to demand a renewal at a reasonable rent and leave it to the landlord to establish his case to the contrary. On the other hand they agree that the landlord should be free to regain possession of his property if he wishes himself to occupy it, if he intends to rebuild or if he is prepared to buy out the tenant at a fair compensation. The majority report would also leave the county court as the tribunal for settling rights and claims.

These proposals would probably secure general support if it were not for the curious history of the Committee's own handling of the problem. An interim report, published last year when Lord Uthwatt was still chairman of the committee, made proposals, designed to cover the temporary conditions of a great shortage of business premises, which virtually amounted to giving the tenant an automatic right of renewal. Now the permanent proposals restore some of the landlord's rights, and the Committee's new chairman, Lord Justice Jenkins, takes the unusual course of presenting a criticism of his Committee's interim report. This suggests a change of mind, and the main minority report, signed by two members of the Labour Party, would make the interim proposals permanent. Nevertheless, to those who do not automatically take sides for all tenants against all landlords, the majority report appears to do a balance of justice to both parties.

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The main clash of opinion comes on the third question. This is the vexed question of whether the residential leaseholder shall have the right to buy the freehold compulsorily (which is known in legal jargon as leasehold enfranchisement) or, failing that, whether he shall have some right to demand a renewal of the lease on expiry. Of the ten members of the Committee, the two Labour dissentients plump for leasehold enfranchisement (perhaps a little illogically, since their proposals would lead, not to public ownership, but



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rather to that property-owning democracy so powerfully advocated by Conservatives). Failing this, Mr Hale and Mr Ungoed Thomas join with three of their colleagues (who might be called the Liberal section of the Committee) to advocate giving to the tenant the right of renewal—though at a fair market rental, which in almost every case would be more than he was paying before, and with safeguards for the landlord who wants a property for purposes other than investment. The remaining five members, including the chairman, content themselves with saying that an occupying tenant should have the first refusal of the freehold in cases where the landlord intends to sell, though they are unable to think of any means by which this right of first refusal could be enforced. (It should be added that all three sections of the Committee agree on a minor proposal to extend the protection of the Rent Acts to leasehold properties which, by an anomaly, are now excluded from it.)

There is thus plenty of variety in the counsel that is offered to a Goverment which professes itself anxious to legislate on the subject. It should be noted that none of the three sections of the Committee advises (except for the period during which the Rent Acts are in force) allowing a tenant whose lease expires to go on occupying the house at the same rent—which is the only thing that would satisfy some of the critics of the leasehold system. The minority report, which is the most favourable to the tenant, would involve him in raising a sum of capital to buy the freehold. Nor is there any real reason why the tenant, for all his sense of grievance, should be given any further relief. It is doubtless true that landlords often make a good thing out of reversions. It may even be wrong that they should do so, though the existence of value in the reversion only shows that the landlord has been content in the past with less than the full value of his property. But if anyone else is to share in the profit, why should it be the particular tenant who happens to occupy this particular property and who has already (by definition) enjoyed the privilege of paying less than the full rent for it?

To say this is not to choose between the three differing proposals put forward by the Committee. Many people will feel a great deal of instinctive sympathy with the two dissentients. Land should never have been allowed to become private property, and though that original mistake cannot now justly be remedied by penalising landlords, there is something socially distasteful in pure landlordism, in the ownership of mere space. Many more people would agree with Mr Hale and Mr Ungoed Thomas if it were not for the unctuous assumption of moral superiority over their colleagues that they affect as the sole protectors of the poor. In fact, they seem to be more eager to hurt the landlord than to help the tenant, for most of the poor tenants would strongly dislike a system that compelled them to become capitalists—and capitalist debtors at that. Instinct apart, the best course would seem to be that stated by the middle section of the Committee, that of giving tenants a certain qualified right of renewal, hedged with safeguards for the legitimate interests of the freeholder and against mere speculation in "fag-end" leases. It is this course that the Government will be well advised to adopt.

Bad Weather for Ecosoc

THE Economic and Social Council has started its eleventh session at Geneva at a moment that is not propitious. The booming of the guns in Korea is scarcely the background against which to discuss the creation of full employment by international means or the formulation of an international Covenant of Human Rights that shall be legally binding.

The very unsuitability of the moment of meeting brings to the fore a thought that has been latent for some time past: Is it appropriate that this potentially important body should meet only at two fixed dates per annum? Ought it not, like its companion the Security Council, to be on call when need arises, and to need to meet only when circumstances are such as to promote balanced thinking? There are immense advantages in handling economic as well as political topics through a body that is available week in and week out. As matters stand, sessions of the Economic and Social Council have become, for delegates, a nightmare struggle, twice yearly, with a fifty-point agenda that entails attending meetings all day, with only the night for attempting to master the mountain of documentation that awaits them upon arrival at Lake Success or Geneva. This is not the basis on which work on technical subjects can best be done. As its result, the Council tends simply to go through the motions that are expected of an international meeting with a crowded agenda. These are the mere pushing of this item forward and that item back to other bodies. It enjoys neither the time nor the atmosphere in which to improve the shape of the propositions that come before it. A body that consists of permanent delegations stands a better chance of dealing with first topics first, if only because it can turn to each at a suitable interval after the documentation upon it has become available. If it can choose its moment of meeting, it is more likely to render projects practicable. At the moment, these thoughts are academic and utopian. But if the United Nations survives its present testing time, there is surely a case for giving the world's economic and social problems the same chance of day-to-day handling as is afforded to its political arrangements.

Given the present machinery and the state of war in Korea, this summer's meeting is unlikely to be memorable. The hope that prevailed a few weeks ago that the session would provide the occasion for bringing about China's representation by the Peking Government has been dashed by North Korea's aggression. The Russians, Czechs and Poles, who are the eastern *bloc* members of the Council, are not attending it. Some of the more interesting items on the colossal agenda that faces the remaining fifteen delegates therefore lose much of their point. It is to play Hamlet without the prince, for instance, to inquire into forced labour when the principal offender is not there to brand himself by publicly refusing to let international inquirers in. The International Labour Office and the American Federation of Labour are for valid reasons anxious to conduct the inquiry anyway.

Forced labour apart, the agenda for the next six weeks promises only three developments of real interest. These are the methods by which the Council decides to pursue the report of the five experts whom it commissioned to frame recommendations on "National and International Measures for Full Employment"; the recommendations that it decides to make on the methods of financing economic development in underdeveloped countries; and the future which it proposes for the woolly "First Covenant on Human Rights" that has been forwarded to it, with reservations, by its Human Rights Commission.

The Full Employment Report, which was issued at the beginning of the year, was reviewed at length in *The Economist* of January 28th last. Since then, the states members of the Council have been asked to study the views of the interested non-governmental organisations and the specialised agencies upon it. It was simply a working paper. They are supposed to come to the present meeting primed with their considered views upon it and—if they do not like its proposals—with their own alternatives for solving the problems dealt with. The economists have expressed their view of the way in which the ups and downs of demand can be ironed out. It is now the turn of practical politicians—the representatives of governments with congresses to manage and voters to consider—to say which of such devices they are ready to try upon their touchy constituents.

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The items which cover help with the economic development of under-developed areas—the topic that is usually labelled "Point Four"—are divided into two sections, one on technical assistance, the other on methods of financing the programme. Technical assistance is already under way. A progress report is to be made. But this will get a powerful fillip from the fact that, of the $35 million that has lately been voted by Congress for Point Four purposes, $20 million is to be administered by United Nations bodies. The pump is therefore primed to an extent that will multiply United Nations activity many times over. It remains to be seen whether the international servants who run the activities will be hedged round with resolutions limiting the ways in which they can spend the money, or whether they can be left some latitude to allocate it as between hiring experts and buying apparatus. The proportion of these two requirements varies so enormously from one underdeveloped country to another that overall resolutions tend to lessen the chances of spending the available money to the best advantage.

The advancement of methods of financing development is a more complicated topic. Some idea of the extent of the funds needed if any mark is to be made on parts of Asia, Africa and Latin America, is given in a survey—"Methods of Financing Economic Development"—which the secretariat produced and submitted to Ecosoc's last session. The present session also has before it a new report of its sub-commission on Economic Development. From these two pieces of work it is clear that, although the obvious needs run into billions of dollars per annum, the flow of funds is sluggish It is retarded from both ends—at the issuing end by such factors as the falling off since 1949 of American overseas private investment and by the competing claims of the military aid programme; and at the receiving end by the failure of under-developed countries to submit projects that are good business propositions. Surprisingly, the sub-commission has changed its mind since last year about the best means of bridging this gap. Then, it was all for the creation of special bodies to administer international financing, and to stimulate local financing of projects; it mentioned the possibility of creating a United Nations Economic Development Administration, and most people expected it to endorse the proposal in the experts' Full Employment Report on the creation of a special department in the International Bank for making general development loans. Now, it rejects all thought of special agencies and of bargain basements where loans can be negotiated on the cheap; it simply exhorts all available agencies to go on as they are doing, working wherever possible, more speedily and more generously. The problem that remains unsolved is how to capture the imagination of the American public and private investor by devising some good label for schemes where the application of normal banking standards becomes difficult, and where there is need for loans that allow of low rates of interest, long maturities and flexible conditions of repayment.

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The Council's position in regard to human rights is as follows: The United Nations has adopted a universal declaration on the subject, but this merely expresses world aspirations. It is not legally binding. The Council has therefore charged its daughter body, the Human Rights Commission, with drafting a companion document—a covenant having the force of law. Within the Human Rights Commission itself, there are two schools of thought about the nature of this instrument. The one holds that it should be precise and enforceable, and should therefore be confined to points that need only a small and manageable amount of new machinery for proper implementation. The other holds that countries that are backward in the matter of human rights will make more headway if the covenant reaches for the stars right away. The second school has won. A document that is intended to be legally enforceable has therefore been produced by people of whom few are lawyers. The result is a "First Draft Covenant"—more are to follow—which is saddled with reservations from all the more practically minded delegations. It is at some points so imprecise as to drive an international lawyer to distraction. It is to be hoped that the Council, by the time it reaches this item on its agenda, will still have strength to resist the temptation simply to forward this harmless but ineffective piece of work to the Assembly.

The rest of the agenda, though estimable enough, is by comparison minor in its implications. It will absorb the full attention of delegates, but the general public, with the best will in the world, cannot concentrate on Geneva when thoughts are in Korea. How can balanced thought be given to a covenant on human rights at a moment when those rights are being violated at the gun's muzzle? What politician has time for serious effort in the field of full employment at a moment when the way to it is wide open down the road of rearmament? For the time being the atmosphere in the council chamber of peace palaces is one of sad unreality.

NOTES OF THE WEEK

Unity in the House

The House of Commons, by carrying without a division the Government's motion endorsing its action over Korea, has demonstrated to the outside world that the British Government's policy commands the full support of the British people. The only two Labour back benchers, Mr S. O. Davies and Mr Emrys Hughes, who came out against the basis of that policy did not try to force a division ; the other signs of restiveness on the Labour back benches—the only area in which opposition was at all likely to develop—were few. Indeed, one of the most effective speeches of the debate came from Mr Mainwaring, the ex-miner who sits for Rhondda East, who exploded Mr Davies's claim to speak for the workers of this country. The virtual unanimity of the House did not, however, mean that party divisions have been obliterated. Mr Churchill was at some pains in his speech, perhaps with his eye on an election in which defence might be the major issue, to repudiate charges that the Tories favoured war because of their "jungle philosophy"—a phrase recently used by the Labour publicist, Mr Driberg. He also spoke scathingly of Mr Crossman and Mr Strachey as if to indicate that a party which included such men could not be relied on to show complete realism in a dangerous situation. This part of his speech aroused a good deal of anger among the Labour members and might have stung some into forcing a division. But any party tension was dissipated almost completely by Mr Eden who wound up for the Opposition with one of the best speeches of his career, a speech which Mr Morrison rightly praised as admirably reflecting "the temper, spirit and commonsense of the British people." Mr Eden widened the scope of the debate from the immediate situation in Korea to the more momentous question of war and peace on a world scale. Until he spoke there had been a tendency to concentrate too much on the merits and defects of the Korean state and too little on the major issue of whether the action of the United Nations was the best way to halt a major war.

If the debate was valuable in reflecting the popular support for the Government's policy it was less effective in exploring the immediate implications of the Korean war. Mr Churchill developed the policy he has frequently stated in the last two years—that of trying to secure a definite boundary between the blocs while we still have superiority in atomic weapons. He renewed his request for a secret session to discuss defence and Mr Morrison renewed his objections to it. It is difficult, indeed, to see what could be gained by a secret session which could not be achieved by the discussions on defence between the Opposition leaders and the Prime Minister. In the conditions of the world today, only the energies of the Government of the day can ensure that defence is properly organised.

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The Veto *vs.* World Opinion

Controversy rages as to whether the Security Council, when it voted 7 to 1 for the American resolution calling for military sanctions against North Korea, took a decision that was valid in law. The seven votes, naturally enough, did not "include the concurring votes of the permanent members," as is required under Article 27 of the Charter. Because no Russian was there, the Russians and their supporters argue that the vote was illegal. They contend that it received no more than three of the five essential votes, since it also lacked the support of the government that is in control of China.

There are two arguments against the Russian case. The first is that, if precedent counts, neither absence nor abstention from voting constitutes a veto. It did not do so when Russia abstained in 1946 on a vote about the North Persian situation, or when Britain abstained in three votes on Palestine in 1948, or when Russia was absent during the vote upon Kashmir in March of this year. The implication of these events is that vetoing must be an active and not simply a passive process.

The second argument is less precise, and no doubt less pleasing to lawyers. But it weighs equally with the general public—a force worthy of consideration when the issue is that of peace or war. The Security Council, owing to the peculiar circumstances in which the right of veto was born, can work only so long as its members share common peaceful intentions. As soon as a Great Power is involved, directly or indirectly, on one side of a serious dispute the United Nations must either throw in its hand or else work its machinery with a cog missing. It claims to work according to democratic principles ; therefore, when the great fall out, the smaller fry should be entitled to their say. Over Korea, the states members who are not permanent members of the Security Council have shown that their weight is behind those who wish to make the machinery work, even without the concurring vote of Russia. If peace is to have a chance of preservation, the machinery must be made to work in all such circumstances. The price of making it work may well be to divide the world into two camps ; but the common opinion of reasonable men and women is that the camp which observes the Charter and upholds the rule of law is entitled to call itself the United Nations, as against those who challenge its authority and would have it made impotent by standing on the letter of its law.

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More Light on the Schuman Plan

The six Governments involved in the negotiations of the Schuman Plan have now returned to Paris after a week's study of the "working paper" put forward by the French. It is too soon to gauge their separate reactions on the delegation.

They are now clearly in a better position to guess the direction of French thought, which, it must be admitted, is much bolder than either friends or critics of the Plan had first imagined. The essence of the economic proposals is an attempt to find a middle term between the two dead ends which appear to face the European economy. On the one hand stand the supporters of *laisser faire*, who believe that all "artificial obstacles" to free trade must be removed in the interests of competition and efficiency, but who have no answer to the fact that, in the past, the consequences of competition for the less efficient producers have been so drastic that they have resorted to cartels, price fixing, tariffs and every sort of national protection to safeguard themselves against the "benefits" of liberal trade. On the other hand are the new school of national planners who can provide investment schemes and full employment schemes to reach national territory, but who seem unconcerned at the risk that a piling up of unco-ordinated and frequently duplicating national plans can be the end of European efficiency and lead to collapse once American dollars cease to hold up the whole structure.

The Schuman Plan is an attempt to evolve a third possibility. It proposes the return of competitive efficiency by the re-establishment of free trade in coal and steel and by the restoration of the price mechanism. The proposed High Authority will supervise this process of freeing the market. It will also encourage the highest standards of technical efficiency by its powers to lend money for the modernisation of enterprises which are prepared to work with it. Since, however, this restoration of the primacy of cheap and efficient production and of the price mechanism may hit some sections of industry, the High Authority may also provide subsidies and grants for the conversion of backward enterprises or areas to other industrial activities. Thus a course will be plotted midway between the scylla of complete liberalism leading to cartelisation and the charybdis of national planning leading to over-capitalisation and redundancy.

Critics in this country may be inclined to ask again why such a middle way could not be negotiated between governments and it is important that the French attitude should be understood. It is that the divided quarrelsome multi-party assemblies of the Continent are as incompetent to integrate an economy as they are to conduct a campaign and win a battle. Just as detailed decisions on defence and strategy have to be handed over to military authorities, economic policies must be similarly farmed out. The High Authority is thus an attempt to by-pass the deadlock created by the incompetence of governments. The fate of M. Queuille this week certainly suggests that the argument has considerable weight.

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M. Queuille Fails

The hope that the pressure of the international situation would give France a government in record time has unhappily not been fulfilled. The Assembly, it is true, accepted M. Queuille within a week of M. Bidault's departure. But, when the new Prime Minister presented his cabinet to the Assembly, he was defeated by a resounding 334 votes to 221 and immediately resigned what had been an ungrateful task, unwillingly but patriotically undertaken.

The reason for M. Queuille's defeat was his failure to persuade the Socialists to join the coalition, and his consequent attempt to secure the support of other groups in the Assembly by cautiously extending his cabinet towards the right. He called in M. Paul Reynaud to take charge of a new Ministry, set up to deal with French responsibilities in the Far East, and gave the portfolio of Public Administration to M. Paul Giacobbi, a Radical with Gaullist affiliations. The choice of ministers was, perhaps, rather curious. The two issues which chiefly divide and disturb the Socialists are the war in Indo China and the question of Civil Service conditions and salaries. To allot Ministries vitally concerned with both to members of the right wing was bound to upset the Socialists and showed something less than M. Queuille's habitual tact. The Socialists in fact reacted strongly and voted against M. Queuille *en bloc*. They were not, however, alone in their disapprobation. The left wing of the M.R.P. also voted against an arrangement which seemed to them to change the orientation of the Third Force from centre to right of centre.

Since even a tense international situation has not produced unity, the problems which brought down M. Bidault's government will presumably plague all attempts to rebuild the coalition. The Socialists are committed to supporting higher pay for the civil servants, the Radicals to keeping the budgetary deficit within limits. The deadlock on electoral reform is complete. In theory, the Socialists, who have destroyed each cabinet in 1950, should now attempt to form one themselves, but the other parties are probably too exasperated to join them. The most general suggestion is that M. Schuman, with his high international reputation, may be prevailed upon to form a team. In any case, a quick resolution of the cabinet crisis now seems out of the question.

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Labour's Troubled Front

There always seems to be more trouble in summer than in winter. In so far as it is true it is perfectly natural, but the sense of ferment among the trade unions is largely exaggerated by the fact that most of their annual conferences are held between Whitsun and Michaelmas, when wild speeches are made by delegates in place of the rather more discreet pronouncements of their leaders. But this year's conferences are taking place against the background of the break-up of the policy of wage restraint. Last week the TUC announced the abandonment of any further efforts to impose a rigid restraint on wage increases, together with its failure to find any alternative form of wages policy. On Monday Sir Stafford Cripps echoed the statement in rather more elegant lawyer's phraseology, in words that amounted to no more than a pious hope that, if there were going to be wage demands, they would be presented in orderly fashion and in such a way as not to cause inflation. The Treasury has followed Transport House in contracting out of the problem.

While a singularly ill-informed dispute over pensions has created a strike of drivers and firemen on the Western Region of British Railways, the strike of the Smithfield meat transport drivers has spread throughout the week. According to a statement made by the Minister of Labour in the House of Commons this strike seems to have been called on grounds even more frivolous than is usually the case at Smithfield, since it started on the day after the employers had decided to enter into negotiations with the men.

The annual conferences of the National Union of Railwaymen and the National Union of Mineworkers have been taking place this week. Apart from a bad tempered piece of invective from its secretary, Mr Figgins, the decision of the NUR has not been made public, since this union prefers to conduct most of its deliberations behind closed doors. From the tone of the opening speeches, however, it seems likely that the union will return to its claim for an all-round increase. The miners' conference has shown that the rejection of their claim for an increase of 2s. a shift for their 400,000 lowest paid workers has put them in a very ugly temper ; it has already produced a strike in the Scottish coalfields. The conference endorsed the decision of its executive to press for an amendment to the old cost-of-living agreement so that the lower paid workers would benefit most. The negotiations with the National Coal Board, on whether there should be a new sliding scale to replace the one which came to an end in 1947 or whether it should be abandoned in favour of some other system, have dragged on for a long time. It seems certain that whatever section of Labour benefits from a decision to abandon rigid wage restraint, the miners are determined that they have the best claim.

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Featherbed for Fish?

A recipe for a depressed industry is something which the postwar planners have not yet had to devise. The six months' subsidy and the new statutory authority for the white fish industry announced this week are the first moves in this kind of planning. In the last three months this industry, left to its own resources after the removal of price control, has lapsed abruptly into all the familiar difficulties of the thirties—falling demand, idle productive capacity and unemployment. The causes of the industry's chronic ill-health, however, are peculiarly its own. Events have proved that these causes cannot be put right by the industry itself, and the trawler owners by their appeals for government aid have admitted that some control is desirable. The case is even stronger today than when it was made fifteen years ago in the Duncan report for an independent authority to regulate excessive competition, enforce reasonable standards of quality and promote reorganisation and re-equipment on both the catching and marketing sides. Planning is as planning does, however, and it is to be hoped that the Government will make the most of this opportunity to prove that planning can mean reform and not featherbedding.

Meanwhile, the stop-gap subsidy for those landing the more expensive kinds of fish can hardly be called a consumer

subsidy in view of the present low demand for fish at all prices. It is simply a ready expedient for keeping men at the fishing ports off the "dole" until demand revives, as it is hoped, next winter. However, since the £1,700,000 involved is to come out of the food subsidies, whose cutting is already agreed, this step amounts to using the food subsidies as a fund for the promotion of full employment for its own sake. Whatever the claims of the fishing community to emergency relief, this granting of relief out of money voted for an entirely different purpose is a dangerous precedent. Similar emergencies will almost certainly occur in other industries in the future. Will the Government seek to maintain full employment elsewhere by the use of similar expedients? Any pretence by Parliament to keep a watch on the many claims to public money must rapidly become a farce if Mr Attlee follows Humpty Dumpty in saying, in effect "A food subsidy means what I choose it to mean, neither more nor less."

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Standing Closer

In a short but constructive debate, the House of Lords discussed this week the proposals for West Indian federation, which were recently put forward by what has come to be known as the Standing Closer Committee under the chairmanship of Sir Hubert Rance. The obstacles to federation, as every speaker emphasised, are formidable: historical, because the territories have different traditions; geographical, because of the long distances between them; political, because of the very different stages they have reached in the road to responsible government; social, because of the different culture of the East Indians from that of the bulk of the population; economic, because of the poverty of some islands and the comparative wealth of Trinidad.

The advantages of federation are, however, no less striking. Not one of the West Indies could hope to support the burdens of Dominion status on its own. Very few can hope to achieve economic and financial stability. A federal West Indian Government should be able to aim at a better balanced economy for the whole area whereas there is always the danger of overlapping and competition between the islands if each tries to diversify its economy at its own sweet will.

It is, however, not so much the pros and cons of federation that need discussing—that was done in the "Standing Closer" report—as "how" and "when." It was Lord Listowel who brought up the question of "when." Premature establishment of federation might be disastrous; but indefinite postponement, while economic and political nationalism in the islands grows apace, might make federation impossible. The question of timing is therefore very delicate, but the balance of advantage seems to lie with sooner rather than later.

"How" is an even more difficult question. How can the great bulk of West Indians be made to want federation? How can their legislatures be persuaded to make the necessary sacrifices of sovereignty? One thing is certain. The suspicion might be provoked from some of the remarks in this week's debate that the present bias towards federation among West Indian leaders has been occasioned by the wish to have a stronger hand in negotiations with the British Government—especially on sugar contracts. If this sort of motive predominates in the standing closer movement, federation is doomed to failure. It is to be hoped that the discussions in the islands' legislatures will reveal a more statesmanlike view.

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Bonn Neglects Berlin

Western Berlin continues to be held with vigour by the Allies, and with the very minimum of grudging assistance from its fellow Germans in the Federal Republic. Professsor Reuter, the Oberbuergermeister of this island of freedom in the centre of Soviet territory, has had to report that the budget shows a deficit of DM 650 million. Every month he has to beg Bonn to provide money enough to carry on in the still hard-pressed city. Dr. Adenauer's Government feels itself better occupied in demanding further concessions for itself from the British and Americans—notably a reduction in occupation costs. The business world of western Germany thinks of nothing but maintaining its own high level of profits while Berlin's industries operate at a fraction of their capacity, not only because of the loss of eastern markets but also because west German firms dislike the risk attached to orders placed in the city. The Christian-Democrat party in Bonn also has doubts about the political wisdom of aiding a Social-Democrat stronghold. The mass of the west German public is indifferent to Berlin's plight.

The *Magistrat* is not blameless. It can justly be accused of inefficiency and of spending too much on unproductive works, which only temporarily relieve the city's unemployed. Nevertheless, it has done nothing to justify the fears of socialisation with which business men excuse their wholesale removal of plant from Berlin. American funds are doing much to restore the Berlin works that were stripped by the Russians in 1945, and to make the western part of the city capable of competing in outside markets. As it is, the great electrical industry, which used to employ a third of Berlin's labour force and to provide no less than half of all Germany's exports in this branch, is not working to capacity, owing to lack of orders. Some orders have been turned away owing to inability to produce to specification. American aid should improve this situation, but, temporarily at least, the unemployed will not be helped by increased efficiency in the factories. Markets remain the crux of the problem, and it is here that the indifference of the Federal Republic plays such a deplorable part. Given the will, it should be possible to organise a sales campaign for goods (notably clothing in which Berlin specialises) "Made in Berlin," imported with a Bonn Government guarantee.

Before the air lift it could be argued that Berlin, like Korea, was practically untenable and strategically of comparative unimportance. Nevertheless, since the west won this contest with the Russians, it cannot now renounce its gain. The people of Berlin have always stood out by reason of their courage, irony and sharp sense of realities, and they form a leaven which should prove valuable for the future of Germany. There can, moreover, be no doubt that the western city provides a useful display window through which the inhabitants of the Sovietised surrounding territory can peer at an astonishing spectacle of freedom and comparative plenty, in which even the unemployed share. The Russians have shown that they realise the value of the city. They lost the contest of 1948-49 with the Allies. The challenge now remains to be taken up by Bonn.

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The Legal Status of Formosa

President Truman's decision to afford American naval protection to Formosa against Communist invasion from the Chinese mainland arose out of the military aggression of the Korean Communists in the sense that that aggression sharply revealed the serious character of the Communist strategic threat in the Far East and provided ground for precautionary measures not confined to Korea. On the other hand, nothing new had happened with regard to Formosa itself to alter a situation that had endured for several months without any American intervention. It was known that differences of opinion existed in the highest military and political quarters on the expediency of American action to save Formosa, and it was generally believed that the policy group in favour of letting events take their course had prevailed over the advocates of intervention.

The question of expediency, however, was always quite distinct from the question of legal justification, and it is the latter which needs to be stressed when Russia and Communist China charge the United States with "aggression" against China. The legal basis for action with regard to Formosa, as distinct from any military action which the United States might have taken to intervene in the civil war in China itself, is that Formosa is not at present juridically Chinese territory. It is Chinese-occupied Japanese territory, having been ceded to Japan in 1895, and so it remains until it is formally retroceded to China by a peace treaty. It is true that at the Cairo Conference during the Pacific War Britain and the United States promised that Formosa would be restored to China by the terms of a victorious peace with Japan, but the transfer is not legally accomplished until there is a peace treaty. In any case, the Chinese Communist party, having proclaimed treaties made with foreign powers by the "traitor" Chiang Kai-shek to be null and void, can hardly with consistency invoke in its own favour the agreement made with Chiang at Cairo.

It is, of course, a decisive argument on a longer view that Formosa formerly belonged to China and that the great majority of its population is Chinese-speaking; for this reason Chinese tend to regard all discussion of its present legal status as mere quibbling. But the Formosans did nothing to liberate themselves from Japanese rule, nor could Chinese troops have ever landed on the island after Japan's surrender without being conveyed there by American shipping and air transport. President Truman and his advisers do not see any reason in international law requiring them to allow a territory of potentially considerable strategic importance, which is not yet legally a part of China and which American arms alone took from Japan, to pass under the control of an actively hostile Chinese Government in a period of dangerous armed conflict in the Far East.

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Doctors and Drugs

Further protests have been raised by general practitioners about their capitation fee. Delegates from local medical committees decided at a private conference last week that if it became clear that there was no prospect of a satisfactory settlement with the Ministry of Health, steps would be taken to advise general practitioners to leave the health service. This sounds drastic enough, but in fact there will be no hasty action. It appears that a conference will be called in December, 1950, if a settlement has not been reached by then, and after that three months' notice of the termination of contracts will have to be given.

Nevertheless, the doctors' warnings should not be lightly dismissed. In comparing their claim for higher pay with those of other workers, one has to remember that they entered the health service before they had agreed what their remuneration should be. They had agreed in substance to the Spens Committee's recommendations, but these were based on the 1939 value of money, and the British Medical Association has never accepted the Government's decision to add only 20 per cent to net incomes in respect of the rise in the cost of living since then.

It is true that no supplementary estimates for the health service are to be allowed this year. But additional spending on one branch of the health service is possible provided that economies can be made in others. It is unlikely that cuts in dentists', chemists' and opticians' fees will produce in the current year nearly enough saving to meet the general practitioners' claim. But in drawing up next year's budget for the health service, Mr Bevan should reduce the allocations to other branches in favour of the general practitioners. They have so far come off badly by comparison with other practitioners in the service, and it is time the balance was redressed.

Mr Bevan evidently hopes to make some economies in the pharmaceutical service by eliminating the unnecessary prescribing of proprietary drugs. Last week a committee of the Central Health Service Council published a second interim report on this subject. In brief, it recommends that proprietary drugs, of proved value, for which there is no standard equivalent, should be freely prescribable, and that other proprietaries, of proved value but for which there is an equally good standard equivalent, should be prescribable provided that they are not advertised direct to the public and provided that there is some control over their price. It is this group of proprietary drugs which the Ministry of Health is now again asking doctors to refrain from prescribing in favour of the standard equivalent. Part of the trouble, however, is that the proprietary name is so much quicker for a doctor to write and remember than the formula in the British Pharmacopœia. In any case, substantial savings in the pharmaceutical service would be more quickly effected by an absolute reduction in prescribing than by eliminating unnecessary proprietary drugs. And the best way to achieve this would be to require the patient to pay a small charge.

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Quality in Education

The question of quality provides the most interesting section of the Ministry of Education's Annual Report for 1949. A chapter on this subject is an innovation, and diffident though its conclusions may be, the Minister of Education is to be congratulated on making an attempt to expand the annual account of his stewardship to include some references to one of its most important aspects. The chapter is devoted mainly to extracts from inspectors' reports: there are few objective tests on standards which can be applied over the country as a whole and these reports can only be taken as samples. Yet the pictures they give confirm the general impression that although the standard of attainment in the three Rs has still not recovered from the jolt administered by the war, the time, money and attention which is being expended on the primary and secondary modern schools as the result of the 1944 Education Act have started a chain of events within them and a scale of expenditure on them which are likely to have important consequences. In spite of shortages there has been a real advance in many areas.

On the other hand the secondary grammar schools have done little more than stand still. Expenditure per pupil has risen but only because, as the Red Queen found, it is necessary to spend more to keep in the same place. Since the relative claims of secondary modern schools and of grammar schools are confounded by partisanship it would be difficult for a Minister of Education to state the case for the grammar schools in explicit terms. He has, however, gone some way to recognise the problem of quality by saying:

> Changes in methods of selection for entry, the imminence of drastic changes in the external examination system and other less definable factors have tended . . . to produce a feeling of uncertainty among many teachers who are anxious to ensure that the highest possible standards of intellectual attainment are safeguarded.

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France and the Liberalisation of Trade

Only a short time ago France's balance of payments was the despair of its Marshall Plan associates, who feared that much of the benefit of American aid would be swallowed up by the inflated French appetite for goods. Within the past year, however, France has swung around and is rapidly

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becoming one of Europe's creditors: in 1949 the French dollar deficit was still high at $857 million, but there was a surplus with the rest of the world of $151 million which has continued to grow in the current year.

Paradoxically, this achievement has brought forth not congratulations but a new crop of complaints from some of its partners. They feel that in the process of improving its balance of payments, France is making too little progress in lifting import restrictions and is buying less than it should from its neighbours. This unwillingness to reduce import barriers is reflected in substantial mark and sterling balances and also in the failure to use up the "drawing rights" (grants) awarded to France under the European payments scheme.

For the fiscal year which ended June 30th, France was entitled to drawing rights amounting to $236,500,000. These were available for the purchase of goods from the other Marshall nations, particularly from the United Kingdom, Western Germany, Belgium and Italy. To date, France has used less than 30 per cent of these grants.

Three reasons for this abstinence are advanced by French spokesmen. First is the improved state of payments with western Europe. Second, it is argued that it would be unwise to import from Europe on a scale that could not be maintained when the support of Marshall aid is withdrawn. Increased imports through the use of drawing rights might put some French industries out of business and force the country to rely on foreign products for which it could not pay after 1952. The third is a political objection—that the grant-aided imports that are available from France's neighbours are of a kind whose appearance would infuriate politically important sections of the French electorate—e.g., peasants, who might lose profits, and workers, who might lose jobs.

This timidity is all the more unfortunate at the present time when the Marshall Plan makes it possible for the French government to finance domestic reconstruction and investment out of funds acquired by selling these gift imports. The French Treasury is chronically short of francs and has been relying heavily on the franc "counterpart" of these grants for investment purposes. By forgoing the grants, France is, in fact, sacrificing what could have been a useful start on its belated housing programme or an increase in defence forces.

Observers on this side of the Channel, where full employment as a political end is a constant preoccupation, are in no position to scoff at French fears of unemployment brought on through trade liberalisation. All the same it is difficult to forget that, for over a generation, the French have shown themselves to be among the most implacable protectionists in Europe. As long as their statesmen adhere to this policy, French declarations in favour of customs unions and international pools will not carry so much conviction as they should.

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India's Role in Asia

Delhi, unlike Cairo, has now pledged itself to back the United Nations Security Council on the Korean issue. The Indian and Egyptian delegates did not vote when the Security Council unanimously condemned the Communist aggression, because they were without instructions. This decision, while at present specifically and deliberately declared not to "involve any modification" of India's foreign policy, gives free Asia a lead from its greatest non-Communist power.

Neither the complex motives for Delhi's action, however, nor some of the remarks made by Mr Nehru, the Indian Prime Minister, during his recent South East Asian tour, permit the hope that India will make any early change in its general attitude of neutrality between the Communist and anti-Communist powers. India backed the Security Council partly because it felt that its own case in Kashmir would be weakened if it failed to condemn an aggressor. It is not following up its condemnation, like some other Commonwealth members, by sending physical aid to the Americans. The Indian lead therefore remains a limited one.

Mr. Nehru has repeatedly denied that his country seeks to give a lead at all. It is his view that Asian countries, including his own, are too weak to go to war. The only way for them to beat Communism is to provide enough food and clothing for their people, whose hunger is more important to them than the slogans of democratic freedom. "It is fantastic nonsense for anyone to think of India marching as a crusader round the world," he said in Singapore. But it is nevertheless true that many people in Asia look to India for guidance and that some of its leaders would like to give it. Mr Nehru was naturally in a difficult position during his visit to Malaya. While he condemned the Communists as roundly as his government does inside India, he could hardly give the British colonial administration unqualified support after his own people's struggle for independence. Nothing, however, would remain of all that Mr Nehru and modern India stand for, if the Communists spilled down from the northern mountains into the sub-continent. And it is a pity that those powerful forces in the Indian cabinet, which already favour a more outspoken anti-Communist foreign policy, do not assert themselves more vigorously. If they did, they would be helping to keep the world at peace.

Hyde Park and Hypochondria

People very anxious about their health generally become diseased. So our sanitary publicists have written so much about the health of the metropolis that they have all become hypochondriacs. They prate like most ill-informed anatomists about the viscera and the glands, and are quite sure that the metropolis will fall into a consumption by its lungs being stopped up. The breathing organs are their tenderest solicitude, and they dilate with diseased pleasure on the overwhelming dangers incurred by not having great breathing places and copious supplies of pure water. Just now, the proposal of the Commissioners of the Exhibition of 1851 to erect a temporary building in Hyde Park has roused into activity all their morbid apprehensions, and they labour zealously to make all the Londoners as uneasy and wretched as themselves. Hyde Park contains 387 acres; it is proposed to take about 20 acres, or something less than the 19th part of it, on which to erect a temporary building for the exhibition, and all our sanitary hypochondriacs rush at once into print to protest against "the inoculating with disease one of the lungs of the metropolis. . . ." In 1851, London will be more splendid than when visited by the sovereigns after their triumphs over Bonaparte, or at the magnificent coronation of her Majesty. From all parts of the world people of fortune will bring their tributes to our industry, and enrich our people. Such plethora of wealth is a source of dreadful alarm to uneasy people and dyspeptics, and they will on no account allow twenty acres of Hyde Park, close to Kensington, to be appropriated to the purpose. We invite all the world to contribute to our enjoyment, our instruction, and our aggrandisement, and our idle and our apprehensive gentlemen are filling the country with terror at appropriating twenty acres out of the 1,568 acres of park about the metropolis to the purposes of the exhibition. If the cavils do not proceed from disease they are very paltry.

The Economist
July 6, 1850

A figure too round to remember

You can print in words, thus: *One million pounds sterling.*

Or you can *figure* it out: £1,000,000.

Or you can use the economists' compromise: £1m.

But why harp on a million? Because it is one of those too-round-to-remember figures we want you somehow to keep in mind. A million sterling is what Associated Electrical Industries spend every year on experiment and research. And another round figure, in thousands, this time . . . 2,000 men and women devote themselves in the laboratories of the A.E.I. companies to probing into the secrets of nature, seeking continually to improve the making and using of electricity. For Associated Electrical Industries are not content to rest on 50 years' experience: they look for new designs, new worlds to conquer. And this Million (or £1,000,000 or £1m.) is their yearly investment in the scientific possibilities of tomorrow.

WHAT DOES IT ADD UP TO?

Amount spent on research every year	£1,000,000
Area occupied by research (sq. ft.)	600,000
Research staff	2,000
Designers	3,000
Output per year	£50,000,000
Exports per year	£15,000,000

COMPANIES OF THE A.E.I. GROUP
The British Thomson-Houston Co. Ltd.
Metropolitan-Vickers Electrical Co. Ltd.
The Edison Swan Electric Co. Ltd.
Ferguson Pailin Ltd.
The Hotpoint Electric Appliance Co. Ltd.
International Refrigerator Co. Ltd.
Newton Victor Ltd.
Premier Electric Heaters Ltd.

It all adds up to AEI

Associated Electrical Industries

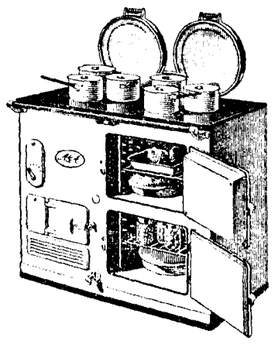
ONLY AGA

Regd. Trade Mark

Gives you all these NINE advantages in ONE combined cooker and water heater

1. Burns *unrationed* coke and thus serves you independently and at full efficiency every day and at all times.

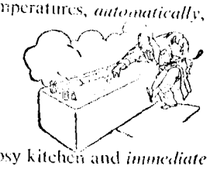
2. Fuel consumption *guaranteed* not to exceed 3½ tons a year; costs less than £4 . 7 . 6 a quarter for all your cooking and bath water, or less than 1/- a day.



3. The largest true boiling and simmering plates of any cooker on the market. Two enormous ovens (one roasting : one simmering).

4. Thermostatically controlled to maintain hotplates and ovens at the required cooking temperatures, *automatically*, without knobs or switches.

5. Gives you 3 *piping hot baths* a day and lashings of washing-up water all day long.



6. Stays in all night to give you a cosy kitchen and *immediate service* from first thing in the morning till last thing at night.

7. The shiny, vitreous, enamelled surfaces are cleaned in a moment with a damp cloth. *No moving parts to remove and scrub.* No flames to blacken utensils. No smoke or fumes. Nothing to burn out. Absolutely *safe*.

8. Every Aga is *guaranteed for 10 years*. In fact the Aga, with its massive chrome-steel fire-unit, lasts a lifetime.

9. Available on *Hire Purchase* over periods of up to 5 years but, by its saving of fuel, in most households it creates its own instalments.

Send to-day for free, 26-page "Saga of the Aga", fully illustrated in colour, dealing with all Aga models and including kitchen designs by a leading expert. Write to: Aga Heat Ltd., 34/4 Orchard House, Orchard Street, London, W.1. *(Proprietors: Allied Ironfounders Ltd.)*

2/6d. A DAY BUYS THE AGA AND PAYS FOR ITS FUEL

every morning at 11.50 to **Milan and Rome**



Every morning at 11.50 Alitalia aircraft leave London airport, fly direct to Milan and Rome. At Milan you have good connections for Venice the Dolomites, Rapallo, San Remo and the Lakes.



FLY luxuriously in *4-engined* aircraft. Aboard you are served Italian wines and food free of charge; you enjoy the natural, lively welcome of the most hospitable airline in the world.

Return fares: LONDON - MILAN £47.16.0. LONDON - ROME £57.12.0. (*Special 23-day excursion to Rome £50*). Book now at any travel agent; or at Dorland Hall, Regent St. London, S.W.1. (WHItehall 9288 or GERrard 9833 ext. 322)

ALITALIA

ITALIAN INTERNATIONAL AIRLINES

In association with British European Airways

PEERS AND M.P.s ... wave of lawlessness

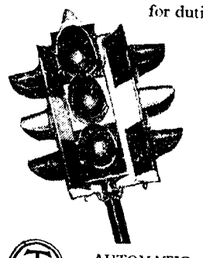
CRIME ALARMS PARLIAMENT

Police overworked

Traffic duty policemen can do very little to combat the crime wave.

The most effective deterrent is the man on the beat.

Electro-matic Vehicle-Actuated Signals can take care of the traffic anywhere. No intersection is too difficult or too complex. Every traffic point thus equipped means the release of valuable trained men for duties where the human element is essential.



INSTALL

ELECTRO-MATIC VEHICLE ACTUATED SIGNALS

AND PUT THE POLICE BACK ON THE BEAT

AUTOMATIC TELEPHONE & ELECTRIC CO. LTD., Strowger House, Arundel Street, London, W.C.2. Phone: TEMple Bar 4506. Grams: Strowger, Estrand, London. Strowger Works, Liverpool, 7.

A.10332-AQ23/85

Letters to the Editor

Korea and the Charter

Sir,—In "Notes of the Week" for July 1st there appear, under the heading "The Charter in Action," the following two sentences:—

> "The Security Council put to the test over Korea has this week worked as it was designed to work. After years of service, chiefly as a propaganda platform, it has risen to an emergency. . . ."

No one will deny the accuracy of the first sentence. It is most heartening to see the Security Council "work as it was designed to work." But the impression conveyed, at least to me, by the second sentence that this is the first such occasion, is somewhat unfair. The Security Council, in the course of its short life of just over four years, has previously worked in a number of cases as it was designed to work. Its resolutions in the cases of Soviet troops in Iran and of British and French troops in Syria and the Lebanon brought concrete results. These troops were removed and with them a potential source of hostilities was overcome. Its cease-fire orders in Indonesia, in Kashmir and in Palestine all achieved the positive and immediate result of bringing fighting to a halt. Surely never before in the history of international relations had such a resounding moral victory been won? Were these not examples of moral sanctions? Yet your Note claims that the

> "Council has no previous experience of applying sanctions other than those of publicity and remonstrance."

It is perfectly true that the Security Council has been used for propaganda purposes and that the Council chamber has often been filled with hot air, as I can personally testify. The culprits have generally been the USSR and its associated satellites. Nor have they confined their propaganda efforts to the Security Council but have used their membership of all United Nations' organs for this purpose. Yet, despite this evil practice, the Council has been able to progress and successfully to achieve concrete results. The hot air has been displaced by the cool breeze of reason and sanity and by the intention of the majority to fulfil the purpose for which the Security Council was designed.

The sanctions adopted in the case of Korea, on the Secretary General's initiative, were the most significant step forward which the United Nations has ever taken. It is important to remember that this was not the first.—Yours faithfully,

JOHN A. KEYSER

London

The Wafd Replies

Sir,—May I, as a constant reader of your paper and a member of the Wafdist Organisation, be permitted to make a few comments upon the article published in your issue of June 24th, in which you describe the recent promulgation of the decrees affecting a number of appointed senators belonging to the minority parties as "an act of political racketeering"?

Such Egyptians as have always looked upon *The Economist* as a sober and reliable publication deeply regret that you have deemed fit to interfere in a strictly internal matter upon which, from the necessarily meagre information at your disposal, you are not able to pronounce a sound verdict.

You further assert that the new senatorial appointments hardly encourage the belief that they are intended to safeguard the interests of the "man in the street." Nothing can be further from the truth. The object of having a certain proportion of the members of the Upper House appointed is to ensure the representation of all classes of the population.

Nor can a charge of departing from democratic principles be levelled against the Wafd who, during their comparatively short tenure of office, have actually promulgated such legislation as ensures labour welfare, free education and social security, the latter Bill, without precedent or parallel in the whole East, being a bold attempt to raise the standard of living.—Yours faithfully,

Alexandria AHMED SHAFFEI

Administrative Tribunals

Sir,—In a reference to administrative tribunals, you remark that the attitude still prevails that it is the convenience of Government departments which has priority. I have tended to take a more charitable view, but a recent personal experience of the working of one of them unfortunately lends support to this attitude.

The tribunal was one attached to the Ministry of National Insurance, and the relevant facts are these. I was insured under the old health insurance scheme until January, 1947, when my salary passed the £420 maximum; I re-entered insurance under the new scheme in July, 1948. In January, 1950, I was ill, applied for benefit, and was refused on the ground that the "Contribution Year" regulating benefit for that month was July, 1947-July, 1948, during which period I had paid no contributions. Now, under the National Insurance Act, a "Contribution Year" regulates benefit for a "Benefit Year" beginning 5 months after the contribution year ends, so that the maximum period that should elapse, after entry into the scheme, before benefits are payable, is 17 months. My sickness fell in the 19th month after my re-entry. The reason for this anomaly is as follows. Under the old scheme, the approved societies all collected the contribution cards at the beginning of July each year; now that the administration has been centralised, the Ministry has found it convenient to stagger the collection over the year. As I fell into Group C, the date of the exchange of my card was put back to September, and the first contribution card covered 61 weeks; by ill-chance, my sickness occurred just in the period that was squeezed out by this alteration.

This is a simple administrative anomaly. I therefore launched an appeal on the ground that mine was a case in which a "suitable modification," in accordance with the regulations, should be made, and in due course I appeared before the tribunal. This body quickly decided that the case was one of dispute as to whether the contribution conditions had been satisfied, and should accordingly be referred to the Minister for decision. This done, they proceeded to explain that the Minister would turn down the appeal (which he has done) and sought to convince me that this was the proper course.

From a cloud of general arguments, there emerged two clear points. The first was agreement that, had the luck of the draw given me an A or a B suffix, I would have been entitled to benefit, and that the provision in the regulations is designed to deal with anomalies of this type. The second point, however, was that the provision is only applied in the case of persons who entered insurance for the first time in July, 1948. In answer to my inquiry as to why persons previously insured should be discriminated against, the answer was given that if the picture is looked at as a whole, they are not; if, for instance, I had failed to recover, my widow (if I had a widow) would be much better placed than a widow of someone who had entered insurance for the first time in 1948. In fact, what we lose on the roundabouts, we gain on the swings.

I have since received a letter from the Ministry repeating most of these arguments, though they are quite unconvincing and would not in any case answer the main point. This is quite simply that the Ministry has staggered the collection of cards to suit its own convenience, and has an obligation to see that no part of the insured population suffers from this action. This it has failed to do. What one expects of the tribunal to which one appeals is simply that, if it cannot give a verdict in one's favour, it will comment on the matter in such a way as to lead the Ministry to alter its regulations. Instead, the tribunal that heard my case behaved entirely as a public relations department of the Ministry. Not content with this, it went on to suggest that I might pay voluntary contributions for the period when I was not insured, and that a payment of only £5 or £6 in this way would entitle me to my 26s. benefit.—Yours faithfully,

A. H. BIRCH

468 Moss Lane East, Manchester 14

Books and Publications

Roosevelt's Mephisto

I Was There. By Admiral William D. Leahy. *Gollancz.* 542 pages. 25s.

At Yalta, on a prandial occasion, Admiral Leahy was toasted by Mr Molotov, he tells us, as "the permanent member of all international conferences." That gives the measure of his important role as Chief of Staff to the President from the summer of 1942, when his mission to Vichy ended, to the Potsdam Conference, continuing in this unique position until March, 1949. He was present at all the Allies' political and war councils of 1943-44 — Washington, Quebec, Cairo, Teheran, Quebec again—and attended, at his chief's request, all the political meetings at Yalta. A full account of what went on behind the scenes, based on the author's day-to-day jottings and evidently filled out by careful reference to the documents, ought to have yielded a really important book of memoirs. That it has not done so can be attributed not merely to the fact that others have stolen his thunder but chiefly to the tough-grained, not to say unpleasing, personality of the man himself. The contrast, for example, of the Admiral's pride and prejudice with Robert Sherwood's presentation of the Hopkins papers is glaring.

His pride is a naive old-fashioned patriotism. One hundred per cent Americanism is for him the highest criterion. This is how he pays tribute to his two Chiefs:—"Both will, in my opinion, be recorded in history as having been completely devoted to America." The war was fought and won by that superb strategist, the President, and the Joint Chiefs of Staff, almost he seems to say, in despite of the nations that were America's allies. Naturally, we hear, in the final pages, of the "dramatic and expensive *American* airlift." His prejudice extends from the normal restricted professional angle of vision of an old sea-dog—he was suitably shocked by Mr Truman's decision to use the atomic bomb—to a "psychopathic dislike of England" (the phrase he applies to Darlan) which may, of course, derive from Irish ancestry. Time and again he seems to have been conducting a private war against the British.

There is a great deal in his memoirs about high strategy, especially in the Pacific area which, obviously, interests him more than decadent Europe. With his fixation about British imperialist designs he attributes Mr Churchill's views, when they differed from his own, to the idea that Britain must have exclusive control of the Mediterranean and sees the British leader concerned more with Britain's peace aims than with defeating the enemy. And he paints a picture of Stalin and Roosevelt "getting along fine" by mutual accommodation at Yalta until the "negotiations" with General Wolff for a military surrender in Italy, authorised by Field Marshal Alexander, revived the Russians' suspicion that the Allies were intent on making a separate peace with Germany. That the Russians had their own plans for the post-war world never seems to have crossed his simple mind.

For the Vichy mission Admiral Leahy had no particular qualifications. His French was rudimentary, his knowledge of French politics almost nil, and tact was certainly not his strong point. But he could, it was hoped, get the confidence of Pétain and Darlan, and, within its limits, his mission was a success. The fact that Mr Churchill also kept the line open to the Marshal, through the Canadian Minister to Vichy, is never even mentioned, nor is there any appreciation of the big risks involved in the American policy towards Vichy. Instead, the reader is treated to all manner of contemptuous references to de Gaulle, who figures as the catspaw of Britain.

While much of what the Admiral tells us cannot fail to be interesting—not for nothing was he appointed by the President to be his "watch-dog"—this "former naval person" was about as suited to the complexity and subtleties of international politics as Mr Anthony Eden would be to the simple blatancies of an American football game. One feels that Mr Roosevelt, with uncanny self-knowledge and a certain impish delight, must have chosen Leahy deliberately as a foil to his own generous idealism, to play Mephisto to his Faust.

Encyclopaedic Economics

Principles of Political Economy. By Carroll R. Daugherty and Marion R. Daugherty. *Houghton Mifflin.* 1125 pages. Two volumes. $8.00.

This compendious work might well be sub-titled "what every young economist should know." Its 1,125 double-columned pages contain a comprehensive exposition of modern economic theory in all its ramifications, lucidly written and incorporating all the tools in the economist's box except mathematics. The central concern is with economic welfare; the exposition proceeds by the construction of hypothetical economic systems. Successive sections deal with the isolated frontier household, barter, pure competition, monopolistic competition, oligopoly, monopoly, and authoritarian economics; these models reappear in a section on multi-national systems. In each section the argument moves from partial to general equilibrium, and thence to dynamic problems. At each stage the foundation is laid for later analysis: the basic national income concepts, for example, emerge in the chapters on the frontier household. At each stage, too, the tools and the schools are fitted neatly into place; perhaps the neatest trick is a synthesis of liquidity preference and loanable funds theories of interest.

Once developed, the theoretical technique is applied to an analysis of the American, Russian, and British economies and the structure of world trade. Here the treatment is slightly uneven. The chapter on Britain for example errs in both fact and emphasis; it is nevertheless an interesting if somewhat patronising attempt to evaluate Labour's achievements in terms of the concepts of welfare economics.

All in all, this is one of the best textbooks to appear in recent years. It has its faults: there are technical errors in analysis, notably in international trade theory; undue reliance is placed on Professor Lerner's rather tarnished Rule; the authors incline towards collegiate slang and the coinage of unlovely neologisms; and in the background is a none-too-subtle faith in the superiority of the American way of life—Republican version. But the solid merits of clear style, deft technique and logical argument compensate for such minor blemishes. The only really dismaying feature is the length. No one who has access to a good library could honestly be advised to read it through; and since it will tend to be used as a reference book rather than as a text, it is regrettable that the authors have followed current fashion in omitting any bibliography of their sources.

The Finnish Spirit

Finland: The Adventures of a Small Power. By Hugh Shearman. Published under the Auspices of the London Institute of World Affairs. *Stevens and Sons.* 114 pages. 10s. 6d.

Mr Shearman has produced a well balanced, lucid and remarkably full account of the development of the Finnish nation. This he traces from its earliest obscure origins through the period of Swedish or Russian domination to the present day. The greater part of the book is rightly devoted to the last fifty years or so, the time of Finland's travail, birth and growth as a nation. The account of the restless last decades of the Grand Duchy of Finland is particularly good. It shows how well developed already were the dominant themes of Finnish politics—the determination to achieve, and maintain, political independence, and the struggle against hardship and poverty—so liable to be transmuted in times of crisis to a conflict between classes or between town and country.

This latter motif, if somewhat weaker, is more pervasive than the resolve to resist the encroachments of Russian power. It explains to a large extent the

no late nights...

Some thoughts on choosing an advertising agency

An early (novelist's) conception of an advertising agency was that of a one-man band run by a "card"—a forceful character who thought of the ideas, the slogans and even did the sketches—all by himself.

A later (film) notion was of a cocktail party kind—bright young writing men and clever girl artists; contact men, entertainment, good shows, late nights....

Some of us sigh for the times we never had, but a real life visit to a first-class advertising agency today reveals a group of specialists experienced in many fields. You see a close-knit organisation with well-planned methods of operation, marshalling trade facts, examining competitive trends, analysing clients' problems; with the ideas-men holding a watching brief until everyone agrees what the idea should be about.

Only then, when the message *behind* the advertisements has passed the test of many minds, are writers and artists left to interpret it in terms of interest to the public—to dramatise, to make memorable, striking. It is quite remarkable what they can do, for instance, with a simple trade message like "look for the name Morley".

The choice of an advertising agency is a matter that calls for a thorough assessment of the resources of the agency under examination—the extent of its services, its experience, its talents, its people. *We of the Pritchard, Wood organisation invite such examination and suggest, as an interim measure, that those interested may care to write for a copy of our new prospectus entitled "Choosing an Advertising Agency", which tells more about our outlook and the way we work.*

F. C. PRITCHARD, WOOD & PARTNERS LTD

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25, SAVILE ROW, LONDON, W.1 · REGENT 7080 (16 LINES)

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1924 **Imperial Tobacco Company**
W. A. & A. C. Churchman
Churchman's No. 1 Cigarettes

1925 **Polytechnic Touring Association Ltd.**
Poly Tours

1926 **Johnson & Johnson (Gt. Britain) Ltd.**
Baby Powder, Baby Lotion, Band-Aid

1927 **Halex Ltd.** *Toothbrushes, Hairbrushes*
Pilkington Brothers Ltd.
Constructional Glass

1931 **Newton Chambers & Co. Ltd.**
Izal Disinfectant, Sanizal
Izal Toilet Rolls, Zal Pine
James Pascall Ltd. *Pascall's Sweets*

1932 **Austin Reed Ltd.** *Men's Outfitters*
Troughton & Young Ltd. *Electrical fittings*

1934 **Heal & Son Ltd.** *Furniture, Furnishings*
Bayliss, Jones & Bayliss Ltd.
Ironwork and Steelwork

1936 **I. & R. Morley Ltd.**
Stockings, Underwear, Gloves

1938 **Geo. G. Sandeman, Sons & Co. Ltd.**
Port and Sherry

1939 **Samuel Hanson & Son Ltd.**
Red, White and Blue Coffee

1940 **Aluminium Union Limited** *Aluminium*
Train & McIntyre Ltd.
Old Angus Whisky

1941 **Tube Products Ltd.** *Tru-Wel Steel Tub*

1943 **Glyn, Mills & Co.** *Bankers*

1943 **Ultra Electric Ltd.** *Radio and Televisio*
British Ironfounders Association
Trade Association

1944 **Northern Aluminium Company Ltd.**
Aluminium and Aluminium Alloys
Ashdowns Ltd. *Plastics*

1946 **Eugene Ltd.** *Permanent Waving*
Lever Bros. & Unilever Ltd.
Hudson & Knight Ltd.
Shavallo Shaving Cream
J. & E. Atkinson Ltd.
Skin Deep Beauty Cream

1947 Hudson & Knight Ltd.
Solidox Toothpaste

1946 **Jowett Cars Ltd.**
Javelin Cars and Bradford Vans

1947 **Ministry of Fuel & Power**
Glaxo Laboratories Ltd.
Ostermilk, Farex

1948 **The Brewers' Society.**
Professional Hairdressing Development Group
Men's Hat Promotion Ltd.
Hatters' Information Centre

1949 **Autocheques Ltd.** *Motor Touring*
British Transport Commission
Commercial Advertisement Division
Road Haulage Executive
The Nestlé Co. Ltd. *Milo Tonic Food*

1950 **W. C. Youngman Ltd.**
Bathroom Fittings

'Periscope'

A NEW FEATURE

IN FINANCIAL JOURNALISM

HAROLD WINCOTT

most penetrating of financial commentators writes in

THE

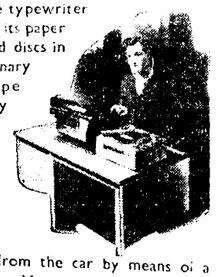
FINANCIAL TIMES

EVERY TUESDAY beginning JULY 11



....DICTATE IT HERE

You can take the "Recordon" into Committee or the board room; take it home for urgent work like a portable typewriter or send its paper recorded discs in an ordinary envelope safely through the post.



TYPE IT THERE....

It will work as well in your home as in your office and when on the road you, or your travellers, can use it from the car by means of a special converter which we will supply. May we send you our fully descriptive folder or better still arrange for a demonstration in your own office?



'RECORDON'

....DOES IT EVERYWHERE

"Recordon"—the first magnetic dictating unit. Use it anywhere, take it everywhere—"Recordon" is the only self-contained dictation-transcription unit of its kind.

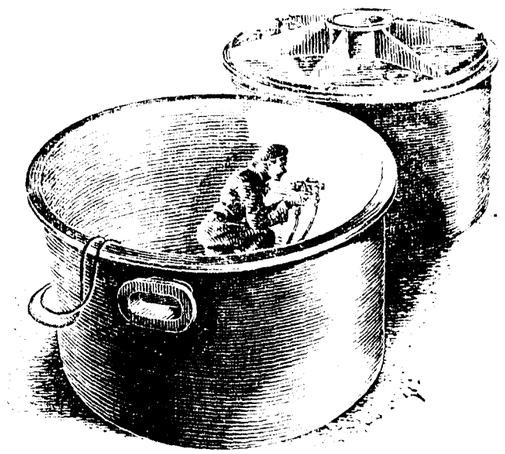
Microphones and Receivers extra, depending on the type required. **£49.10.**

THERMIONIC PRODUCTS LTD.

Morris House, Jermyn St., London, S.W.1

Telephone: Whitehall 6422 (5 lines)

It took 157 years



For seven generations Newton Chambers have been making tanks and vessels of all shapes and sizes in their Thorncliffe works. It was therefore a natural development that they should have been among the first to introduce plastic lined tanks which were acid-proof, solvent-proof, and resistant to nearly all chemicals. In this and in many other projects, the experience of 157 years, flourishing within the stable Thorncliffe community, enables Newton Chambers to produce goods of an unremitting high quality.

Newton Chambers

& COMPANY LIMITED OF THORNCLIFFE, SHEFFIELD

IRONFOUNDERS · ENGINEERS · CHEMICAL MANUFACTURERS

dour obstinacy of Finnish politicians who, feeling that they cannot afford a compromise, withstand each other manfully until the sudden realisation of the need to withstand a greater external threat brings them together for a while.

After reading Mr Shearman's account of conditions in Finland a generation or so ago, one is less surprised at this attitude. The Finnish attitude towards the belligerents in the two World Wars also becomes more comprehensible after a perusal of this book, which does not, however, bring out adequately the enormous cost to Finland of the second war. Nor for that matter does Mr Shearman mention the potent psychological effect of reparations payments which, as every Finn knows only too well, afford to Russia legal means of exercising illegal political pressure. Indeed it is almost certainly this knowledge which has called forth the remarkable efforts whereby reparations have so far been punctually paid. In this and other respects the last few pages of the book—together with the two quite inadequate maps reprinted from another work—are the weakest parts of an excellent whole.

A Dreary Catalogue

The American People and Foreign Policy. By Gabriel A. Almond. *Harcourt Brace, New York.* 269 pages. $3.75.

"When we examine the current scholarly output of political science," says Mr Almond, "the shortcomings of at least this sector of the academic elite become disturbingly clear." These shortcomings include a distressing addiction to "historical and descriptive" treatments and a woeful neglect of "basic social, psychological and economic factors"—at least in the field of international relations. Any reader who has bruised his perceptions upon the 250 odd pages of Mr Almond's own contribution to this field will have no difficulty in extending the catalogue still further. Here we have a book emanating from a distinguished American university, and dealing with a theme of central importance. True, it is a topic which has attracted many pens and perhaps it is too much to hope that the Yale Institute of International Studies would have anything to say on it which had not already been said before. Perhaps, therefore, the author is to be forgiven the chapter in which he collects indiscriminately the assessments of the American character made by observers from Tocqueville to Gorer, and feeds them into a kind of socio-psychological totalisator designed to give the odds on American public opinion. A similar indulgence may perhaps extend to the dreary analyses of public opinion polls from 1935 to the present day, based on the assumption that all such findings, whether conducted for their news value or on a serious academic basis, can be regarded as equally reliable and informative.

But when the author leaves these well-worn pavements to blaze a trail of his own, judgment and meaning alike disappear in a jungle of lush, super-tropical jargon which defies the hardest pruning knife. "Opinions must be placed in their subjective matrices of values and basic attitudes if we are to gain an impression of their stability, ramifications and possible future development." "At the level of basic attitudes there is largely an unconscious consensus of feelings with regard to values and of reactions regarded as suitable in response to certain political cues." Is this kind of cuttle-fish effluvium the word-magic that is going to revivify the study of society and inspire the "policy-making elite" of America? It costs, on good paper between dove-grey boards, three dollars and seventy-five cents.

Shorter Notices

Readings in the Theory of International Trade. American Economic Association Series. *Allen and Unwin.* 675 pages. 30s.

This fourth volume in the Blakiston Series of Republished Articles on Economics, published in America last year, has already been warmly welcomed by serious students and teachers in this country. The policy of thus "bringing together, field by field"—to quote the preface—key texts which would otherwise be difficult or impossible of access to the reader is obviously a good one; coupled with a comprehensive and systematic article bibliography, the papers here reproduced provide an indispensable survey of modern theory from 1923 ("The Theory of International Values Re-examined," by Frank D. Graham) to 1947. Empirical and factual articles are excluded, as are those of special and narrowly delimited subject matter. This high level of abstraction does not exclude an often uncanny relevance to stop press actuality; Mr J. J. Polak, analysing in 1943 the "Balance of Payments Problems of Countries Reconstructing with the Help of Foreign Loans" appears to have had a prophetic telescope trained on the Europe of 1950; and much the same may be said of the article on "International Relations between State-Controlled National Economies," by Professor Jacob Viner, first published in 1944.

Social History and Literature. By R. H. Tawney. Published for the National Book League by *Cambridge University Press.* 39 pages. 2s. 6d.

The annual lecture of The National Book League, which has been delivered since its inception by Lord Samuel, Sir Richard Livingstone, Earl Russell, Mr G. M. Trevelyan and the Poet Laureate, is becoming an impressive addition to the intellectual calendar. Mr R. H. Tawney's lecture for 1949 raises the standard even higher, as well as providing a rostrum for one whose voice is heard nowadays only too rarely. His exquisite tracery of thought on the relation of literature to the social environment which produces it is, as one would expect, grounded in examples from the Elizabethan age. The lecture is as entertaining to read as it must have been hard to follow when delivered, since a Jamesian arrangement of subordinate clauses is shot through with a tracery of tantalising but obscure quotations. For the reader with leisure and intellectual vitality—that paragon at whom the enthusiastic reviewer sets his cap—who is seeking for a new field of pleasure and excitement, Mr Tawney has provided a set of guideposts leading down enticing but well-metalled roads.

Etudes sur la banlieue de Paris. *Armand Colin, Paris.* 175 pages. 350 fr.

These "methodological essays" published by the *Foundation Nationale des Sciences Politiques* consist of studies of the Paris suburbs by M. Pierre George, M. Maurice Agulhon, M. L. A. Lavandeira, M. H. D. Elhai and Madame R. Schaeffer. The four specialised studies are, respectively, on political opinion in the Commune of Bobigny between 1850 and 1914; on the phenomenon of "commuting" by workers between their home town of St. Maur-des-Fossés and other communes in the Paris area; on life in tenements built by the government at Aubervilliers, and on the living conditions of the employees of a factory at Montrouge. These studies are preceded by an essay by M. Pierre George on the subjects of suburbs in general. M. George, who is Professor of Human Geography at the Sorbonne gives in his preface a most interesting sketch of the impetus of Parisian development whereby financial and industrial concentration brought into being a new administrative class which occupied the centre of the city and drove the truly productive elements into the suburbs.

The kind of sociological study which this book contains is well suited to the French temperament which is perhaps most sympathetic and human when in a state of intellectual detachment. Thus the French *enquête* about particular human conditions has never the stodginess and pomposity of similar investigations undertaken in certain other countries. The Parisian *banlieue* with its sharply differing local characteristics provides, moreover, a rich and fascinating field.

The Journal of Criminal Science. Volume 2. Edited by L. Radzinowicz and J. W. C. Turner. *Macmillan.* 217 pages. 18s.

The second volume of this excellent series, which is being published under the aegis of the Department of Criminal Science at Cambridge, is a collection of essays on different aspects of the Criminal Justice Act of 1948. The essays are authoritative and describe the many changes which the Act has introduced, especially in the treatment of offenders. Miss Margery Fry, for instance, sets out the few differences which the Act has made to the Borstal system and criticises the many weaknesses which remain. Dr Max Grünhut clears up the confusion which still exists between "correctional training," which is a form of Borstal sentence for offenders over the age of 21, and "preventive detention," which is a sentence which can only be given to persistent offenders over the age of 30 and which is primarily designed for the protection of society. Sir Norwood East examines the changes which the Act has introduced in assessing the mental condition of accused persons and in the treatment of abnormal prisoners. There is also an entertaining article by Chief Superintendent Cherril of New Scotland Yard on how the law now stands with regard to the taking and recording of finger-prints.

All in all, this volume is a useful contribution to criminology. Like its predecessor, it concentrates too much perhaps on the prisoner and not enough on crime in general. The behaviour of criminals and the effect the new Act is having on their activities is at least as important a subject as the treatment of prisoners. An examination, say, of crimes of violence should merit a high place on the editors' list of subjects for their next volume

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RESOURCES		LIABILITIES		
Cash and Due from Banks	$1,199,628,369.08	Deposits		$4,298,936,909.82
U.S. Government Obligations	1,671,781,138.39	Dividend Payable August 1, 1950		2,900,000.00
State and Municipal Securities	170,573,972.39	Reserves Taxes and Expenses		15,268,644.02
Other Securities	155,998,291.09	Other Liabilities		11,508,560.91
Mortgages	35,073,960.72	Acceptances Outstanding	$23,975,167.11	
Loans	1,404,655,407.45	*Less:* In Portfolio	4,696,152.44	
Accrued Interest Receivable	10,639,311.19			19,279,014.67
Customers' Acceptance Liability	18,137,871.25	Capital Funds:		
Banking Houses	29,119,285.71	Capital Stock (7,400,000 Shares $15 Par)	$111,000,000.00	
Other Assets	2,141,404.78	Surplus	189,000,000.00	
		Undivided Profits	49,795,882.60	
				349,795,882.60
	$4,697,749,012.02			$4,697,749,012.02

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ASSETS

Cash, Gold and Due from Banks		$1,164,389,432
United States Government Obligations		1,800,934,857
Obligations of Other Federal Agencies		33,413,871
State and Municipal Securities		386,328,935
Other Securities		100,913,308
Loans and Discounts		1,333,230,909
Real Estate Loans and Securities		1,220,448
Customers' Liability for Acceptances		20,836,361
Stock in Federal Reserve Bank		7,500,000
Ownership of International Banking Corporation		7,000,000
Bank Premises		27,737,876
Items in Transit with Branches		18,606,117
Other Assets		4,119,955
Total		$4,966,232,069

LIABILITIES

Deposits		$4,593,527,436
Liability on Acceptances and Bills		
Less: Own Acceptances in Portfolio	$35,299,255	
	13,643,923	
Due to Foreign Central Banks (In Foreign Currencies)		21,655,332
Reserves for:		
Unearned Discount and Other Unearned Income		7,596,200
Interest, Taxes, Other Accrued Expenses, etc.		
Dividend		9,839,223
Capital (6,200,000 Shares—$20 Par)		26,567,049
Surplus	$124,000,000	2,635,000
Undivided Profits	126,000,000	
	54,411,829	
Total		304,411,829
		$4,966,232,069

Figures of Overseas Branches are as of June 25, 1950.

$314,724,210 of United States Government Obligations and $7,967,300 of other assets are deposited to secure $244,429,002 of Public and Trust Deposits and for other purposes required or permitted by law.

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AMERICAN SURVEY

Strange Bedfellows

(From Our American Staff)

THE last Sunday and Monday in June were uneasy days in Washington. Everyone recognised that a warning from the Security Council was a necessary preliminary to any action, but there was a fear that the action, when it came, might take the form of "all aid short of help" accompanied by the explanation that South Korea was, as it was known to be, outside the American defence line. Mr Truman's temporising statement on Monday increased the unease; phrases like "our concern over lawless action" and "our sympathy and support for the people of Korea" had a too-familiar ring. "Thus the pattern appeared to be," wrote the *New York Times*, "to avoid any semblance of direct military intervention . . . ." That evening Mr Elmer Davis said in his broadcast that "all of us who are old enough to remember twelve or fifteen years back feel tonight as if we were hearing a familiar piece of music played by a new orchestra, under a new conductor, but with the same interpretation. . . . So here it begins again; the old game . . . as Hitler used to play it."

"Forward"



Herblock in the *Washington Post*

Then on Tuesday morning word spread that the President would make an important announcement shortly after noon, and in a few minutes the waiting room at the White House was filled with reporters; many of them, grown cynical after their experiences in London, Paris, Berlin and Rome a dozen years ago, refused to believe a democracy was capable of acting before it was too late. But when the statement came the old pattern had been broken; Mr Truman was not going to be a Chamberlain. "Never before," Mr Joseph Harsch said in the *Christian Science Monitor*, "have I felt such a sense of relief and unity pass through this city. . . . I have never seen such a large part of Washington so nearly satisfied with a decision of the government." In the next two days it became clear that the sense of unity was not confined to Washington; it covered the country.

One of the most interesting by-products of the crisis has been, as the *Washington Post* pointed out, "a general exchange of bedfellows all over the place." Into the larger bed, where the President's supporters lie, hastened, of course, such people as Mr Dewey, who telegraphed his whole-hearted agreement, Mr Herbert Hoover, who lectured his party on the need for unity of purpose and action, and those Republicans in Congress who understood what he was talking about. More surprising, Mr Henry Wallace was seen at least fingering the sheets. The Korean incident has come as a godsend to some left-wing idealists, who had been imprisoned in their pasts and who at last saw a way of escape, and to others who had been edging their way through the door opened by Marshal Tito and were now able to come out into the daylight.

But it is the opposition bedfellows who are more interesting. Mr Marcantonio, the fellow-travelling Representative from New York City, thinks that the President has "usurped the powers of Congress by declaring war without its consent" and so does the *Chicago Tribune*, which says that Mr Truman's statement was an "illegal declaration of war." Applying the principle of guilt by association, as the *Washington Post* remarked, one might refer to the *Tribune* as "the prairie edition of *Pravda*." But the attitude of the Far Right, which has been deserted by the Scripps-Howard and Hearst papers and even by Mr Fulton Lewis, its most dependable radio voice, and of the Far Left, deprived of Mr Wallace's leadership, would hardly matter if they were not supported in the Senate by certain prominent Republicans.

A small group, of which Senators Taft, Wherry and Millikin were the most prominent, took it upon themselves to perform the functions undertaken during the Hitler period by Laval, Flandin and Georges Bonnet. They gave formal support to the President's position while industriously trying to undermine the foundations on which that position was built. On Monday—while Mr Truman, alone as only the President of the United States can be, was making the hardest decision of his life—Senator Millikin came out of a meeting of the Republican Policy Committee to announce that the United States had "perhaps a moral commitment to help the Koreans help themselves, to wit, with supplies"; but that the committee was "unanimous that the incident should not be used as a provocation for war." Twenty-eight of the forty-two Republican Senators were at the meeting and Mr Millikin's announcement can hardly have helped the President. Mr Truman must have felt better, however, when Senator Margaret Chase Smith, who had attended the meeting, showed something less than unanimity by announcing

that "now is the time for the United States to stand up against the Communist aggression that threatens the peace of the world."

It remained for Senator Taft, who has been engaged for some time in dispelling the rumours of his ability and intellectual honesty, to provide two supreme examples of the purely destructive attitude of the right wing of the Republican Party, though he was obviously trying, in his usual half-hearted way, to be less negative than in the past. "I shall discuss," he said, "the question of whether the President is usurping his powers. . . . My own opinion is that he is doing so; that there is no legal authority for what he has done," echoing *Pravda*, the *Chicago Tribune* and Representative Marcantonio. Then the Senator announced his support of what others recognised as the most courageous action by a democratic leader within memory, in the most discouraging words he could find. "It seems to me that the time had to come when we would give definite notice to the Communists that a move beyond a declared line would result in war. . . . It seems to me that the new policy was adopted at an unfortunate time. . . . I believe the general principle of the policy is right. . . . I feel that we must back up our troops with unstinted support. . . . Whether the President chose the right time for his new policy, or the right place . . . his action unquestionably has brought about a *de facto* war. . . . He has brought that war about without consulting Congress."

*

And then, in an effort to help his President in a crisis, Mr Taft added, in the face of all the known facts, that "any Secretary of State who has been so reversed by his superiors . . . had better resign and let someone else administer the programme to which he was, and perhaps still is, so violently opposed." Two days later Senator Wherry also demanded Mr Acheson's resignation. Senator McCarthy's monologue on the subject, of course, continued, but he is one of the pleasant casualties of the Korean war that, as Mr James Reston pointed out in the *New York Times*, "has finally overwhelmed the atmosphere of McCarthyism which has pervaded this city for months."

The performance of such important Republicans in this crisis is tragic, both for the party, which wants one day to win another election, and for the country, which desperately needs the two party system in working order again. It is hardly likely that their antics will compare favourably in the public mind with the dignity and courage of Mr Truman. But they may, with their perverted logic, manage to conceal the Secretary of State's part in the week-end's decisions. It was Mr Acheson and the State Department who maintained from the beginning that the fall of Korea would begin a series of disasters from which recovery would be difficult, and who pressed the political reasons for giving help in the face of clear military reasons—and an earlier decision by the President and the National Security Council—against involvement in such unsuitable territory. If the unfortunate Russians have been accepting all the McCarthy accusations as true and basing their policy on them, they must be bitterly disappointed at being so betrayed by their imaginary friends in the American Administration.

"AMERICAN SURVEY" is drawn from three sources. Articles described as "From Our American Staff" are the work of a small group of regular correspondents, resident in the United States. Articles with some such attribution as "From an Industrial Correspondent" or "From a Correspondent in Ohio" are from outside contributors. Everything printed without attribution is prepared in London.

American Notes

Congress Thinks of Holidays

The Korean outbreak fell upon Congress like an epidemic on a school that is counting the days until the holidays. The two parties had just agreed that they ought to be able to finish all essential business and go home to their election campaigns by July 31st. Whether or not this programme will be upset depends upon the seriousness of the Korean disease and the extent of the infection. So far the Administration has given no indication that it will ask Congress to authorise either new treatment or further preventive measures. It does not even seem inclined to seize this opportunity of pushing through the long-talked-of War Powers Bill, the stand-by legislation for emergency use that would give the President authority to mobilise the country's economy.

Indeed, the immediate effect of the Korean crisis has been to quicken the Congressional schedule. As did the Bill prolonging selective service, the Mutual Defence Assistance Bill sped, with a minimum of opposition, through a Senate glad of this opportunity of showing its confidence in the President. The Bill is now waiting for the House to return from its Fourth of July recess. The Korean invasion may actually kill the Tax Bill, on which the Senate Ways and Means Committee is now hard at work. It is being suggested that the reductions in excise taxes approved by the House may seem unrealistic by the time the Senate itself debates the Bill, if in the interval increased expenditure on defence has become inevitable.

The omnibus Appropriations Bill should reach the Senate floor next week. Once it and the Tax Bill are disposed of, Congress has little left to do, although it may hesitate to adjourn unless the international situation is clearer. Senator Mundt is insisting that the present emergency is making passage of his communist control Bill essential, although it was not included in the list of "must" legislation, earlier agreed between the party leaders. Nor was statehood for Hawaii and Alaska, but completion of the final stage of this Bill might be an encouraging gesture to these two areas on which so much responsibility rests during any Far Eastern hostilities. Another attempt to set up a Fair Employment Practices Commission is also likely, but there is no more hope that it will be successful than there was that Congress would approve other Fair Deal proposals, such as health insurance and a new system of farm subsidies, long ago abandoned for this session.

Both Houses have granted more generous insurance benefits to old people and an agreed Bill on this subject is sure to come out of conference. Rent controls have been extended until the end of the year and government ownership of synthetic rubber plants for two years. The Commodity Credit Corporation has been given its $2 billion in additional lending authority and a satisfactory Act for the admission of displaced persons to the United States has at last been signed. In fact, Congress has lately been earning its holiday.

Mission to Manila

The Philippine Republic has the North Koreans to thank for part of the present which President Truman gave it on the fourth anniversary of its independence—the strengthening of American forces in the islands and the acceleration of military assistance to the Philippine Government, an acceleration which applies also to Indo-China. This was a comforting gift, but the rest of the present was less reassuring. Nor was it a surprise package. The American mission, led by Mr Daniel Bell, which is to survey the Philippine economic situation, had been expected since the beginning of the year, but had been delayed apparently by the reluctance of the Philippine President to accept a mission with only American members. The United States Government, however, considered, and its view has prevailed, that Filipino members could hardly be expected to agree to a frank report on a situation arising, to an extent that the mission itself will have to decide, out of Philippine incompetence and dishonesty.

The shortcomings of their President and his government have often been pointed out by Filipinos, although they have resented criticism from America. But when the Philippine Republic opened up shop in 1946, the United States gave it not only independence but financial backing which, if carefully husbanded, should have been adequate to establish the islands on a sound business footing. Instead, bad management has brought them near to bankruptcy. Budget deficits are growing—revenue next year is likely to cover only half of estimated expenditure; slowness in rebuilding the country's basic industries and the squandering of dollars on luxury imports have completely unbalanced foreign trade.

It is true that efforts to remedy some of these defects have recently been made and that the long-drawn-out Huk revolt has been a drain on the country's resources. But the drain need not have been so serious if the Philippine constabulary had dealt with the revolt more satisfactorily. Now that the Army has taken over, the Huks are growing weaker, although they seem to be concentrating ominously in the



north of Luzon. There, it is thought, may be the stepping stone for the next advance of the Chinese Communists, should they succeed in taking Formosa. The Huks are led by Communists, but the movement is primarily a peasant revolt and much of the responsibility for it lies on the government's failure to carry out promised land reforms.

The Philippines may be the show window of democracy in the Far East, but today the window shows only that, there as elsewhere, democracy needs an efficient government and a healthy economy, as well as independence, if it is to attract the customers away from Communism. Many Filipinos, however, feel that they themselves need not bother to improve their country's display, since the United States dare not allow it to put up the shutters. Quite apart from the bad advertisement for democracy, the islands are vital to America's Pacific defences. The Bell mission is to recommend in the first instance ways in which the Philippine Government may help itself, but the terms of reference also include recommendations on ways in which the United States might be helpful.

Lilienthal's Vacant Chair

The search for a new chairman of the Atomic Energy Commission, which has presumably been going on since Mr Lilienthal resigned in February, will not be made easier by the refusal of the Senate Atomic Energy Committee to approve a new term for Mr Sumner Pike, the acting chairman and only survivor of the original Commission. A Maine Republican, but not so rock-ribbed as his native State, Mr Pike's "New Dealish" tendencies have ruffled the conservatives, and Senator Hickenlooper, whom Mr Pike antagonised last year by defending Mr Lilienthal, has accused the acting chairman, on the air, of insufficient enthusiasm for the hydrogen bomb. Mr Pike denies, with an emphasis some might consider excessive, that he allowed moral considerations to influence his advice to the President.

The AEC, below strength for the past five months, may now be reduced to three of its five members if the Senate does not reverse the committee. But if poor pay and Congressional criticism have thinned the ranks of those who must make the momentous decisions, the rapid rate of turnover in AEC membership has increased the number of those free to discuss, with authority, the issues involved. The Commission is expected soon to ask for an additional $300 million to speed work on the H-bomb and other atomic weapons; already it has cancelled one project involving industrial power from the atom, in order to release scientists to work on the H-bomb and on an atomic motor for submarines, the first application of atomic energy likely to be realised.

In May, however, Dr Robert Bacher, a former member of the Commission, and an outstanding atomic scientist, pointed out that every hydrogen bomb eventually produced would eat up substantial quantities of fissionable material otherwise available for industrial development or atomic bombs; from a military view-point, the latter may prove a more effective use of scarce resources than the hydrogen bomb. He called for the release of essential background information to enable the public to understand the issues involved.

*

Mr Lilienthal is equally critical of the policy of "security through silence" and argues that government monopoly of atomic research will mean exclusive concentration upon military uses. He urges that this paralysis of the atom's better half be avoided by allowing private industry to participate independently in atomic developments in non-military fields. (At present corporations and laboratories act purely as the Commission's agents.) Another expert, Dr Thomas, has submitted a detailed plan under which uranium would be lent to private corporations, who would use it to produce power and would return to the government the accompanying plutonium, isotopes, and other by-products. The weight of most comment is to the effect that, even if it were possible to separate the military and industrial uses of atomic energy, the practical production of atomic power is still so remote, save for military uses, in which cost is a minor consideration, that industry would be unlikely to invest $50 million or so in a nuclear reactor. Nor is it certain that military research is always an enemy of progress in the peaceful application of atomic energy. There is a good prospect, if Congress is not stampeded by the Korean conflict, that the Commission will soon release to the public some of the wartime atomic secrets that the Russians, by now, may be presumed to have discovered or borrowed. Such a step would only be educational; it would not make the participation of industry possible. The Commission is still extremely sensitive about postwar developments; 3,000 copies of the *Scientific American* had recently to be destroyed simply because non-secret facts about the hydrogen bomb were discussed by a Commission consultant.

Padlocking the Ivory Tower

Although few Americans contend any longer that Communists should be allowed to teach in the publicly-supported schools of a democracy, the problem of how to expel them without shaking the academic ivory tower to its foundations is far from solved. The University of California has been rent for months by a proposal of the Regents to impose a special teachers' oath. New York's Feinberg law, which proposes to safeguard the State and its children by legalising the doctrine of guilt by association, is distasteful to many Americans and has yet to be ruled constitutional. Without waiting for a final determination, the New York Superintendent of Schools has suspended eight instructors for conduct "unbecoming a teacher." In seven of the cases, this consisted of refusing to answer when asked if they had ever been members of the Communist Party. In the eighth, and real test case, there is an additional charge of party membership. The Communist Party is still legal in the United States, and it has yet to be judicially determined whether membership is cause for dismissal from a public teaching post protected by tenure rights.

The University of California, with its eight campuses, is the largest in the world, and one of America's outstanding institutions of higher learning. The struggle between the Regents, reflecting the legislature's demand for political purity, and the faculty, resisting in the name of academic freedom and personal liberty, has been watched with concern; the Californian model might appeal to other legislatures holding the academic purse-strings. The faculty objections were that California's teachers already take an oath of allegiance, and that a second implied that professors were a particularly unreliable group; that the oath would be ineffective in sifting out Communists, who would sign willingly; and that it was the beginning of political regimentation for teachers. Governor Warren, also opposing the oath, pointed out that it would carry no perjury penalties as it was not state-authorised. The faculty, not used to a short rein, threatened to walk out when the Regents arrogantly announced that those who had not signed by April 30th would lose their jobs.

To avert this, a compromise was arranged under which each of the 9,000 teaching and non teaching employees was to sign a letter, as a condition of employment, stating he was not a Communist. One hundred and fifty-seven who have failed to return the letter, none of them teachers, have received notices of dismissal. Seventy-three who have refused to sign for reasons of conscience have been given a clean bill of health by a review board. The Regents have postponed for a month the problem of this embarrassing minority which includes men cleared for atomic research, the modern medal of political reliability. It is to be feared that the price of this rather empty victory will be paid, not in California, but in state universities whose professors lack the national reputation and confidence to resist political pressure.

* * *

Shorter Note

The emphasis which his campaign put upon racial questions explains the unexpected defeat that the conservative Mr Willis Smith has inflicted upon Senator Frank Graham, in the North Carolina run-off for the Democratic nomination for Senator. Even the liberal Mr Graham's opposition to the Fair Employment Practices Bill did not save him from a defeat which is a serious blow to Mr Truman. For Mr Smith is certain of election and, apart from the difference on Negro questions his views are indistinguishable from those of the Republican opposition.



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THE WORLD OVERSEAS

Italy in Europe

(From Our Rome Correspondent)

ITALY'S presence at the conference on M. Schuman's proposals has been compared by journalists to the part of a witness at a wedding, modest but not useless. In fact, Italy's prime interest in coal and steel is that it should receive them as cheaply as possible. Home sources supply only about 10 per cent of coal needs and the steel industry, which depends traditionally on imports of scrap, produces less than the national requirements. Italy's quick decision to join the pool has been blamed by the left who, in language not unlike that of British spokesmen, have complained that its practical workings are still quite inscrutable. But Count Sforza's move was made not on economic calculations but in pursuance of a political trend. There would have to be something afoot particularly alarming for Italian interests—as, for example, if it were proposed to include Italy's hydro-electric production in a pool administered by a cold-blooded international authority—to moderate the eagerness of the Italian Government to get in quick under the double incentive of improving Italy's eligibility for international co-operation (it is still, by Soviet insistence, excluded from Uno), and of pursuing the European idea.

Italy's west European policy is assailed only by those on the extreme left, who regard the present Italian political structure as a "restoration" (1815 style), with the Atlantic-OEEC set-up as a Holy Alliance against "progressive democracy," and by those on the extreme right who, in the back of their minds (not very far back) cherish schemes of a Hitler-Mussolinian new order to redeem the world again from Bolshevism and Anglo-Saxon-Hebraic capitalism. A west Europe policy, whether it talks of minerals or of spiritual values, signifies for the Communists just American imperialism. The other extremists, monarchists, Fascists, and other *nostalgici*, progressively pooling their homesicknesses in the nationalist fever that now rages horribly among the university and secondary school youth, also cry out against the De Gasperi-Sforza policy; but Britain, not America, is their special bugbear, and a Europe forming itself without Britain, but with the inclusion of a right wing Germany (and, who knows, Spain?) would begin to look pleasant in their eyes.

Resistance to Emigration

The meeting of the extremes in their contempt for the policy of the parliamentary Republic is well illustrated by their attitude towards emigration. This question which, in view of the 400,000 annual increase of population, is naturally a burning one for the government, pursued through difficulties and disappointments by the dispatch of missions of inquiry to South America and by negotiations with potential receiving countries. (Italy has, in fact, disposed of 130,000 persons by net emigration in the past year, but will go to the impending Geneva Conference with a powerful plea for more substantial outlets.) Such schemes are blasphemy to the Communists. The theory that it costs a given dose of investment to put a man into productive employment, and that the sum is not available in Italy from savings or prospective foreign loans, is regarded by them as valid only for capitalist Italy. Communist Italy, enriched by the elimination of competitive waste and of resultant social indisciplines, would, it is suggested, find ample means to reclaim its own internal deserts. The notion of an emigration outside the sphere of Italian sovereignty is likewise repugnant to the right wing (though the question is not prominently treated in their press). In the view of this group of movements it is monstrous "involution" of history that North Africa should not be available for the overspill of the Italian population carrying with it Italian sovereignty.

Interest in the Forces

Slated by both extreme wings, with the left proposing the alternative pattern of an eastward-tilted "neutrality," while the right calls up spirits from the troubled waters of the future, the foreign policy of the Italian Parliamentary Republic is, with one notable exception, no more than an elaboration of a determination to make the most of its club membership in western enterprises. There is nothing to distract Italy from single-minded attention to making the best of Marshall aid while it is on, and of any other American investment plan, under Point 4 or otherwise, when it is off.

The needs of defence, as well as those of opulence, are pursued along the channels of the same system, for the immediate postwar mood of hankering for a disarmed neutrality has quite faded away. A great parade of the services on Republic Day in Rome recently produced a fine display of smart young manhood, but brought no really modern weapons before the eyes of the public; nor did the air force put into the skies on that day the handful of British model jet planes which are its sole up-to-date equipment. The Italian chiefs of staff and the Defence Minister himself are now, however, familiar figures in Washington and at other sources of military supplies. They express themselves as satisfied that personnel is as free from weakening political infections as could be hoped in troubled times. Foreign observers give good marks for the use that has been made of the scarce materials which Atlantic Pact supplies are now gently augmenting. It may be noticed that Minister Pacciardi, himself a particularly conspicuous veteran anti-Fascist partisan, has proffered—evidently in the interests of military morale—a scheme to readmit veterans of the rebel (Mussolinian) Italian Army to pension rights for their previous service in the royal army.

The one exception to this single-minded policy is the Adriatic problem. The ascription of a profound historical and cultural meaning to the preservation of Italy's position at the north head of the Adriatic carries with it an altogether deeper emotion than that which was roused thirty years ago by the "drama" of Fiume, let alone the heady "passions" for such "unredeemed" lands as Corsica, or Malta. There is no question here of an Italian territorial claim upon which moderate men would be readier to compromise than extremists. It is true that Trieste has for some generations been the breeding place of an immodest and unseemly Italian contempt for the Slavs, and that the flag-wagging magnates of Trieste are an embarrassment to Rome. None the less, the sense that Balkan uncouthness must at

some point be withstood and rolled back by a society based upon Italian civilisation is common to all Italians, and the Venetian styled cathedrals, piazzas, and palaces of the small towns in "Zone B" are felt to mark the last line of such a defence. That Zara, Fiume, Parenzo, Rovigno and Pola should have been submerged in Slavdom is felt as more than bitter; but that Italianism should be in the course of being bounced and bullied out of the small cities of Zone B is regarded by all Italy as monstrous. Even the Italian Communists, in the days when their Trieste brethren did full homage to Tito, made efforts to gain guarantees for the Italian "character" not only of Trieste and its close surroundings but of the Istrian cities. The torments in which these places are now living, both those in Zone B and those annexed outright to Jugoslavia are encouraging normally sober Italians to con over the military equation that may exist in the Adriatic a few years hence.

Relations with Tito

Neither in the Italian circles of Trieste—except of course among the Communists, for whom this is dogma—nor seemingly in Allied military circles, is it accepted that there is any good prospect of Tito's Jugoslavia becoming part of the west. Non-Communist Trieste maintain, it is true, that Tito draws his prestige largely from real or anticipated American economic relief. They argue that, were he told by President Truman to behave himself, Zone B could at once breathe again and might even be evacuated. Trieste Italians of all political shades are united in believing that Trieste constitutes an indispensable Anglo-American base, and is thus assured of a long western occupation. The belief does not appear to be shared at all by the representatives of the west on the spot, who conceive their task as one of leaving behind them a reasonably tidy and clear situation a short time hence.

Only a Rome-Belgrade agreement could produce such a situation, and it may be remembered that a hard boiled agreement reached by Mussolini and Pasic in 1925, after an equally tormented period (in which, however, the local Slavs had then been the sufferers), settled affairs in the Julian March for a decade. The 1948 Tripartite Declaration on Trieste, too often misdescribed as a "pledge" to give the whole zone to Italy, is best regarded as a strengthening of Italy's arm for such a bargain.

The drift of Italian policy, five years after the end of the war, is towards participation in a technocratic but socially traditional Europe, relieved by Christian Social stirrings. The trend is neither towards popular fronts of any description, nor towards the social democracy of which Britain in 1945 offered the model to a respectable cohort of Italian admirers. Italian politics have now taken the only shape that seems possible between the retreating tide of Communism on one side and the frothy but dangerous swirls of *nostalgismo* on the other. The British model is out of fashion, and so is Britain. The longdrawn and somewhat sullen British occupation of the African colonies; the contrast of British reticence with the easy going American and French readiness to treat the war as if it had never been; and a certain satisfaction, in Italy, at seeing the "five meals a day nation" go austere, tempered by suspicion that this is a hypocritical mask, have left the British almost without an overt friend or admirer in political Italy. The indictments of Italy's conduct in 1943-44 contained in Lord Alexander's dispatches, which are now being published, have brought a climax to British unpopularity which may lead to silence; for it is boring to be always baiting the same John Bull.

The kindest things currently said in Italy about England are to the effect that it is a lost leader in Europe. This should not be taken too tragically. The sense of historical process and of its wavelike movements is very strong among cultivated Italians; and it may be permitted to recall that, a hundred years ago, Italian patriots thirsting for Italian Unity often accused slow moving Piedmont of blocking the path; but it was necessary, for Italian union, that Piedmont should view the national aspiration first with stolid scepticism, then with stolid faith.

Defenders of the Middle East—III

Egypt

[BY A CORRESPONDENT]

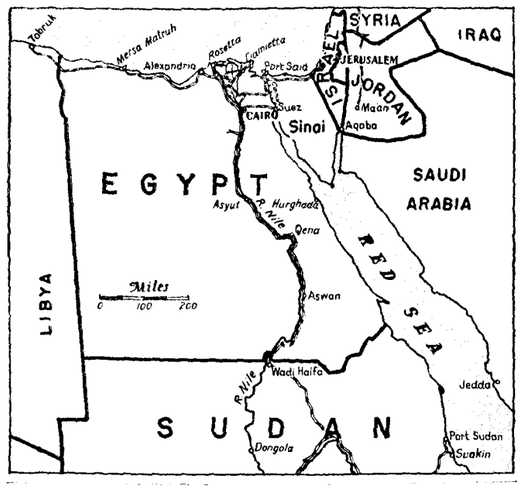
On paper the Egyptian army is a force to be taken into serious consideration as a bulwark of Middle East defence. Unfortunately its efficiency is seriously impaired by its subservience to political factors and personalities; its utility in any general regional scheme is nullified by its overweening contempt of the other Middle Eastern forces; and its value as a potential partner in any western scheme is greatly reduced by a xenophobia which makes it utterly unreliable. This xenophobia is directed mainly against the British.

Basically, the Egyptian Army has been built up not so much for the defence of Egypt as for the bolstering of Egyptian prestige and pride, and its senior officers are appointed on the basis of their political leanings rather than on their military qualities. Many good officers have been dismissed (and were for a time imprisoned), the seniors for becoming too popular and the juniors for being too independent. It is not liked by a number of politicians and economists because it is far too costly (it absorbs nearly one-third of the budget); and it is a double-edged weapon—a cause for some disquiet.

The Army's Record

It must be emphasised, however, that could it be divorced from the baneful influence of politicians, and could it have, as many of its more intelligent officers would wish, closer contact with the British Army, the Egyptian Army could be a good one. It suffers from the severe handicap that is common to all Middle Eastern armies but Jordan's Arab Legion and the Sudan Defence Force: it has no practical experience of modern warfare. On the other hand, in defensive roles it gave good service during the 1939-1945 war (particularly in anti-aircraft and anti-submarine defence), and its record during the Palestine war was by no means as poor as it appeared, as there were extenuating circumstances for some of its defeats. During the 1939-1945 war there were neither sufficient British instructors available nor space or facilities for training, which virtually came to an end; and the British Mission departed soon after the end of the war. By the time the Palestine Mandate occurred the Egyptian Army in equipment, training and even morale was probably at its lowest ebb. The then Chiefs of Staff, and indeed the Prime Minister (Nokrashy Pasha), were aware of this disadvantage and opposed sending the army into Palestine; but they were overruled by the Palace. The King was singularly ill-advised and, it appears, badly misinformed by the men around him. Once the army was inside Palestine the British rendered Egypt a further disservice when, at the instance of the United Nations, they placed an embargo upon the despatch of arms and ammunition, thus leaving the Egyptian Army not only without those modern weapons which, under the terms of the Anglo-Egyptian Treaty they believed they had a right to expect, but also without effective ammunition for the few pieces of artillery they possessed. Egypt was indeed forced to the expedient of trying to manufacture fuses for 25 pounders in a garage just outside Cairo; it did not make so bad a job of it.

At the time of the Palestine war the Egyptian Army numbered between 25,000 and 30,000 badly trained and poorly equipped men. It was entirely lacking in armour; it had not a single tank and its transport was obsolete British Army material, not particularly well serviced or maintained. Its losses were fairly heavy. After the end of the Palestine fighting, large-scale reorganisation was immediately put in hand, and now the deserts around Heliopolis and Almaza are a hive of activity. At first nothing ambitious was possible as the arms embargo was still in force. Training, therefore, consisted of basic drilling and unarmed courses and lectures. But the size of the army was gradually increased to around 80,000 men and these are slowly being equipped with modern weapons of British manufacture. During the arms embargo much money was spent on purchasing miscellaneous equipment from various countries, principally Italy; but this has all proved almost entirely useless. Egypt's original plans were too grandiose and too expensive; they called for two armoured divisions and a total army of 125,000 men. So far only two or three brigades are fully armoured. Egypt possesses 100 Sherman tanks, 100 Sherman tanks without guns for training purposes, and is buying Centurions—the latest and largest British tank which cost £50,000 apiece. The target is now an army of 100,000 and this will probably be reached within three years, during which it is planned



to spend £E150 million on the defence services. Factories for the manufacture of small arms and ammunition ("in case Britain lets us down again") have been erected; although there is difficulty in obtaining raw materials, these are already in very small production. The Royal Egyptian Air Force is also being extended and here, as was to be expected, the emphasis is now on jets, of which only the first few of a consignment that is said to be going to number 100 have so far been delivered. At present only a few Egyptian pilots are able to fly these high-speed aircraft and a number of British pilots (in civilian clothes) are doing the job—although this fact is most carefully concealed from the Egyptian public. The Navy, too, has been increased by the purchase of two old British destroyers, some frigates and some miscellaneous craft, but it is still small.

Inadequate Officer Training

The Egyptian has long had the reputation of being a good but uninspired fighting man—provided that he is well led. But while there has undoubtedly been considerable improvement in the general standard of Egyptian officers, it is doubtful whether their training, received now almost entirely inside Egypt and supervised by other Egyptians, is good enough to turn out the right type of officer to lead a fighting army. Certainly their General Staff, from which one officer a year is sent to Camberley for a short course, would be quite unable to direct serious operations. The remedy of integrated training with British forces could be effected were it not for political difficulties. It would undoubtedly be welcomed by far more Egyptian officers than any Egyptian can publicly admit; it is worth noting that combined Anglo-Egyptian manœuvres held some months ago in the Canal Zone were highly successful. Already there is little doubt that the Egyptian Army is capable of taking over the defence of the Suez Canal, but it must be remembered not only that the Canal has entirely lost its value in time of war but that the British base in the Canal Zone is not there for the purpose of guarding the Canal; it is an indispensable bastion of defence over a very much larger area.

Relations with the British

How does the Egyptian Army fit into that picture? On its own, not at all: it is a misfit. In conjunction with a British or Allied army, reasonably well, but with one vitally important reservation. In the matter of security it would be impossible to place any reliance upon Egyptians. Their security machinery is modelled on the British; but, although thorough, it is completely ineffective. Many of them, whether from dislike of the British or of the west generally, or from mistaken notions of nationalism, or from ordinary corruption, cannot be trusted. The last war, during which Cabinet Ministers conveyed Allied military secrets to the Italians, shows how high this untrustworthiness goes. On a lower level, executive rank in any branches of the security administration has provided admirable opportunities for working off old grudges; for instance, many harmless Jews and alleged Communists have wantonly been placed behind barbed wire. Certainly the Egyptian official's job is not easy; it is well known, for example, that Israeli officers have entered Egypt on their ex-passports, some of them British—backed by their respective Embassies or Legations—for visits that Egypt naturally sees as espionage. In short, the new Egyptian Army will be the most powerful force in the Middle East—except for the Israeli Army—but its utility to anybody but its own country depends on a change of heart amongst all Egyptians who matter. Relations between the British Army and the Palace are easier today than possibly ever before, but those with the Government are disappointing. There is still a large section of the more educated community which is fundamentally and bitterly anti-British. The Egyptian Press is venomously so and misrepresents every British action. Yet Egypt's, and the Egyptian Army's, place in the world at large, and even in so small a sector of it as the Middle East, depends upon a realisation that there *are* other countries in the world than Egypt and other, and greater causes than Egyptian nationalism.

For Cultural Freedom

[FROM A CORRESPONDENT]

The British press paid scant attention to the Congress of Cultural Freedom that met in Berlin last week. Yet the meeting was an event of considerable significance; it marked or, at least, reflected a turning point of the western counter-attack in the "cold war."

The delegates included some of the best known writers and political thinkers in Europe and America; Silone, Jules Romain, André Philip, David Roussaye, Carlo Schmidt, Jakob Altmayer, Eugen Cogon, Haakon Lie, de Rougemont, James Burnham, Sidney Hook, Irving Brown, and James Farrell, to name only a few of the hundred and more who took part. The British delegation consisted of Herbert Read, Arthur Koestler, Hugh Trevor Roper and A. J. Ayer on the literary side; Harold Davies, Labour, and Christopher Hollis and

Julian Amery, both Conservatives, on the political. Ernst Reuter, once a leader of the German Communist party and now the Social Democrat Burgomaster of Berlin, was host to the Congress. The appointment, as secretary-general, of Melvin Lasky, the editor of Berlin's American-owned review *Der Monat,* suggested United States sponsorship.

To hold a Congress of Freedom in Berlin was, in itself, a gesture of defiance. The delegates, however, assembled in no defiant mood. Most of them were of the left ; some had only recently broken with the Communists ; and many were attracted to the fashionable conception of neutrality in the "cold war." One of them, Professor Thirring, had even come prepared to read a paper condemning American "atomic diplomacy." The first reports, moreover, of the Communist attack on Korea had only increased the general sense of insecurity and impotence.

These things raised grave doubts about the outcome of the Congress, doubts which the opening sessions did little to dispel. Many lengthy papers were read. Some were eloquent and interesting ; but it was not far wrong to summarise them —as did one commentator—as "Hot air in the Cold War." Then, on the Tuesday evening, came the news that the United States would implement the resolution of the Security Council and defend South Korea against aggression.

Europe's New Conflict

To some the news brought relief that Korea would not be another Munich. In others, especially those on the left, it revived the old faith in collective security. In others still it aroused only fear of war. But the fortune of the Congress was made. The real issue before the delegates had been crystallised. They could not ignore Korea ; they would have to take position for the American initiative or against it. The first straw in the wind was an announcement that Thirring would not deliver his attack on the United States after all.

Total Tyranny or Relative Freedom

The session of Wednesday afternoon opened in a charged atmosphere. Arthur Koestler read a paper which formed the centre of the debate. A few brief quotations will show its tendency.

> The antinomies, "Socialism and Capitalism," "Left and Right," have today become virtually empty of meaning. . . .
>
> Socialists have always . . . preached internationalism. . . . Yet the victory of British Socialism has not abolished British isolationism but has, on the contrary, strengthened it. . . .
>
> The alternative is no longer nationalisation or private economy in the abstract ; the real problem is to find the proper balance of state ownership, control, planning and free enterprise. And the search for this . . . is not an abstract but an empirical pursuit. . . .
>
> While the majority of Europeans is still hypnotised by the anachronistic battle cries of . . Capitalism and Socialism, history has moved on to a new alternative, a new conflict . . . total tyranny against relative freedom.

Most continental Social Democrats still regard themselves as Marxists ; and Koestler's suggestion that the meaning of Marxism had withered away aroused a wave of instinctive opposition. There was an element of resentment too—resentment that they should be taught this lesson by an ex-Communist. Koestler's attack, moreover, on the British Labour party stirred a latent sense of Socialist solidarity. Haakon Lie, André Philip and others rose to defend the orthodox Socialist position and to make the most of their differences with the parties of the right. Nor were matters improved by a brilliant but provocative speech by Franz Borkenau — like Koestler, an ex-Communist — hailing America's atomic supremacy. It seemed, for a moment, as if the rights and wrongs of Koestler's argument would be obscured by the emotions which it had aroused.

This crisis in the session coincided with the arrival of some of the British delegates, who had been kept back in London by the debate on the Schuman plan. Julian Amery tried to explain that, despite sharp differences over the Schuman plan, both parties in Britain supported the movement for European unity. He also stressed British solidarity with the American initiative in Korea and denounced the idea that there could be neutrality in the conflict between east and west. None of this was directly relevant to the academic argument under discussion, but it helped to bring the delegates back to a sense of reality. That a British Conservative should stress British unity on foreign policy calmed the resentment aroused by Koestler's attacks on the Labour party. The debate now continued in a calmer mood ; and, by the end of the evening, it seemed clear that the Congress had more or less accepted Koestler's conclusions.

No Support for Neutrality

This impression was confirmed next day by the final resolution issued by the Congress. It contained three declarations of major importance. First, that there could be no compromise between totalitarianism and freedom. This was a plain rejection of any form of collaboration or united front with Communism. Second, that the practical pursuit of totalitarian policies was intolerable. This was a return to Robespierre's slogan "no freedom for the enemies of freedom" and implied support for legislation directed against Communist activity. An attempt to go still further and outlaw totalitarian ideas, as distinct from action, was wisely and successfully resisted by the British delegation. Last, and most important of all, was a plain declaration that there could be no neutrality in the conflict between Communism and western principles.

The congress concluded its labours by electing a permanent committee. Its members are to meet in Paris in the autumn to plan the next step in what is envisaged as the west's reply to the Communist Peace Campaign.



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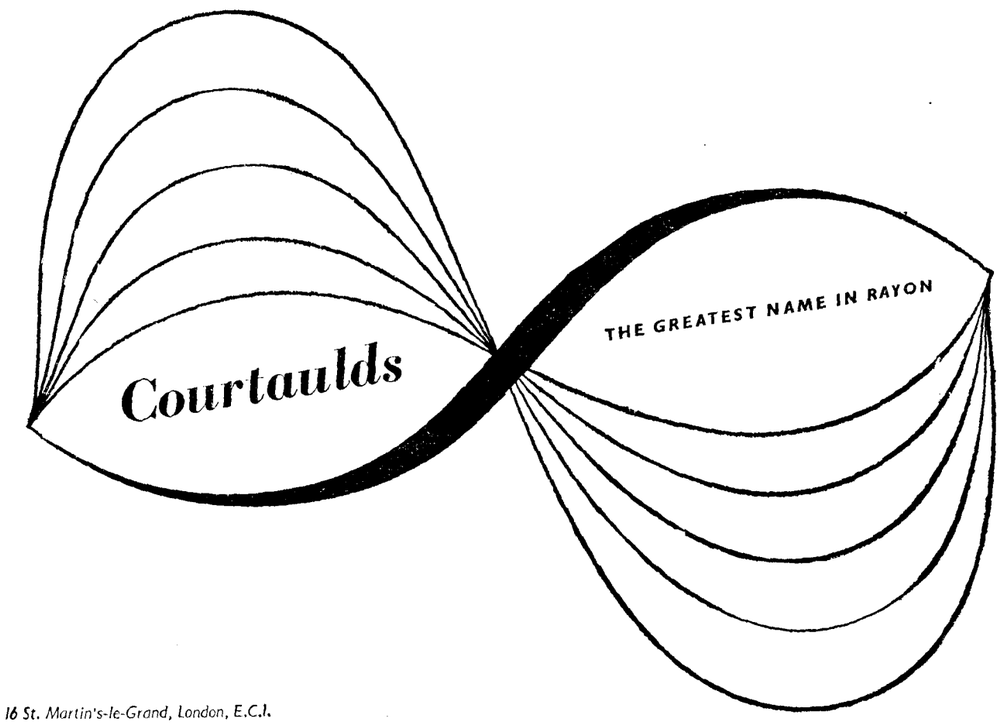
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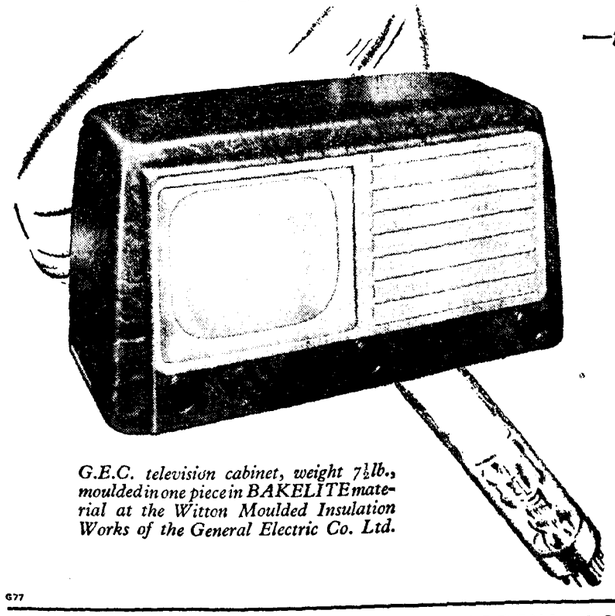
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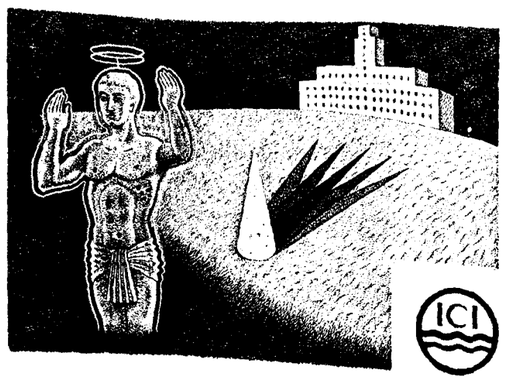
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Inert Gases

Over 99% of the air we breathe is a mixture of oxygen and nitrogen. The remaining 1% contains, in addition to the carbon dioxide which we breathe out, no less than five other gases. Though these were not discovered until recently, as long ago as 1785 the English chemist Henry Cavendish noticed that a fraction of the air differed from both oxygen and nitrogen. This observation was confirmed more than a century later when an English physicist, Lord Rayleigh, discovered that nitrogen extracted from the air was heavier than nitrogen obtained from ammonia. Working together in 1894 Lord Rayleigh and Sir William Ramsay found that the difference was due to a gas which later they named argon—a Greek word meaning lazy—because of its reluctance to combine with any other chemical substance. In the following year Ramsay discovered another gas by heating the mineral cleveite. He proved that this was helium, an element which in 1868 Lockyer had observed in the sun. Shortly after Ramsay's discovery it was confirmed that helium existed in the earth's atmosphere also. Finally in 1898 Ramsay and his colleague Travers fractionating liquid air discovered three other gases which they named krypton, xenon and neon. Called the "inert" gases because of their characteristic chemical laziness, these elements have many practical uses today.

Helium is used in airships and in deep diving apparatus. Argon, a filling for incandescent electric bulbs, is now used in certain welding processes. Krypton and xenon are used in photographic flash lamps, and neon, together with certain of the other inert gases, in the brilliant electric signs that bear its name.



ICI

HOW MUCH DO YOU KNOW?

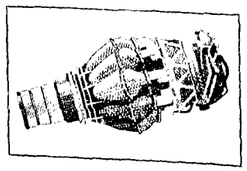


What is the plate a plate-layer lays?

EARLY railway tracks were made with flanged metal plates. The men who did the work were called "plate-layers", and the name has stuck although steel development has revolutionized our methods of railroad construction.

WHY does Britain lead with jets?

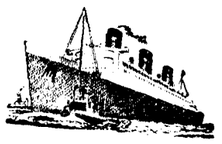


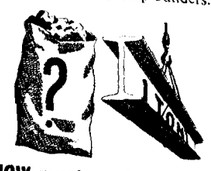


A jet engine works essentially by sucking in air at the front, compressing it, compressing it still further by burning it, and then forcing it out at the other end. British scientists and steelmakers gave reality to the inventor's dream. They made the first steel in the world that could stand up to heavy stress at over 1,000 Fahrenheit — red heat. Every year steel firms individually and through their research association are spending over £2,000,000 on research.

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THE BUSINESS WORLD

The Coal Board's Profits

THE Nottinghamshire miners' secretary, who accused the National Coal Board this week of "making too much profit," was in one way attacking the principle of *national management of the coal mining industry*. If in the days before nationalisation (said Mr Herbert Booth at the mineworkers' annual conference) the miners had learnt that their leaders were letting the owners make 15s. profit on every miner's shift "they would have hanged every leader there was." It is true that the board is making a handsome profit (9s. 5½d. a ton in the last quarter of 1949) on Nottinghamshire coal; this is the most profitable of the British coalfields. In other fields the board is still accepting severe losses—in Northumberland 1s. 1d. a ton in the same quarter, in Cumberland 7s. 3d. a ton, in the small field of Bristol and Somerset 16s. a ton. The good pits are paying to keep the bad pits in business, and the report for 1949* makes it sufficiently clear that the schemes of reorganisation and development have still a long way to go before production is entirely concentrated in pits that can pay their way. In 1949 "the profitable collieries made a total profit of £50 million while others incurred losses totalling £20 million."

On balance, however, the board did make a handsome profit last year. Its collieries, having some 5,000,000 tons more coal to sell than in 1948, earned £481,208,246 in pithead proceeds; this was an increase of nearly £20 million on the preceding year, and the total of colliery costs, at £451,789,914, was only £5,600,000 up. Thus the operating profit of the board's collieries amounted to £29,400,000, and the figures for various ancillary activities brought the operating profits for the year to £31,136,700. After providing for compensation for loss of office (£800,000) and setting aside £4,000,000 for the supplementary scheme for workmen's compensation and £3,500,000 for taxation, the board was able to pay the interest and interim income due to the Ministry of Fuel and Power and still show a surplus of £9,466,813 on the year.

*

The need for such a surplus goes back to the first unhappy year of the board's life, when it made a loss of more than £23 million, most of which was still outstanding at the beginning of 1949:

> The surplus of £9,500,000 on the year's operations in 1949 has been used to reduce the deficit of £21.8 million with which the board began the year. The board's object is before the end of 1950 to make good the remaining £12.3 million of their deficit and then to start building up a reserve against more difficult times.

The programme seems, then, to envisage a series of stiff annual profits to strengthen the board's position when "more difficult times" arrive. There are, however, snags in such a programme. Will the mineworkers exercise patience and restraint while the board makes a series of stiff profits? It needs to be remembered that the profits will have to come mainly from a few successful areas, where (Mr Booth's remarks about hanging suggest) forbearance may not prove to be unlimited.

But there is another snag. The board was able to sell its coal for export last year at prices about £1 a ton higher, on the average, than the prices ruling in the British home market. Since exports and foreign bunkers amounted to 19,245,000 tons, it is easy to see that without this bonus, and assuming an unchanged home price level, a fairly heavy deficit would have taken the place of last year's surplus. The board has so far been successful in defending its price policy against European and American attacks, but the attacks have been determined and in a certain way sincere, and there is little doubt that they will continue. The issue of dual price policies has been a diplomatic liability to Britain in the past year; whether the liability is worth bearing for the sake of £15 million a year in hard cash is a matter of opinion. The board maintains that it could have got still higher prices for its exports, but that the risks of loss of goodwill would have made it a mistake to do so.

Thus it concedes that intangible factors do set a limit to the policy of making the foreigner pay. Further, the international market will not always be so favourable, and the board in its cautious estimate of its own financial position shows some awareness of this fact.

*

The whole question is a difficult one; no clear and obvious line of conduct stands out. As the board points out, its export prices, though higher than British home prices, were competitive in relation to the prices charged by other suppliers, and indeed the scarcities that still existed would have enabled it to charge more. Further, the effort to expand coal output tends to raise costs:

> To maintain a sufficient production to supply the demands of home users and still export a large tonnage of coal the board had to resort to extensive overtime working in the pits and many old and inefficient pits where costs are high were kept in operation.

The flaw in this argument is that the export trade—though it is certainly of benefit to Europe—is not undertaken out of pure benevolence; the export connection is a trading asset that the board presumably wants to build up and foster against the day when the home market may not be able to take its entire output. The prices now charged may, in the given circumstances, be right or wrong. What can hardly be questioned, however, is that the board needs to be in a position to reduce its export prices as competition becomes sharper in the European coal trade.

Is the board in such a position today? Various passages in the report suggest that it may not be. It has the 1947 deficit to wipe off; to provide against bad years of the future, it feels obliged to set about forming

* *National Coal Board: Annual Report and Statement of Accounts* for the year ended December 31, 1949. H.M.S.O. 7s.

a nest-egg as soon as this is accomplished. These obligations arise from the clause in the Act that lays down that policy shall be directed to securing that revenue shall cover outgoings "on an average of good and bad years." Reasonable as the principle is, it can perhaps be doubted whether its authors foresaw the situation that forced the board in 1947 to incur a huge deficit in its first year by pursuing the goal of higher output at any cost. Even had this been foreseen, who would then have supposed that the deficit would have been made in effect a charge on the export trade alone? But even today the cost of supplying home requirements is not being fully met by home earnings.

*

To suggest that the board is unaware of its dilemma would be unfair. Its prosperity is precarious and its freedom of movement is limited. Its one hope of gaining real freedom of movement lies in a reduction of the costs of producing coal. Clearly the scope for reducing costs is limited by the obligation that still lies on the board to expand output at the same time; and the report for 1949 is in substance an account of the efforts made to move in both these directions at once. In the event the board achieved an increase in output of 5,000,000 tons—enough to prevent any critical shortage, but less than had been hoped and much less than could have been sold. At the same time it managed to bring costs down by an average of slightly over 6d. a ton—the first reduction since before the war. The report shows how the increase in output was reached:

	Million tons of output
Greater output per man shift at coal face	+6.7
Increased number of face workers ...	+2.3
Fewer working days	−2.2
Less regular attendance	−1.8
Net increase in output	+5.0

The industry lost, on balance, 17,400 men during the year; but it succeeded in increasing the proportion of face workers, and over the year more men were at work at the face than in 1948.

Indeed, while the board has to admit the failure of its efforts to maintain (or even to stem the decline of) its labour force, it does claim that because of measures to use the labour to better effect "the result was not so damaging to the industry as it might have been." Its immediate problem was, in fact, less the shortage of men than the fact that many men were employed in the wrong part of the colliery (usually, too far from the face) or even in the wrong part of the coalfield; and some, it seems evident, were the wrong men. "The shortage of manpower was no reason for keeping men in the industry who were, for one reason or another, unsatisfactory." Therefore some 8,000 men were dismissed for such faults as persistent bad attendance or undisciplined behaviour; this was 3,100 more than in 1948, and clearly the firmer attitude towards discipline must have contributed to the shrinkage of the labour force. The board insisted on transferring many fit workers from the surface to underground work, and dismissed some who would not go.

In its recruiting it tried to insist on quality—accepting, in the south of England, only 65 per cent of the men who came forward—and this attitude influenced the decision to ask for the removal of the "ring fence." The regulation that prevented the men from leaving the industry "was keeping in the industry some men they did not need and was keeping some good people out." The difficulties that have resulted in part from a tougher labour policy are not trifling, and may still become a serious embarrassment; the wastage of men has gone a long way since the beginning of last year. But without such a policy, either the increase in output or the reduction (slight as it is) in costs would have been impossible; the two could not have been achieved together. Nor, indeed, would the effort to get cleaner coal have had much chance of success. Dirty coal can only partly be dealt with by installing new plant; the remainder of the cure must come from better discipline in the pit.

*

Schemes of technical improvement—sometimes costly schemes—have been known to give disappointing results because the economies in labour that they made possible have not, when it came to the point, been carried out. This report gives a number of instances in which improvements have in fact led to savings of labour, increases in productivity, and reductions in cost. Since a new mine, or even the reconstruction of an old mine, may take something approaching ten years before it begins to yield full results, the improvements that have taken effect so far are mostly of a limited kind. Thus at Markham in the East Midlands division the workings were concentrated and trunk conveyors were installed, and 100 men were released for face work; in one seam an improvement in the roof conditions was followed by an improvement of 4½ cwt. in output per manshift. At Harworth the installation of cutter-loaders, the extension of the trunk conveyors, and a reduction of the number of loading points released about 40 haulage men for the face and enabled OMS to be increased by 3½ cwt. The closing of the Bonds Main Colliery led to a saving of some £100,000 a year, and the consequent transfer of 257 men to more productive pits in the same coalfield led to an estimated gain of 20,000 tons a year in output. At Heworth (East Durham) a modification to a winding engine enabled winding to be concentrated at one shaft, the labour of 41 men to be saved, and OMS to be increased by 2½ cwt. These are random examples.

The industry's progress depends, on one side, on a multitude of relatively small improvements of this kind—and on the skill and resolution with which they are made effective in terms of higher productivity and lower costs. On the other side it will depend on the long-term reconstruction and reorganisation of the coalfields, the main plan for which is believed to be now substantially complete. The success of these two major operations taken together will in the long run determine the scale on which the mining industry in Britain is to survive.

COAL OUTPUT AND COSTS, 1947-49

		Scottish Division	Northern Division	North Eastern Division	North Western Division	East Midlands Division	West Midlands Division	South Western Division	South Eastern Division	Great Britain
Saleable Output (Tons) (Calendar year figures)	1949	23,835,200	39,212,400	42,050,100	14,442,300	39,069,400	18,264,100	24,209,000	1,595,700	202,678,200
	1948	23,734,200	38,240,900	40,617,900	14,278,000	37,469,100	17,881,700	23,913,200	1,510,700	197,645,700
	1947	22,877,400	36,214,300	36,628,300	13,429,600	34,894,400	17,041,200	22,712,200	1,375,100	185,292,800
Average Number of Wage Earners on Colliery Books										
All workers	1949	82,633	159,187	140,451	60,152	98,080	53,895	112,952	6,127	719,527
	1948	82,357	159,186	141,523	61,064	98,165	59,946	115,464	6,285	724,039
	1947	81,057	156,058	139,471	59,342	94,616	59,462	115,517	6,357	711,389
Face workers	1949	36,808	66,208	55,399	22,802	40,388	21,460	50,744	2,397	296,197
	1948	36,049	66,231	54,495	23,288	39,337	21,128	50,236	2,495	292,579
	1947	36,000	64,671	54,162	21,841	37,815	21,290	49,747	2,410	287,976
Output per Manshift Worked										
Overall	1949	1·12	0·99	1·27	1·03	1·66	1·28	0·83	1·14	1·16
	1948	1·12	0·95	1·20	0·97	1·58	1·24	0·83	1·04	1·11
	1947	1·10	0·93	1·18	0·92	1·54	1·20	0·79	0·93	1·07
At the face	1949	2·64	2·53	3·54	2·88	4·36	3·95	2·09	3·18	3·02
	1948	2·66	2·41	3·42	2·79	4·26	3·86	2·01	2·91	2·92
	1947	2·57	2·39	3·33	2·69	4·21	3·69	1·98	2·83	2·86
Attendance Percentage										
All workers	1949	89·42	90·35	85·20	87·72	86·76	85·17	87·76	86·73	87·66
	1948	90·36	91·53	85·62	88·22	87·04	85·16	89·43	86·92	88·45
	1947	90·52	90·32	84·35	86·75	85·64	84·31	88·96	83·57	87·57
Pithead Proceeds per Ton Saleable		s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
	1949	47 6·9	48 4·1	47 2·9	50 6·5	43 11·7	46 9·6	54 6·0	51 2·9	47 11·5
	1948	47 3·8	47 8·0	46 0·3	50 2·8	43 10·5	46 4·3	52 2·2	50 11·0	47 2·5
	1947	40 2·4	40 4·6	38 11·5	44 5·5	37 4·4	41 0·1	43 4·7	45 10·8	40 3·0
Total Cost per Ton Saleable	1949	45 5·9	50 3·6	42 3·5	49 2·3	35 11·9	41 8·9	55 0·1	51 2·3	45 0·3
	1948	41 6·9	51 0·7	42 7·6	50 2·3	36 1·3	41 10·5	57 0·2	53 11·5	45 6·6
	1947	38 9·4	45 3·4	38 7·6	46 10·0	33 0·4	37 9·4	52 11·7	52 11·9	41 3·0
Profit (+) or Loss (−) per Ton Saleable										
Before charging Interest and Interim Income	1949	+2 1·0	−1 11·5	+4 11·4	+1 4·2	+7 11·8	+5 0·7	− 6·1	+ 0·6	+2 11·2
	1948	+2 8·9	−3 4·7	+3 4·7	+ 0·5	+7 9·2	+4 5·8	−4 9·3	−3 0·5	+1 7·9
	1947	+1 5·0	−1 10·8	+ 3·9	−2 4·5	+4 4·0	+3 2·7	−9 7·0	−7 1·6	−1 0·0

NATIONAL COAL BOARD—SUMMARISED FINANCIAL RESULTS

	1947	1948	1949
COLLIERY RESULTS			
Saleable output* (million tons)	184·7	195·5	200·7
Saleable output per manshift (cwts.)	21·5	22·5	23·4
	s. d.	s. d.	s. d.
Proceeds (per ton saleable)	40 5·0	47 2·5	47 11·5
Costs (per ton saleable)	41 5·0	45 6·6	45 0·3
Profit or Loss (per ton saleable)	1 0·0	1 7·9	2 11·2
	£ million	£ million	£ million
PROFITS AND LOSSES			
Colliery profits or *losses*	9·2	16·2	29·4
Profits of Ancillaries (excluding railway wagons)	1·8	1·2	1·7
Profits on railway wagons (vested in the Transport Commission in 1948)	1·2	0·1	...
Other income less interest payable	0·1	0·6	0·1
Compensation for loss of office	0·1	0·8	0·8
Losses on imported coal	1·7	...	...
	8·2	17·3	30·2
Additional provision for workmen's contribution	...	...	4·0
Profit (+) or *loss* (−)	8·2	17·3	3·5
			22·7
Interest and interim income payable to the Minister of Fuel and Power	15·1	15·6	13·2
Surplus or *deficiency*	23·3	1·7	9·5

* Excluding output of licensed mines

Business Notes

Sterling Area's Dollar Surplus

A further and unexpectedly good recovery in the British gold and dollar reserve occurred in the second quarter of this year. During this period the sterling area's net gold and dollar surplus amounted to $180 million compared with a surplus of $40 million in the first quarter and a deficit of $632 million in the second quarter of 1949. Receipts under the European Recovery Programme amounted to $240 million in the second quarter, while $18 million was drawn in the same period on the Canadian credit. These three items make up a total of $438 million which went to strengthen the gold and dollar reserves, carrying their total on June 30th to $2,422 million, a figure that compares with a low point of $1,340 million reached immediately before devaluation. The increase in the gold and dollar reserves has been such as to drain the sterling resources of the Exchange Account, and the Chancellor of the Exchequer announced this week that, in order to replenish these resources, he was issuing a further £300 million to the Account from the Exchequer. This will carry the existing borrowing power of the account to £875 million. At current rates of exchange the gold and dollars in the account amount to £865 million, but since well over half these reserves were acquired in sterling before devaluation at the lower gold price, the available margin of sterling resources is far greater than the £69 million indicated by the difference between these two totals. The unexpended sterling resources are, of course, re-lent to the Treasury against "tap" Treasury bills.

The continued recovery of the reserve and the maintenance of a net dollar surplus by the sterling area for a second consecutive quarter are reassuring and welcome developments. The further the distance from devaluation, the less becomes the effect of the "once-for-all factors" such as the reflux of funds that helped the recovery of the reserve in the immediate post-devaluation period. There may, however, be some elements of impermanence even in the more permanent influences that helped the sterling area to earn a larger dollar surplus last quarter.

The Chancellor pointed out that the chief factor has been the continued high level of demand for sterling area produce in the United States. In that context it should be noted that, accompanying the increase in the reserve, there had been an increase in the United Kingdom's short term liabilities in recent months, particularly to other sterling countries. The rise in raw material prices has greatly benefited dollar earnings, and the cautious Treasury view is to anticipate some reaction in these prices after their recent upward trend. Events in the Far East may, however, provide a new stimulus to the inflation of commodity prices and lead to an expansion in overseas expenditure by the United States that will have a marked effect upon the dollar balance of payments of the sterling area.

* * *

Reduced Dollar Expenditure

The chances of a continued dollar surplus for the sterling area are more assured on the expenditure than on the revenue side of the balance of payments. The outlay on dollar imports by the whole sterling area is now running well below the limits imposed before devaluation.

The effects of devaluation on comparative prices have reinforced the import policies decided in the summer months of 1949, and the proposed 25 per cent cuts have been more than realised. Other factors in the improved situation have been the continued high level of invisible earnings of the United Kingdom, the welcome, though still moderate, increase in direct British exports to the United States and Canada and the larger gold imports from South Africa, in consequence of the new arrangements whereby gold is paid for South African imports of certain categories of essential goods for which universal open licences are issued. Only a fraction of the increase in the gold and dollar reserve in the past quarter has been attributable to a narrowing of the gap between dollars expended by Britain on Marshall aid goods and the subsequent reimbursement of these expenditures by ECA. The hidden reserve represented by this lag amounted to $75 million at the end of March. Towards the end of June it had narrowed to $71 million; in effect, therefore, $4,000,000 was shifted to the visible and declared reserve.

Although the gold and dollar reserve has now recovered beyond the level of $2,241 million at which it stood on the eve of the European Recovery Programme—the oft declared minimum level—the need for its further strengthening is self evident and was again stressed by the Chancellor of the Exchequer on Wednesday. The bulk of the recovery in the reserve since September, 1949, has been due, as the appended table shows, to the receipt of ERP dollars. That is a source of revenue that is dwindling rapidly and will come to an end two years hence. There is, in fact, a danger that, given the way in which these gold and dollar

BRITAIN'S GOLD AND DOLLAR RESERVES
(millions of U.S. $)

Years and Quarters	Net Deficit (or Surplus)	Financed by: U.S. and Canadian Credits	Purchases from IMF	South African Gold Loan	ERP	Change in Reserves	Reserves at end of Period
1946	919	1,130	...	...	...	+ 220	2,585
1947	4,121	3,262	242	...	...	− 617	2,079
1948:							
I	591	342	88	322	...	+ 162	2,241
II	434	8	16	...	89	− 321	1,921
III	304	...	...	...	161	− 143	1,777
IV	376	...	25	...	431	+ 79	1,856
Total, 1948	1,705	350	129	322	681	− 223	1,856
1949:							
I	350	30	52	...	324	+ 56	1,912
II	652	39	...	...	341	− 261	1,651
III	509	29	...	...	284	− 226	1,425
IV	51	27	20	...	247	+ 263	1,688
Total, 1949	1,552	115	52	...	1,196	− 168	1,688
1950:							
I	+ 40	27	...	...	229	+ 296	1,984
II	+ 130	18	...	...	240	+ 438	2,422

reserve figures are presented and explained by the responsible Ministers, this source of revenue may be turned off more rapidly than the position warrants. At no point did the Chancellor's statement imply that the receipt of assistance from the United States might in any way have helped the sterling area to achieve its welcome and creditable surplus with the dollar world. The two were kept in watertight compartments and the erroneous impression may thus have been created that the Marshall dollars went straight into the reserves. That is certainly how economy-minded Congressmen will interpret the facts—thereby reaching the unwarrantable conclusion that Britain is no longer in need of any assistance from the United States.

* * *

First Quarter's Surplus

The Exchequer return for the first quarter of the financial year is a notoriously poor guide to the prospect for the full year, but if this reservation is borne in mind, the figures issued at the end of last week can be regarded as reasonably reassuring. Ordinary revenue, at £768.8 million, was £12 million more than in the first quarter of 1949-50, whereas for the full year the Chancellor envisaged a decline of £26 million. On the other hand, ordinary expenditure—expected to rise over the twelve months by nearly £80 million—has in the first quarter contracted by nearly £29 million, to £727.7 million (including £2,500,000 for sinking fund). In consequence, in these three months there has been a net "above-line" surplus of £41 million, whereas in the first quarter of 1949-50 revenue and expenditure were almost exactly balanced (at just under £757 million). It should be noted, however, that the performance of revenue owes a good deal to the three special items—surplus war stores, receipts from trading services and Miscellaneous receipts. The Chancellor envisaged a decline in receipts from these three sources by £15 million in the full year, whereas in the first quarter they have gained nearly £5,500,000. Among the more normal sources of revenue, profits tax and EPT have fallen by £17 million—more than half the decline expected for the twelve months. On the other hand, excise receipts, expected to rise by £6,800,000, have in the first quarter risen by £12 million.

"Below-line" expenditure, taken as a whole, seems to have been reasonably in line with the estimates. Its net amount was £107 million, compared with £170 million in the similar period last year—a difference almost exactly equal to the special non-recurring payment of £62½ million made early last year on account of war damage to public utilities. If this special item is excluded from the reckoning, total "below-line" expenditure was expected to rise in 1950-51 by about £30 million whereas it is so far approximately stable—despite the fact that loans to local authorities (mainly for housing) have already risen by no less than £19 million compared with a budgeted increase of only £7,300,000 for the full year. This increase has so far been offset, however, by the fact that purchases of cotton have required no further net new finance (in the first three months of 1949-50 they required £11½ million) and by a reduction in other war damage payments. The upshot of the quarter's experience was an overall deficit of £66 million, compared with £131 million in the similar period last year.

* * *

Subsidising Film Production

The Government has been under pressure for a long time to subsidise the producers of British films by means of a levy on exhibition, to be accompanied by remission of Entertainments Tax. It has always given sound and intelligible reasons why it would not do such a thing, and the Plant committee supported its attitude with arguments that have not been refuted. Why, then, has the Government changed its mind? It has decided in favour of the levy and the subsidy, while (of course) keeping the remission of taxation to a bare minimum. In doing so it has turned its back on the rational approach to reform of the film trade that was embodied in the Plant report—the approach that seeks to create healthy trading conditions in which film producers might survive by their own exertions.

Mr Harold Wilson outlined the new scheme to the Commons last week. The Treasury has decided to give up some £300,000 in Entertainments Duty on the cheap seats. On the dearer seats the trade is to be permitted to charge an extra penny without incurring heavier duty, and on seats dearer than 3s. 9d. "special provision" will be made. While not all the details have yet been made clear, the calculation is that the exhibitors can by these means increase their total earnings by some £3,000,000 a year if attendances remain constant. Half of this they can keep for themselves; the other half they will be expected to pay through the Customs and Excise authorities into a central pool in the form of a levy of a farthing a seat. Administrators, whose names have yet to be published, will distribute this money to the producers of British films shown during the year, in proportions related for the most part to the box-office earnings of the films.

The decisive event that induced the Government to involve itself in this tangle was, apparently, an expression of willingness by the exhibitors to collect the extra penny from the public in the dearer seats, and to pass some of it on, provided that the tax scales were stretched to permit this to be done. Thus, while the Revenue is to contribute £300,000, the cinema-goer is to contribute an additional £2,700,000. He is, in effect, to pay a second tax levied not by the Government but by the trade. Thus he will be supporting the British film producer whether he goes to see British films or not; in the present situation some three-quarters of the total levy will arise in fact from the showing of American films.

* * *

Film Finance and Policy

As one slightly soured member of the trade observed, there is only one certainty about collections of money for British film production, and that is that the money will eventually be lost. While the process is going on and devices are being found to make the scheme work the film exhibitors and renters, the producers, the Government, and not a few lawyers will no doubt be busy. But what of the cinema-goer, whose attitude may prove important in the long run? If he does not want to pay the levy, his only remedy will be to stay away from the cinema altogether. Unless he stays away the exhibitor will have no option but to take his penny, because, though the scheme is officially "voluntary," the trade associations have agreed to it and means of enforcement are already being informally discussed. The Government may or may not decide to make the payment of the levy a statutory obligation on the exhibitor; if it does not, powerful means of pressure are still at hand, including perhaps the incorporation in all film hire contracts of an undertaking to pay the levy.

Whatever its final detailed shape, the scheme in the broad outlines explained by Mr Wilson will now inevitably take its place in the custom and practice of the trade, and no doubt—like so many other official money-raising efforts—it will persist long after its original purpose has been frustrated or forgotten. Is it to take the place of a policy for the British film industry? It would seem so. The President of the Board of Trade has spoken more than once of the need for such a policy—"the more fundamental attack which will have to be made on the problems of the industry," as he described it in April. Last week's debates, in which the affairs of the National Film Finance Corporation were reviewed and the Bill to extend the borrowing and lending powers of the corporation was given its second reading, had been widely expected to provide the occasion for a more fundamental statement.

*

Instead, the President contented himself with more expressions of hope that the film industry will yet "float itself off the sandbank on to which it had drifted." The Film Finance Corporation is to help the floating with an additional £1,000,000. As the corporation's work stands at the moment there is no particular justification for refusing this money. But the situation should cause no satisfaction, and it is disturbing to find the complacent assumption persisting that a self-supporting film production is still just around the corner—that a stopgap is all that is needed and, given a little more time and a little more of the taxpayer's money, the industry will right itself. Can this really be taken for granted? Would it not have been better to insist that the definition of the purpose must precede the appropriation of funds instead of being left for later? The prevailing muddle is well enough illustrated by Mr Wilson's description of £1,000,000 as a "small" amount. Common sense would seem to dictate that whether £1,000,000 is a "small" or a "large" sum depends on the use to be made of it and the eventual return that it is reasonable to expect. With no policy evolved, no aims defined, and no return predictable, the scale of loans and subsidies to the film industry has begun to appear unreasonably large.

* * *

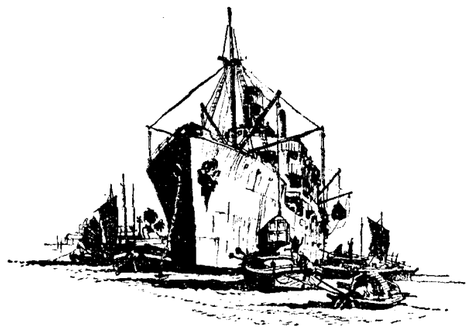
EPU—Latest

The meetings of the Ministerial Council of the Organisation for European Economic Co-operation that began in Paris on Thursday should by this week-end have produced final agreement on the European Payments Union. Up to the beginning of this week a number of significant points of detail remained to be cleared by the Joint Trade and Intra-European Payments Committee of OEEC. These outstanding matters included the determination of the rates of interest to be paid to creditors and by debtors of EPU, the rules relating to the termination and liquidation of the Union, the fixing of the unit of account to be used by it, and finally, the manner in which commercial discrimination might be exercised in favour of excessive debtors and against excessive creditors with a view to maintaining that approximate equilibrium in balances of payments without which the EPU would soon be waterlogged and ineffective.

All but the last of these questions were apparently settled satisfactorily before the ministerial meeting. The rates of interest paid to creditors and exacted from debtors of EPU are expected to be moderate and to be levied at the same rates on each side of the account. The unit of account will be equivalent to the US dollar, of the present gold content. In the circumstances it is questionable whether it will be necessary to invent a new name for the unit. The rules

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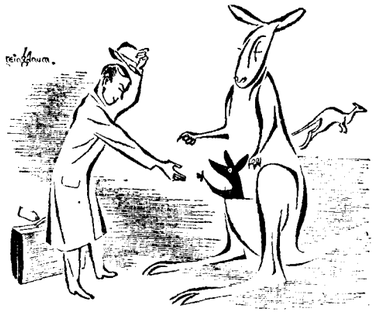
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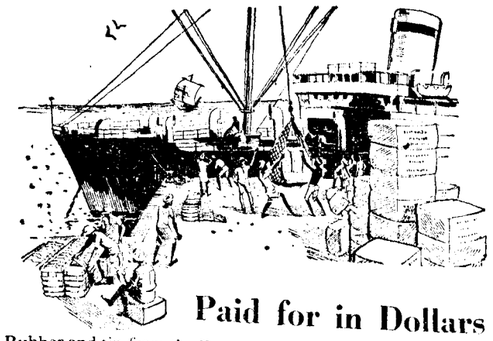
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but a prospective settler, a trader or traveller wants more information about Australia than the fact that it is the continent from which kangaroos come. Current information concerning all aspects of life in Australia and New Zealand is always available at the Bank of Australasia. Our Booklet, "The Answers To Your Questions", may be obtained from the Bank on request. It contains not only information concerning the commercial world but also more personal details about life in these two Dominions.

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for liquidation of the net debtor or creditor positions outstanding when EPU comes to an end are necessarily complicated. They are likely to be so framed as to make possible an extension of the EPU beyond the Marshall Aid period. The provisions for discrimination have unfortunately proved to be a much more difficult and contentious issue. The British delegates have as usual pleaded for the maximum freedom of action in discriminating against creditors and in favour of debtors of EPU. It may be wondered whether this attitude is mainly an echo of a distant and now anachronistic debtor status. By trying to provide for measures of discrimination against creditors in intra-European payments, Britain may be manufacturing weapons seen to be turned against itself.

* * *

Unilever Points

To outward appearance, the Unilever group had an extremely good year in 1949, for consolidated net profits rose impressively from £10.5 million to £19.6 million. No major part of this increase arises from the inclusion of the net consolidated profits of the undertakings in western Germany and Austria; these account for only £125,000. There are three major factors that affected last year's figures. Devaluation of the pound and the guilder gave rise to exchange surpluses of £5.7 million; these are brought into credit, but taken out to reserves. Secondly, £1.8 million has been transferred from stock reserves to the year's profits; it is evident

LIMITED AND N.V. GROUPS
TURNOVER OF PRINCIPAL COMMODITIES

1948 Excluding Western Germany and Austria '000 Metric Tons	£'000		1949 Including Western Germany and Austria '000 Metric Tons	£'000
767	94,165	Margarine, edible fats and salad oils	981	125,731
	40,445	Other foods for human consumption		54,682
1,859	193,348	Other vegetable and animal oils and fats	2,486	271,333
1,650	24,926	Animal feeding stuffs	2,216	42,572
941	103,968	Soap and other detergents	1,054	116,962
	11,244	Toilet preparations, including perfumes		15,429
	17,837	Miscellaneous manufactures, including glycerine		21,940
1,085	58,152	Produce (mainly the United Africa group)	1,136	63,752
	65,102	Merchandise (mainly the United Africa group)		78,275
	8,343	Services (including ocean, river and road transport)		10,221
	617,508	TOTAL VALUE		800,897
	£'000			£'000
		Represented by :—		
	375,420	(*a*) Sales to third parties		490,123
	106,157	(*b*) Value of production for the Ministry of Food and produce purchased for the West African Marketing Boards		113,510
	135,931	(*c*) Supplies of marketable products and services within the organisation		197,264
	617,508			800,897

Expressed as percentages of the above total values :—

£			£	
14,096,226	or 2·28%	Direct taxation on profits	17,569,024	or 2·19%
		Dividends :—		
4,438,980	or 0·72%	Preferential	4,449,580	or 0·56%
2,194,468	or 0·36%	Ordinary	2,209,855	or 0·28%
4,796,345	or 0·78%	Profit retained	13,905,574	or 1·74%

that 1949 was an awkward year for the group in the United States where "selling prices had to be reduced more quickly than the raw material cover cost could be adjusted." Last year's transfer from stock reserves "largely covers the 1949 losses" in the United States. Thirdly, tax adjustments relating to earlier years were much smaller—£731,135 against £3,324,442.

No specific reference is made to the results of the Lever Brothers Company in the United States last year. Changes in the top management of that company were made last May. Evidently it had fallen behind in the synthetic detergent business, and its development will "continue to be a charge on our profits this year." A certain caution accompanies the confident references to the changes in the American company's organisation, but it is recorded that "the health of our established brands is sound." In Europe, trade has been freer, and in the Orient (China apart) business has been good although politics have been disturbed.

The Unilever report makes some important points for the attention of stockholders. Finance is becoming tight, and it would become very tight indeed if the group were allowed to complete the process (which has gone a long way in some countries, but has not started in this country) of taking over direct responsibility for stocks of oil seeds. For Limited, this step—if the Government allowed it—could easily absorb £15 million of new finance. The depletion of liquid resources has already reached the point at which the board of Limited must have in mind the eventual possibility of an issue of new capital; NV has already undertaken a major financing operation by the issue of Fl. 75 million 3½ per cent. convertible Notes. Another point of serious consequence is the effect of arbitrary subsidised prices for butter and margarine in this country; sales of margarine reached record levels in the Netherlands, but in this country the ration was not fully taken up towards the end of last year. Reference is made in a subsequent note to the complexities caused by subsidised prices and pooled brands for Unilever's margarine business in the United Kingdom.

* * *

Panama's Merchant Fleet

A remarkable feature in world shipping since the war has been the increase in tonnage registered in Panama, bringing this republic, which in 1939 had an insignificant fleet, into the fourth place—on paper—among the world's maritime nations. Few of these ships ever see Panama, nor do their owners, managers and officers. Many of the ships, particularly the tankers that predominate in the Panamanian registry, belong to United States companies; about one-quarter of the fleets of the American oil companies are registered in Panama. Most of these are well-found and up-to-date vessels, as are the cargo vessels and ore carriers recently built in Great Britain and elsewhere for Panamanian registry; they fully comply with the best national and international standards of safety and strength. On the other hand, nearly half the Panamanian fleet consists of ships that are 25 years old or more, and many would be refused registry in the ports of other countries. It is presumably the existence of such ships that led the international transport workers' federation last year to conduct a vigorous campaign against them, with the threat of a boycott.

As a result of these complaints and of the inability of the Panamanian Government to remedy them, the International Labour Office set up a committee to investigate conditions in Panamanian ships. Although the committee inspected only 30 vessels, it found that Panama had virtually no regulations governing such matters as the international safety at sea and loadline conventions, standards of crew accommodation, or hours of work. Such regulations as existed were frequently unknown to owners and masters. The consular service of Panama was not sufficiently large or experienced to exercise control. Wages were extremely diverse, and in several cases were well below international or good national standards.

The ILO committee did not attempt to establish reasons why so many shipowners registered their ships in Panama, but the international transport workers' federation has suggested that the motives might be to avoid taxation, to evade currency regulations, or to escape the provisions of the international conventions as to safety and standards of accommodation that are commonly accepted by maritime countries. The crux of the matter is that while a large proportion of ships inspected by the ILO committee did maintain adequate standards of safety, this was due mainly to the owners' sense of responsibility, and not to any obligation to or supervision by the Panamanian Government. Unless that government takes adequate measures, there is nothing to prevent unscrupulous shipowners of any nationality from taking advantage of a situation that is as objectionable to the majority of shipowners as it is to seafarers.

Anglo-Iranian Royalties

A striking feature of the full report of Anglo-Iranian for 1949 is its detailed assessment of the burden to be shouldered by the group under the Supplemental Agreement to the company's 1933 Concession Agreement. The new agreement, though signed in Teheran last year, has not yet been ratified by the Majlis, but its ratification (*with retro-active effect*) is expected shortly. The company will then have to pay, as from 1948, 6s. a ton in royalties instead of only 4s. under the 1933 agreement, while a flat rate of 1s. a ton taxation will replace the previous rate of 1s. per ton on the first 6,000,000 tons of oil and 9d. per ton on further amounts. In addition the company will have to pay to the Iranian Government forthwith an amount equal to 20 per cent of its general reserve as at December 31, 1947, and also to pay year by year a similar proportion of its current allocations to general reserve. It retains its obligation, imposed under the 1933 Agreement, to pay the equivalent of 20 per cent of any distribution to ordinary shareholders in excess of £671,250 in any one year. Sir William Fraser, chairman of the company, indicates in the report exactly what these new commitments will, on ratification, have cost the company for the past two years. Whereas the payments under the 1933 Agreement amount to £9,172,245 for 1948 and £13,489,271 for the past year, with the Agreement ratified the corresponding payments will be £18,667,786 and £22,890,261. The company has made full provision for the higher payments in its accounts up to the end of 1949.

With this information it is possible to gauge the trading experience for the past year more precisely. Total revenue of the group, before charging royalties, fell slightly, from the peak figure of £89,133,929 to £88,508,571. Consolidated trading profit after deducting royalties amounted to £63,020,405, compared with £68,384,706 in 1948. These figures emphasise the inadequacy of the preliminary profit statement, which showed that consolidated net profit declined from £24,471,888 to £18,444,209, but gave no indication of how the figure for the latest year was arrived at. The full accounts reveal that it has been struck after providing £24,353,920 (against £17,683,902) for depreciation, oil exploration and survey repairs and after deducting taxation of £22,840,181 compared with £28,310,353 in 1948. Sir William is content to regard 1949 as "a readjustment year" following the "very remarkable year" in 1948, but in fact its results are hardly less impressive. The group's capital expenditure in 1949 has again been on the grand scale, amounting to no less than £56 million. The main items in this bill include the expansion of refinery capacity in this country, the addition of 50 miles of pipe line and extensions to facilities in Iran, the completion of the refinery and construction of the oil and cargo jetty at Mena al Ahmedi in Kuwait, and an increase in tanker tonnage from 1,370,000 d.w. tons to 1,530,000 d.w. tons. The group's liquid funds have been reduced by £20.7 million to £41 million, largely in consequence of this heavy capital programme, which clearly is not at an end. Capital commitments at the end of the year amounted to some £29.3 million.

* * *

Courtaulds' Gilt-Edged

Whatever the feelings of Courtaulds early in the war, when it had to relinquish most of its interest in the American Viscose Corporation to provide the Treasury with dollars, the company has since found the sterling proceeds—held in British Government securities—a most useful source of finance for postwar developments, as its latest report clearly demonstrates. At the end of 1945 its gilt-edged holdings amounted to £39,329,885 (at middle market prices) and in the early postwar phase demands upon them were relatively moderate. Plans for extending activities in this country were slow to mature. It will be recalled, for instance, that the Government's decision to erect a large plant near the company's projected acetate rayon factory in West Cumberland caused a major change of plan, while the other early postwar scheme for the operation of a continuous process for viscose rayon yarn at Carrickfergus is not expected to be in full production until next year. Thus, at end of 1948, despite considerable capital expenditure, the gilt-edged portfolio still stood at about £32 million notwithstanding the intervening slide in gilt-edged prices. Since then, demands on these reserves have been gathering momentum; by March 31, 1950, they were down to £14,897,925 compared with £22,792,748 a year earlier. The process of putting the funds to work is not yet completed, since outstanding capital commitments of the group amounted to £3,250,000 at March 31, 1950, and requirements of working capital are growing continuously. But the company is now beginning to reap the fruits of these programmes. In 1949-50, consolidated trading profit rose from £7,955,804 to £10,232,623, giving rise to group earnings of 37.2 per cent compared with 21.9 per cent. in the previous year.

The chairman, Sir John Hanbury-Williams, makes some interesting comparisons of world consumption of the main textile fibres in the past two years and before the war. The relevant figures are shown below.

WORLD CONSUMPTION OF TEXTILE FIBRES

	1934-1938 Yearly Average		1948		1949	
	Mn. lbs.	%	Mn. lbs.	%	Mn. lbs.	%
Cotton	14,000	78·9	13,400	72·8	13,100	71·7
Wool	2,250	12·6	2,450	13·3	2,350	12·9
Rayon and synthetic fibres	1,390	7·8	2,550	13·7	2,780	15·2
Silk	125	0·7	50	0·2	35	0·2
	17,745	100·0	18,410	100·0	18,265	100·0

These figures show that rayon consumption in 1949 was approximately double the prewar level, whereas wool was only 5 per cent higher and cotton over 6 per cent. lower. Production of rayon in this country has increased by 87 per cent since 1937-39, to 290 million lbs, an achievement for which Courtaulds is chiefly responsible.

* * *

Course of Import Prices

Import prices in May rose by only one point, the smallest monthly increase since sterling was devalued last September. The Board of Trade index (1947 = 100) now stands at 132. The cost of imported food, drink and tobacco

IMPORT AND EXPORT PRICES
Board of Trade Indices: 1947 = 100

	1949		1950				
	Sept.	Dec.	Jan.	Feb.	March	April	May
Import Prices:							
Food, drink and tobacco	107	116	118	118	119	122	124
Raw materials	118	130	134	138	143	148	148
Manufactures	105	121	121	123	124	123	124
Total	110	122	124	125	128	131	132
Export Prices:							
Metal goods	114	115	116	117	117	117	117
Textiles	116	115	116	118	119	120	124
Other manufactures	106	106	107	108	109	109	110
Total	113	115	116	116	118	118	119

rose by over 1½ per cent during the month and imported manufactures were also slightly dearer. The raw material component of the index showed no change; the decline in wool prices offset the small increases in other raw materials. Wool is an important item in this component and it may seem strange that its import price should fall in a month when the market price reached a record high level. But imports on Joint Organisation account, which are valued at current market prices, were small during the month, while private imports most probably represented purchases made in February and March when wool prices tended to fall slightly.

Export prices increased by one point to 119 (1947 = 100), mainly because of a sharp rise in prices of textiles; the textile index jumped from 120 to 124. Metal goods remained unchanged, and prices of other manufactures increased slightly. The deterioration in the terms of trade has at least been arrested—though only temporarily, to judge from the course of commodity prices in the past month. As these higher purchase prices are reflected in the import values, the index is likely to rise sharply once more. It is, moreover, at this time of the year that the Ministry of Food re-negotiates many of its contract prices. The new prices might well reflect increases consequent upon devaluation.

* * *

Branded Margarine Again?

The campaign to restore proprietary brands of margarine to the British market is gaining momentum. A fortnight ago Mr J. P. van den Bergh raised the point at the annual meeting of Van den Bergh and Jurgens, Ltd., and it has now been seconded in the report of Lever Bros. and Unilever Ltd., the financial details of which are discussed in an earlier note. For some months past the full weekly ration of 4 oz. of margarine has not been taken up by the British public, and margarine production has had to be curtailed despite the improvement in the supply of oils and fats. According to Sir Geoffrey Heyworth, the Unilever chairman, this trend is not any sign of a change in public acceptance of margarine but results from the distorting effects of subsidies. The retail price of butter until last April was 1s. 6d. a lb. and its unsubsidised price was approximately 3s. a lb. The retail price was then raised to 1s. 10d. a lb. and the subsidy at that date was stated to be 1s. a lb. No change was made in the retail price of margarine, which is 10d. a lb.; the unsubsidised price 1s. 2½d. a lb. Butter, it will be seen, is still relatively much cheaper than margarine. Despite the increase in price, it still enjoys a larger subsidy, both actually and proportionately, than margarine. The recent adjustment was clearly in the right direction, but it has so far proved quite inadequate to effect any change in the pattern of demand. Since April there has been no noticeable reduction in the consumption of butter and no apparent increase in the consumption of margarine. It is debatable whether equilibrium between two subsidised commodities that are both complementary and substitutable can be best achieved by fixing the subsidies at the same amount per unit of weight or at the same proportion of the price; but by either test the present retail price of butter is unduly low.

There is no doubt, therefore, that the subsidies are distorting the relative demand for the two commodities; but so, too, is the system of standardisation. "National" margarine is generally regarded as of indifferent quality, and if a higher grade margarine could be marketed at the present retail price—or at least without any marked increase in price—demand would probably expand. Any marked improvement, however, in the present standardised margarine would be difficult to achieve—if only because manufacturers would be unwilling to disclose their trade secrets. This suggests that any real improvement may not be possible unless the proprietary brands are restored. Margarine manufacturers maintain that they could produce a higher grade product from the oils and fats currently available—though not, of course, if they had to sell at the present retail price without the aid of subsidy. The question of shifting the subsidy from a single "national" grade to a number of proprietary grades raises no difficulty in principle, but in practice it would involve some awkward administrative problems—notably that of ensuring that one type of manufacturer was not given an advantage over another. If, for example, the Ministry of Food decided to grant the subsidy by selling its oils and

Nchanga Consolidated Copper Mines Limited

Extracts from the Report of the Directors for the year ended 31st March, 1950

Taxation

The provision for taxation in respect of the year's profits amounting to £834,602 is after taking into account initial allowances on the expenditure during the year on Buildings, Plant and Machinery. These allowances have reduced taxation for the year by approximately £200,000.

Profits

The net profit for the year after providing depreciation but before taxation amounted to £1,531,310 which the Directors propose should be dealt with as follows:—

	£	£
The Balance on Profit and Loss Account for the year ended 31st March, 1950		1,531,310
Taxation on these profits		834,602
		696,708
Provision for taxation in previous years no longer required		188,028
		884,736
Unappropriated profits at 31st March, 1949		1,214,503
Making a total of		2,099,239
Amount appropriated to General Reserve	£1,200,000	
The Directors recommend the payment of a dividend of 20 per cent. on the Ordinary Stock in respect of the year ended 31st March, 1950, which after deduction of Income Tax will amount to	770,000	
		1,970,000
Leaving a balance to be carried forward of		£129,239

COPPER PRODUCTION

During the year 1,282,047 short tons of ore were mined and 1,275,400 short tons were treated in the Concentrator; the grade of ore treated was 4.84 per cent. copper, of which 2.27 per cent. was in the form of Oxide Copper and 2.57 per cent. in the form of Sulphide Copper. The grade of ore milled was higher than for the preceding year, and this, together with an increased tonnage treated, resulted in a 20 per cent. increase in production of copper in concentrates.

The concentrates produced were railed to Nkana for smelting and resulted in a production of 38,761 long tons of copper, compared with 32,877 long tons for the year ended 31st March, 1949. Of the total tonnage of copper produced 2,544 long tons were cast in the form of Anodes which will be required to form part of a stock which will be necessary when Electrolytic Refining commences.

OPERATING AND PROFIT AND LOSS ACCOUNT

Sales and Stocks of Metals

The total tonnage of copper sold during the year was 32,062 long tons of which 62 tons was sold in Concentrates and the remainder as Blister Copper. These compare with total sales of 30,053 long tons last year of which 38 tons was in Concentrates and the balance Blister Copper. The total proceeds from sales amounted to £3,649,930 compared with £3,513,478. The larger proportion of the increased production referred to later in this report was used to build up the stocks of copper which now stand at 13,449 long tons compared with 6,690 long tons and there was also an increase in the stock of copper in concentrates from 7,529 long tons to 10,098 long tons. The total value of these stocks shown in the accounts at cost amounts to £953,915 compared with £621,709. These increases in stocks are, as mentioned by the Deputy Chairman in his speech last year, necessary for the expansion of output which will shortly be achieved when the plant extensions come into operation and also for the build-up of a supply of anodes for the production of Electrolytic Coppex which will be undertaken in the near future for this Company by Rhodesia Copper Refineries, Limited.

EXPANSION OF PRODUCTION

The programme to increase production to 64,000 long tons of copper per annum is proceeding satisfactorily, and this rate of production should be reached by the end of December, 1950, as stated in the Directors' Report for the year ended 31st March, 1949.

COAL SUPPLIES

Coal supplies to the Copperbelt during the year showed a considerable improvement and for the year under review the average monthly tonnage delivered was 38,843 tons, an increase of approximately 1,700 tons per month over the previous year. Since the close of the financial year this improvement has been maintained, the deliveries to the Copperbelt during April and May, 1950, having averaged 46,265 tons per month.

fats to manufacturers at a loss, it would have to ensure the same relationship between its selling prices for the different kinds of vegetable oils and fats as existed in the world market. Such complications afford yet another example of the distortion inevitably created through the incidence of subsidies and specific controls, and illustrate the difficulty of piecemeal relaxations. Many food controls that might otherwise be abolished may have to be retained until the problem of food subsidies is tackled comprehensively.

* * *

Jordan Re-enters Sterling Area

On July 1st, as had been expected, Jordan rejoined the sterling area, and on that day a new Jordan currency, the dinar, was launched. Sterling may now be credited to sterling accounts of Jordan residents without the completion of the sterling transfer form. These moves bring to an end the rather untidy interim arrangements made in February, 1948, when Palestine left the sterling area on the termination of the Mandate. At the time it was felt that the general political upheaval of those days would make effective exchange control impossible, and Jordan, then using the Palestine pound, inevitably had to follow suit. There was never any doubt, however, that Jordan would re-enter the sterling system as soon as preparations for a local currency had been completed. A Jordan Currency Board has now been set up in London and will perform for Jordan alone the functions previously performed by the Palestine Currency Board for the whole area, keeping the dinar at par with sterling. The new notes are in denominations of half a dinar (500 fils) and one, five, ten and fifty dinars. Six denominations of coins range from one fil to 100 fils.

Under Jordan law the new currency has to be backed in full by sterling. At the outset, it will be issued against surrendered Palestine notes, which the Jordan board will then pass to the Palestine Board against payment in sterling. If the two banks concerned in Jordan—the Ottoman Bank and the Arab Bank—do not require dinars for their Palestine notes, they can send them direct to the Palestine board in exchange for blocked sterling. During the first few days of the change-over, the only notes surrendered to the Palestine board for redemption came through these channels. At the outset, the Palestine board had rather over £P 16 million still outstanding, compared with a peak liability of £P 52.6 million in 1947 (this decline, of course, reflected the demonetisation of the notes in Israel). The bulk of the £P 16 million was circulating in Jordan, although the portion in coin still circulates in both countries, despite the gradual introduction of new Israeli coins. The theoretical maximum of dinars 16 million should prove ample for Jordan's currency needs, although it should be noted that Jordan is drawing heavily on its small sterling resources.

* * *

More Synthetic Rubber for USA?

The reports last week-end that the American Government may reopen some of its stand-by plants for synthetic rubber have had no measurable effect on the market. Rubber dealers strongly deny that the present price of natural rubber is maintained by speculation. But they realise that if considerations of national security make a larger supply of rubber necessary in the United States, it would have to come from synthetic production.. The first signs of the expansion in synthetic output were apparent in May when it jumped from 39,425 tons to 42,500 tons, the highest figure since January, 1949. Consumption rose even more sharply from 40,000 tons to 50,000 tons, the highest monthly total since October, 1947.

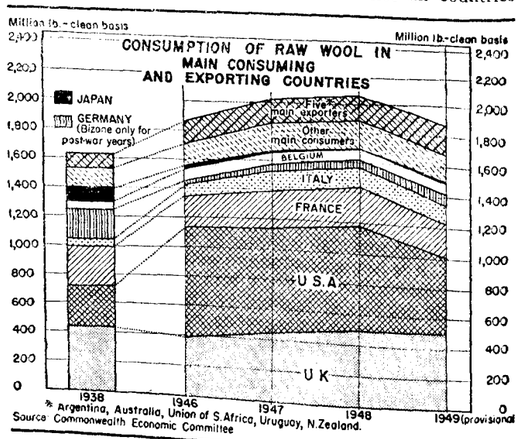
World production of natural rubber also reached a record level in May when 150,000 tons was produced. This increase was due largely to a continued expansion in shipments from Indonesia. Total exports for the month were estimated at 62,086 tons, which was 2,000 tons more than the previous record attained in April. These heavy shipments were no doubt encouraged by the fact that the export duty on rubber from Indonesia was scheduled to be increased from July 1st. Exports from this source may therefore tend once more to decline. But the record production of natural rubber coincided with a record consumption of 140,000 tons. Stocks in the consuming areas and afloat continued to decline, while stocks in producing areas increased by 17,500 tons. These additional supplies, however, will not be available to consumers for some little time.

The future course of rubber prices is highly problematical. The larger output of natural rubber has done so more, so far, than keep pace with consumption. If a high level of industrial activity persists in the United States, a strong demand is assured. The proposed expansion in synthetic output may take a long time to materialise owing to the shortage of an essential ingredient, styrene. On the other hand, a larger number of synthetic plants in operation would eventually mean a reduction in the stockpile requirements for natural rubber.

* * *

Future of Wool

Wool prices lately have tended to fall from the peaks reached in May, and are now on average between 5 and 10 per cent below them. A readjustment of prices at this late stage in the season was almost inevitable but the wool market has still a firm undertone. Last year wool consumption in the eighteen principal consuming and exporting countries declined by nearly 10 per cent, and the world total was at least five per cent smaller. But not all countries



followed this trend, nor was it uniform throughout the year. The decline was largely concentrated in the first six months, and in the second six months there was some recovery. Despite the overall decline, world consumption was still 15-20 per cent larger than before the war, while the world clip was only about one per cent larger.

The wool market tends nowadays to be dominated by conditions in the United States. Although American wool consumption last year fell by 27 per cent it was still slightly larger than Britain's consumption, and the United States retained its postwar position as the world's largest wool consumer. After Britain, it was the world's largest importer as well. Consumption in France, Italy, Belgium and certain other countries also declined in 1949, but France was the only country of this group with a consumption smaller than prewar. In contrast, consumption in Britain and in the main exporting countries continued to rise. German consumption also increased sharply but was still

less than half its prewar quantity. Japanese consumption was less than one-tenth of prewar.

The recovery in wool consumption that started in the latter half of 1949 has continued this year. Again the lead has been taken by the United States, where in the first two months of 1950 consumption was 10 per cent higher than in the same period of 1949. In Britain, consumption in the first four months of this year has risen even more sharply—by 13 per cent—while that of France, Belgium, the Netherlands, Germany and Austria has also continued to expand. The problem confronting the wool textile industry next season is to secure an adequate supply of raw material. Even a 5 per cent increase in wool production would be inadequate to cover the present rate of consumption now that the wartime stocks of wool are virtually liquidated. The scope for economy lies in a greater use of reprocessed wool and of other fibres. Despite the prospective shortage of wool, much more is being used per unit of wool tissue produced than before the war, when raw wool was relatively plentiful.

* * *

Harvesting Seaweed

Responsibility has been assumed by the Scottish Seaweed Research Association for the mechanical and chemical problems of developing an industry based on north of Scotland seaweed. The association was set up at the beginning of the war by the alginate producers who depend on seaweed as a raw material, but it is now wholly financed out of the Scottish Development Fund. The project is attractive—the alginate industry has expanded fairly rapidly, and the suspending, emulsifying and thickening properties of the alginates give them varied and expanding markets. The largest outlets are in food, paper and pharmaceutical production; in the form of alginate rayon they have a number of specialised applications in textiles. Two other substances obtainable from seaweed, mannitol and laminarin, appear to have applications in the plastics and explosives industries, and a third, fucoidin, has been used in other countries for food and cosmetics and might provide a source of glucose. These three substances have not been used in Britain. After two and a half years' silence the association has announced that mannitol and laminarin should be in pilot plant production when its new laboratories are ready by the end of the summer.

The extraction processes do not appear to present any great difficulties; whether production of these chemicals will be taken up commercially—or indeed whether the alginate industry can continue to expand—depends ultimately on whether regular supplies of seaweed can be guaranteed to the factories in sufficient volume. Even the largest alginate producer, a subsidiary of Albright and Wilson, Ltd., relies on the winds and tides to wash up sufficient supplies of weed to be collected and dried by crofters. Supplies come from Scotland, the Hebrides and even from Ireland. If mechanical methods of harvesting could be developed the association estimated that there are enough weed beds around Scotland to provide one million tons of dried weed a year, the beds being harvested every third year. Seaweed was harvested in Japan by hand before the war, and the same methods are probably still in use; in the United States cutting machines have been successfully developed, but these could not be used on the shorter type of weed found in Scotland. Trials by the association with three different types of equipment have had some limited success, and at least one firm is fitting out a boat for commercial harvesting this summer. Whether this represents the limit of success that can be expected may not be clear for some years. Not only does the type of weed and the coastline itself make harvesting difficult, but the uneven sea bed damages the hooks with which the weed is pulled in. Because of these difficulties, manufacturers are unlikely to start any active research of their own until it is clear whether a greater volume of weed can be harvested by mechanical methods than the tens of thousands of tons at present obtained by extremely primitive means.

Shorter Note

In the article entitled "Competition in Detergents" in last week's issue, the sentence on page 31: "The cost of raw soap can be put at £175-£200 a ton," should have read: "The cost of raw soap can be put at £100 a ton and the equivalent cost of synthetic detergents at £175-£200 a ton."

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Unilever Group; Courtaulds; Anglo-Iranian; Boots Pure Drug; Bleachers Association; Rolls Royce.

Prices, Year 1950 Jan. 1 to July 5 High	Prices, Year 1950 Jan. 1 to July 5 Low	Name of Security	Price, June 28, 1950	Price, July 5, 1950	Net Yield, July 5, 1950 (m)	Gross Yield, July 5, 1950
		British Funds			£ s. d.	£ s. d.
101⅛†	100½	War Bonds 2½% Aug. 1, 1949-51	100⅛	100⅛	0 16 0	1 17 0‡
100⅛	98⅜	War Bonds 2½% Assented	98⅛xd	99xd	1 9 4	2 11 9‡
102	101⅛	War Bonds 2½% Mar. 1, 1951-53	101⅜	101⅜	0 14 0	1 19 3‡
102⅛	100⅛	War Bonds 2½% Mar. 1, 1952-54	102⅛	102	0 14 2	1 18 6‡
101⅛	100	Exch. Stk. 2½% Feb. 15, 1955	101⅛	101	0 18 7	2 0 6
103½	100½	War Bonds 2½% Aug. 15, 1954-56	102⅜	102⅜	1 0 5	2 4 3‡
102½	101¼	Funding 2½% June 15, 1952-57	102	102	1 4 6	2 9 2‡
104⅛	102	Nat. Def. 3% July 15, 1954-58	103½xd	103xd	1 5 0	2 11 6‡
104⅛	101⅜	War Loan 3% Oct. 15, 1955-59	103⅜	103½	1 5 10	2 13 1‡
101⅞	96⅜	Sav. Bonds 3% Aug. 15, 1955-65	100⅜	100⅜	1 13 5	3 1 4‡
100⅜	97½	Funding 2½% April 15, 1956-61	99⅛	99½	1 9 2	2 12 3‡
99⅜	98⅜	Funding 2½% April 15, 1956-61 'A'	99⅛	99½	1 9 3	2 12 0‡
99⅛	95	Funding 3% April 15, 1959-69	97⅜	97⅛	1 16 6	3 4 4‡
108⅜	104⅛	Funding 4% May 1, 1960-90	106½	106½	1 10 0	3 5 6c
98⅜	94½	Sav. Bonds 3% Sept. 1, 1960-70	96⅜	97⅛	1 17 1	3 5 4‡
95½	91½	Sav. Bonds 2½% May 1, 1964-67	94⅛	93½	1 16 10	3 5 7‡
110⅛	106⅜	Vict. Bonds 4% Sept. 1, 1920-76	109⅜	109⅛	1 11 4	3 6 4*
96⅛	91⅜	Sav. Bonds 3% Aug. 15, 1965-75	94½	94½	1 19 3	3 7 11‡
105½	100	Consols 4% (after Feb. 1, 1957)	102½xd	102½xd	2 3 0	3 18 1‡
96¼	91½	Conv. 3½% (after Apr. 1, 1961)	93⅜	94½	2 1 1	3 15 0‡
71	66⅜	Treas.Stk.2½% (after Apr.1, 1975)	69	69	2 0 1	3 13 2‡
84⅛	79⅜	Treas.Stk.3% (after Apr.5, 1966)	82	82½	2 0 4	3 13 8‡
100⅛	99	Treas. Stk. 3½% June 15, 1977-80	99½	99½	1 19 1	3 10 9‡
91	86⅜	Redemp. Stk. 3% Oct. 1, 1986-96	89	88½	2 0 10	3 10 7‡
94⅜	90	War Loan 3½% (after Dec. 1, 1952)	92¼	92⅜	2 1 7	3 15 9‡
71⅛	68⅛	Consols 2½%	69xd	69½	1 19 9	3 12 3‡
96⅛	92½	Brit. El. 3% Gd. Apr. 1, 1968-73	94⅛	94⅛	1 19 1	3 7 6‡
95⅝	91⅜	Brit. El. 3% Gd. Mar. 15, 1974-77	93⅝	93½	1 19 10	3 8 6‡
100⅛	99	Brit. El. 3½% Gd. Nov. 15, 1976-79	99½	99½	1 19 1	3 10 9‡
91	86⅜	Brit. Tpt. 3% Gd. July 1, 1978-88	89½xd	88⅞	2 1 6	3 10 9‡
96⅛	92½	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	94⅜	94½	1 19 3	3 7 8‡
90⅛	85⅜	Brit. Gas Gd. 3% May 1, 1990-95	88⅜	88½	2 1 3	3 11 0‡

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked '‡'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked '*c*'. (*m*) Net yields are calculated after allowing for tax at 9s. in £. (*f*) Flat yield. * Assumed average life 14 years, 3 months.

Prices, Year 1950 Jan. 1 to July 5 High	Prices, Year 1950 Jan. 1 to July 5 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, June 28, 1950	Price, July 5, 1950	Yield, July 5, 1950
		%	%		**Other Securities**		96½xd	£ s. d.
100⅜	95½	(d)	(d)		Australia 3½% 1965-69	99½	100⅛	3 10 0‡
101½	99⅜	(d)	(d)		Birmingham 2¾% 1955-57	100⅛	6⅜	2 13 6‡
8⅜	6⅜	50 *c*	60 *c*		Anglo-American Corp. 10/-	6⅜	6⅜	4 12 3
7⅛	6⅜	5 *a*	25 *b*		Anglo-Iranian Oil, £1	6⅜	76/6	4 14 0
77/6	67/9	5 *a*	10 *b*		Assoc. Electrical, Ord. £1	76/6	85/-	3 18 5
87/-	71/6	7½ *a*	15 *b*		Assoc. Port. Cem., Ord. Stk. £1	85/6		5 5 10
25/4½	17/0½	40 *c*	40 *c*		Austin Motor, Ord. Stk. 5/-	23/3	22/9	5 17 3m
70/7½	66/-	7 *a*	7 *b*		Barclays Bank, Ord. 'B' £1	70/-	69/-	4 1 2
145/-	129/-	†19 *b*	†5 *a*		Bass Ratcliff, Ord. £1	139/4½	137/6	3 9 9†
98/-	87/4½	8 *a*	12 *b*		British Oxygen, Ord. £1	97/-	96/6	4 2 11
39/3	32/1½	2½ *a*	5 *b*		Courtaulds, Ord. £1	36/6xd	35/6	4 4 6
18/9⅜	16/6	20 *b*	5 *a*		Distillers Co., Ord. 4/-	18/1½	17/9	4 2 7‡
32/9½	28/9	8 *c*	8 *c*		Dorman Long, Ord. £1	29/7½	29/4½	5 9 0
63/6	59/-	15 *c*	15 *c*		Dunlop Rubber, Ord. £1	60/6	60/3	4 19 7
44/3	39/6	3 *a*	7 *b*		Imp. Chem. Ind., Ord. Stk. £1	40/7½	40/7½	4 18 5
109/4½	99/-	13½ *a*	18½ *b*		Imperial Tobacco, £1	103/9	101/3	6 6 3
37/3	29/7½	10 *c*	5 *a*		Lancs. Cotton, Ord. Stk. £1	36/-xd	35/9	5 11 11
44/6	38/4½	10 *c*	10 *c*		Lever & Unilever, Ord. £1	41/3	40/7½xd	4 18 5
63/-	57/3	15 *c*	15 *c*		London Brick, Ord. Stk. £1	61/3	60/-	5 0 0
82/9	69/6	15 *a*	45 *b*		Marks & Spencer ("A") .5/-	80/-	79/-	3 15 11
43/9	33/3	17½ *b*	7½ *a*		P'chin J'nson, Ord. Stk. 10/-	41/-	40/6	6 3 5
48/9	41/-	8 *a*	4 *b*		P. & O., Def. Stk. £1	41/6	41/-	5 2 2
33⅜	27½	†77½ *c*	†77½ *c*		Prudential, 'A' £1	32	32	2 8 0†
56/3	50/-	12½ *c*	12½ *c*		Stewarts & Lloyds, Def. £1	55/-	54/6	4 11 9
70/2½	60/6	†2½ *a*	†5 *b*		"Shell" Transpt., Ord. Stk. £1	63/1½	63/9	2 7 0†
6½	5⅞	12½ *b*	12½ *a*		Tube Invst., Ord. Stk. £1	6	6	4 3 4
85/3	73/3	3½ *a*	11½ *b*		Turner & Newall, Ord. Stk. £1	82/-	81/6	3 13 7
33/6	27/-	8 *c*	8 *c*		Union Castle Ord. Stk £1	32/-	32/-	5 0 0
48/4½	41/9	27½ *b*	15 *a*		Woolworth (F. W.) Ord. 5/-	47/6	46/9xd	3 14 10m

(*a*) Interim. (*b*) Final. (*c*) Whole year. (*d*) Int. paid half-yearly (*h*) Assumed dividend 18⅛% after capital bonus. (*l*) To latest redemption date. † Free of tax. (*m*) Yield basis 35%. (*n*) Yield basis 26⅛% after capital bonus.

THE BURMAH OIL COMPANY, LIMITED

INCREASED SALES OFFSET LOWER PRICES

RESTORATION OF DIVIDEND TO 15 PER CENT

SIR KENNETH HARPER'S REVIEW

The forty-eighth annual general meeting of the members of the Burmah Oil Company, Limited, was held on Tuesday, July 4, 1950, in the Merchants' Hall, 30, George Square, Glasgow.

Sir Kenneth B. Harper, chairman and managing director, who presided, said:—

At the time I wrote my statement the Industrial Court in Burma was still sitting to consider a list of issues concerning retrenchment of surplus employees in both the fields and refinery areas. The Court has now announced its awards, which I regret to say are unsatisfactory, and we have applied for them to be referred to the Supreme Court of Burma. They are accordingly now *sub judice* and it would be improper for me to discuss them here today.

The following statement by the chairman was circulated with the directors' report and accounts:—

The directors have invited Mr W. E. Eadie to join the board and his name will come before the annual general meeting for election. Mr Eadie joined the Burmah Oil Company, Limited as an accountant in 1921 and on the formation of Burmah-Shell Oil Storage and Distributing Company of India, Limited, in 1928 was released to become that company's senior accountant. He rejoined the Burmah Oil Company in 1941 and has been chief accountant since 1948. His knowledge, experience and judgment will be of much value to the board and I have complete confidence in recommending him for election by stockholders. On joining the board, Mr Eadie ceased to be chief accountant and has been succeeded by Mr J. F. Strain.

TRADING RESULTS

The results of 1949 trading, both in indigenous products from Assam Oil Company's resources and in purchased petroleum products, as brought out by the accounts now before you, disclose the group's profit at £5,617,279, after charging expenditure in connection with prospecting and exploration operations in India and Pakistan amounting to £1,402,310. During 1948 conditions in India and Pakistan were such as to call for caution in framing estimates of trading results in these countries and in consequence there is included in the total profit a gross amount of £1,180,000 arising from exceptional credits from Burmah-Shell in respect of that year.

Although, as I indicated in my statement last year, world prices of petroleum products in 1949 were below the average level of 1948, these lower values were compensated for by the increased volume of our sales of imported products in 1949, coupled with an increased return received on sales of Assam Oil Company products following selling price adjustments on devaluation of sterling.

Dividends and interest this year bring in a total of £2,638,117. Assam Oil Company, as you know, became a wholly owned subsidiary in 1948 and our income from that source is taken in as a trading profit.

Total income from all sources amounted to £8,256,204, from which fall to be deducted taxation £5,131,914, depreciation £410.747 and directors' emoluments and auditors' fees, £31,601, leaving £2,681,942 to which is added £514,171 brought forward from 1948, making £3,196,113 as the net amount finally available for disposal.

Many stockholders will recollect that following the bonus issue in 1938 the basic ordinary dividend rate was 5 per cent. interim plus 10 per cent. final to which a cash bonus of 6 per cent. was added for 1938 and 1939. An interim dividend of 5 per cent. was paid for 1941, but by the time the final came to be declared in August, 1942, Burma had been occupied by the Japanese and it was deemed prudent to reduce the final dividend to 7½ per cent. Since then the dividend for the year has remained at the rate of 12½ per cent. The directors consider that restoration to 15 per cent. is now warranted and have recommended that this be done.

Out of the net sum of £3,196,113 available the board have allocated £1,350,000 to general reserve and if their recommendation of a final dividend of 12½ per cent. is approved, net preference and ordinary dividends will absorb £1,298,262, leaving £547,851 to be carried forward, being an increase of £33,680 on the amount brought in.

Turning to the company's balance sheet, you will note it has been possible to finance the operations of the subsidiary companies without making any inroad into liquid resources by further withdrawals from our holding of Government securities. This is due principally to the curtailment of rehabilitation operations in Burma in line with the policy indicated in my statement on 1948 results. Rehabilitation finance in 1949 cost £1,400,000 compared with £3,730,000 in 1948, a reduction of £2,330,000. The greater part of 1949 expenditure will form a claim on His Majesty's Government under their guarantee, to which I refer later.

CONSOLIDATED ACCOUNTS

"Accrued dividends from subsidiaries" at the higher level of £3,241,353 follows on the increase in profits.

In the consolidated balance sheet it is now possible to compare the group's assets and liabilities item by item with the previous year.

"Concessions, oil wells, buildings, etc.," is up £677,647, but £431,250 of this is not new expenditure, being a transfer to this heading of expenditure previously included under "Rehabilitation Suspense Account."

"Investments" at £22,417,361, including British Government securities of £9,817,414, show no material change from 1948.

Under current assets the increase of £711,209 in "stocks of stores and materials" is accounted for partly by continuing payments under contracts placed for plant required under the rehabilitation programme and partly by the additional stores and equipment requirements of Assam Oil Company. "Stocks of oil and products" are up by £880,702. Larger volumes and increased costs arising from devaluation account for this increase.

BURMA

At the time of our annual general meeting last year the position in Burma was that the three British oil companies, responding to a request by the Burmese Prime Minister, had submitted a scheme for completing the reconstruction of the oil industry by which the Union Government would furnish the remaining finance, which the industry itself had decided to stop providing owing to the disturbed state of the country, and the Union Government were engaged in trying to raise the necessary funds. What I was not then permitted to disclose was that in order to assist the Union Government by ensuring them time to negotiate a loan, His Majesty's Government undertook to underwrite any expenditure incurred by us after March 7, 1949 which would be lost if those negotiations were not successful. The negotiations were prolonged and ultimately failed and we shall present our account to H.M. Government as soon as the full amount is known.

Subsequent events belong to 1950 but I feel you would like me to bring the position up to date. The Union Government having failed to raise the money to finance their share of the joint project, that project broke down and we proceeded to discharge the employees who thus became surplus to our reduced operations. The Burmese Government, on the application of the Labour unions, thereupon referred to an industrial court, under the Burma Trade Disputes Act, the questions both of the employer's right to discharge employees in such circumstances and alternatively the terms governing such discharges. The court was appointed on January 11, 1950, but has not yet announced its award, the nature of which will be of great interest not only to us but to all industrial and commercial employers in Burma.

Rehabilitation of plant and facilities on the Burma oilfields, main pipeline and refinery having entirely ceased, the group's operations are now reduced to producing small quantities of crude oil and to selling the products from a primary distillation in such local markets as can be reached in the present disturbed state of communications, while for the accessible markets elsewhere in Burma we are continuing to import products into Rangoon.

It is not yet possible to foretell when or if it will again become feasible to resume our producing and refining operations on the scale formerly contemplated. While the Union Government forces have recently reoccupied several towns which have been in insurgent hands, it is not yet clear whether the insurgents have been defeated or have merely withdrawn to positions elsewhere with their strength not seriously impaired. The greater part of the country through which our main pipeline runs is still outside the Government's control, and repair, much less operation, of the pipeline itself cannot yet be resumed. Without this pipeline there is no means of conveying crude oil to Rangoon in the quantities required for the projected refinery and rebuilding of the refinery would accordingly still be premature. When and if order has again been restored and maintained long enough to give promise of being settled, the directors will assess the economic possibilities of the subsidiary companies resuming operations in the light of the conditions then prevailing and their attractiveness as an investment for your capital.

The suits which the subsidiary companies filed in 1947 against the Union Government for compensation for denying their properties to the enemy on instructions given under the Defence of Burma Act have not yet been heard. A preliminary issue, common to the cases of all claimants, on the point whether the Union Government is liable to pay compensation under that Act, is shortly to come before the court.

I informed you last year that H.M. Government had announced their intention to ask Parliament to make an ex gratia payment to British industrial and commercial interests whose property sustained war damage in Burma, primarily for the purpose of assisting them in overcoming their capital handicaps in the task of rehabilitation. The total grant was £10 million, which it was left to an independent committee to allocate between the interests concerned. The share allocated to your group, which financially speaking was by far the greatest sufferer from the war in Burma, is £4,583,870. That sum has recently been received and will be incorporated in the 1950 accounts. Though welcome, it represents a very small part of the replacement value of what we lost through denial to the country and is far from meeting our subsidiary companies' claims on the Union Government which, as I have stated, continue.

TRADING

In Burma, with large areas of the country under the hand of one or other of the insurgent groups, conditions for trading were abnormal. In January the railway to Mandalay was cut and this main line of communication with important centres in central and northern Burma remained closed throughout the year. For a period of several months the distribution of petroleum products was confined to a relatively small area around Rangoon, to the coastal ports and to small offtake in the Chauk oilfield area. When in July it became possible to resume supplies to Mandalay from Chauk by river, despatches had to be conveyed with military escort when this was available. Overall the volume of supplies which our Burma trading subsidiary has been able to distribute remains below the needs of the country.

A number of our upcountry distributing centres were overrun, fortunately without loss of life, though not without loss of stocks and some destruction of property. Once again members of our staff deserve credit for carrying out their duties so well under difficult circumstances.

It will thus be readily understood that although petroleum supplies were more freely available throughout the world in 1949 the volume of our sales in Burma, far from showing expansion, was appreciably below the 1948 level. Towards the close of the year there were some signs of improvement but the country has received a severe setback in its general economy as the result of the events of 1948/49 and recovery towards fully normal conditions can only be a gradual process.

In India, demand continued in excess of supply, but rationing of both motor spirit and kerosene was on a more liberal scale, and there was a considerable expansion of sales of all main products.

Distribution of Assam Oil Company's products continued without interruption during the year though in the face of an unfortunate worsening of political relations between India and Pakistan. Supplies from Assam refinery normally pass through Pakistan to reach markets in India, and at the close of the year there was a break in political relations which put a sudden stop to all through traffic. Supplies had accordingly to be directed to the newly built Assam rail link and to the river, through traffic on which was fortunately quickly restored.

In Pakistan, as in India, while there was an appreciable increase in the level of sales, distribution and marketing of products were affected by the breakdown in political relations between the two Dominions. East Pakistan is normally supplied with petroleum products partly through our own organisation based on Chittagong and partly through Burmah-Shell based on Calcutta. Towards the end of the year the complete suspension of supplies from Calcutta to Pakistan left Burmah-Shell without their normal means of supplying their adjoining marketing area in East Bengal and a severe strain has been thrown on our Chittagong organisation in endeavouring to supply their needs also.

It is to be hoped that the recent trade agreement between India and Pakistan will be further developed to enable trade between the two countries to flow along fully economic lines of supply.

PROSPECTING

Burma.—I need hardly say that no exploration of any kind was even a remote possibility during the year under review.

India.—The one outside test well in Upper Assam to which I referred last year was completed but without finding any oil. Extension drilling at Digboi has however proved a valuable addition to the productive area there.

Pakistan.—At Chakwal in the Punjab our No. 2 well found production, and development of this small field is proceeding. The more important test well at Lakhra eventually became the deepest well in Asia, but unfortunately found only water and is now being abandoned. On the results in this well we fear that large areas in Sind must now be considered valueless for oil, but we are continuing the search in other parts of Pakistan.

LABOUR

Labour questions continued to provide many anxious problems throughout the year but I am glad to report that relations with our Indian and Pakistani employees remained on the whole excellent, especially when judged against the general background in these two Dominions. There were no strikes in either country, except for a minor affair at an outside test well which was quickly settled, but there have been some dissensions with the unions. In India and to a lesser extent in eastern Pakistan the general trend of awards under the Industrial Disputes Acts, by invariably giving something and usually too much, has encouraged unions not only to be immoderate in their demands but also to discard direct negotiation and rely on the compulsory adjudication provided by the Acts. The practice is not helping the growth of a healthy trades union movement.

I feel, however, I can fairly say that our longstanding policy of good wages and good working and living conditions continues to have its reward. In particular, the company's hospital and schools at Digboi have been highly praised by visiting Indian ministers of government. I must add a word of warning that certain draft legislation now before the Indian Central Assembly is giving employers in India some anxiety. Relations between an employer and his men can be overregulated.

Burma presents, inevitably, a less good picture. The chief event was the discharge of nearly 2,000 men at Yenangyaung oilfield in July, leaving only 100 men to look after our property there and perform other essential duties. At Chauk oilfield and Syriam refinery there were in 1949 no major cuts in the numbers employed, but employees lived under the shadow of them while the events to which I have referred were in progress.

Altogether I am glad to say that relations between the management and employees though severely tested stood the strain well, for which the highest praise is due to your staff, both British and Burmese, and the employees themselves. Unhappily relations with the trades unions are another matter, the unions being largely led by men not in our employment, whose aims are too often mainly political.

TANKERS

Our ships continued to operate satisfactorily during the year and were again free from accident. The nature of their service demands quick turn-round at loading and discharging ports and imposes almost continuous duty on the part of their officers and crews, who continue to maintain the high standard of morale in the fleet.

By the introduction of a mail advice service, whereby next-of-kin are kept advised of the movements of our ships and officers are enabled to obtain letters from home more frequently, and through increasing the amenities on board, we have been able to give further expression to our constant concern for the welfare of those who serve in our fleet.

THE STAFF

With the suspension of their operations in Burma, our subsidiary companies there have regretfully had to reduce their staffs.

While the whole staff have again served us splendidly, a special word of praise is due to the staff in Burma and particularly at the oilfields and refinery. A heavy responsibility has fallen on our general manager, Mr R. S. Carey and our managers at the oilfields and refinery, Mr C. A. Maxwell-Lefroy and Mr W. T. Watts, and their conduct of our affairs deserves high commendation. I hope I may be allowed to express your appreciation to the staff both at home and overseas.

The report and accounts were unanimously adopted.

The final dividend of 12½ per cent. (2s. 6d. per £1 unit) on the ordinary stock for the year 1949, recommended by the directors, was approved and declared payable on July 14, 1950.

Mr W. E. Eadie, who was recently appointed to the board, and the Right Hon. Baron Bilsland of Kinrara, M.C., D.L., LL.D., the director retiring by rotation, were unanimously re-elected.

PLASTER PRODUCTS (GREENHITHE), LIMITED

MARKED IMPROVEMENT IN TRADING RESULTS

MR. J. P. EVANS'S SPEECH

The thirteenth annual general meeting of Plaster Products (Greenhithe), Limited, was held in London on July 6th.

Mr J. P. Evans (chairman) presided and said: Gentlemen,—As the directors' report is fully informative and the bulk of this information was circulated to every shareholder nearly four weeks ago, there is not very much I can add to the details already in your possession.

The principal changes in the fixed assets have been brought about by the sale of your company's factory at Bridgwater. Current assets and current liabilities both show reductions on the figures of a year ago, and the liquid position has been improved by better trading results. The decreases in bank overdraft and acceptance credits are perhaps worthy of note and these accounts will be repaid out of the proceeds from the sale of the Bridgwater factory.

No decision has yet been made regarding the disposal of the balance of capital available, but one of the facts that must not be lost sight of is that your company has no right to accelerate the redemption of the loan stock until 1953. It must be remembered that the silent plant which is now being stored at Greenhithe could be erected there if the demand justified such a step.

TRIBUTE TO STAFF AND WORKPEOPLE

The trading results show a marked improvement upon those of the preceding year and at this stage I should like to pay tribute to the staff and workpeople who have achieved such figures in the face of fierce and unremitting competition.

Production costs have risen in the present financial year and will rise still more as the progressive effect of higher freights make themselves felt. An increase in the controlled selling price should therefore be granted as speedily as the two reductions in price which immediately followed the temporary fall in the cost of some raw materials during 1949.

Such exports as have taken place were to a large extent pioneer efforts and rising costs will do nothing to help the overseas trade of this company or of the country. On the contrary the extra cost of home-produced materials improves the prospects of the foreign exporter wishing to send his products to this country.

The report and accounts were adopted.

The Board were requested to give consideration to the preparation of a scheme of capital reorganisation.

THE BUTTERLEY COMPANY, LIMITED

ACTIVE DEMAND FOR PRODUCTS

A CAPITAL PROFIT DISTRIBUTION

MR E. FITZWALTER WRIGHT'S ADDRESS

The sixty-third annual general meeting of The Butterley Company, Limited, was held at the registered office of the Company, Butterley Iron Works, near Derby, on June 29th, Mr E. Fitzwalter Wright (chairman of the board of directors) presiding.

The secretary (Mr P. Elliott) read the notice convening the meeting, and the report of the auditors.

The chairman said: Ladies and gentlemen,—There is little change from last year in the form of the accounts before you, except that this year we are able to give you the comparable figures for last year as well. If you will turn to the consolidated profit and loss account you will see that the profit for the year before taxation is down from £346,279 to £245,170. You will also see that our income from what used to be our colliery assets is down from £155,889, which came to us in the form of interim income under the 1946 Act, to £91,930, which came to us in the form of revenue payments under the 1949 Act. The charge for depreciation is raised from £28,344 to £49,312, partly due to the reasons described in Note 4 of the notes to the accounts, and we have provided £6,000 to cover the diminution of value of certain of our quoted investments.

These three items therefore account for almost £91,000 of the reduction of just over £100,000 in the profit for the year. We have been able to take to the credit of profit and loss account profits attributable to prior years, and provisions for certain wartime contingencies which are now happily no longer required, to a total, after tax, of £56,195, giving a profit for the year, after taxation, of £148,123 compared with £171,029 a year ago. To this must be added the balance brought forward from last year of £167,383, giving a total of £315,506, out of which dividends paid or now recommended take £110,687, leaving to be carried forward to next year £204,819.

MAIN LINE WAGONS COMPENSATION

We have received compensation in full in respect of our main line wagons, and a capital profit of £264,036 has accrued to us in respect of this item. It is proposed to distribute £252,000 of this to the shareholders, representing 14 per cent. on the ordinary stock, and we are advised that this payment will not attract either income tax or sur tax. I wish to emphasise that it is most unlikely that a similar payment will be made again.

The issue of £2,000,000 of coal stock, referred to in the directors' report, was made on June 16th. The stock has been realised, and the effect has been to turn a deficiency of current assets of approximately £300,000 into a balance of some £1,700,000. Further sums of cash and issues of stock on account of compensation will continue to be received. The board consider that the time has come for a modification of the capital structure of the company, and therefore have under consideration a scheme to reduce the paid up ordinary stock.

ENGINEERING WORKS ACTIVITIES

Turning now to activities during the year, I am pleased to be able to report that at our engineering works at Butterley and Codnor Park a still further increase in output has been obtained, and sales from these two works reached a record figure of just under £2,000,000. Competition has undoubtedly been more pronounced, a development which we regard as a very healthy one, and we have made reductions in prices of certain foundry products, notably for the motor car industry, as a contribution to the export drive. Nevertheless, our order book is as strong as ever, carrying contracts with delivery dates in some cases more than two years ahead. In particular, the demand for our finished products, such as overhead cranes, and sheet metal machinery, continues to grow, and our crane production last year was almost double that of 1948.

Last year, you will remember, I was able to tell you that we had built nearly 750 railway wagons. This year I am happy to tell you that the figure has increased to over 1,000, chiefly 16 and 21-ton types for the home railways. We are told that the programme of replacing old small-capacity wooden wagons with larger capacity steel ones is to be maintained, and that the number required will be very large. I hope British Railways will take the wagon builders of the country into their confidence, so allowing them to plan ahead with certainty. I have no doubt that if this were done considerable economies in the cost of production could be achieved.

STRONG DEMAND FOR BRICKS

The cut of £200 million in the capital expenditure programme announced by the Government two years ago is now seriously affecting the civil engineering industry, and there is very keen competition for all available work. We are continuing to submit tenders for all suitable contracts, but the profit margin must inevitably be very low.

Demand for bricks, however, continues very strong, and our output figures again show an increase. We have been particularly gratified by the popularity gained by the bricks from our Blaby plant, and arrangements are in hand to double the output from this works. A new kiln and drying shed is being installed, and we hope it will be in production by the end of this year.

THE KELVIN COMPANY

Of our subsidiaries, the Kelvin Company continues to produce very satisfactory profits at the Glasgow works, and the works at Greenford have come through the re-opening troubles well. I am glad to pay a tribute to Mr Harold Jacobsen, director and general manager of the Kelvin Company, to whose energy and ability the success of the undertaking in his charge is so largely due.

In the autumn of last year, we came to the conclusion that an even closer relationship between our works at Butterley and the Ruabon works of Hughes & Lancaster Limited was desirable. Certain changes in the management and organisation were effected. Mr Newman was appointed director and general manager of Hughes and Lancaster Limited, in addition to his duties as general manager here, and Mr Weetman, who for some years has been manager of our machine shop here, was appointed works manager at Ruabon. The results since these appointments were made certainly seem to justify them, and, with the new shop coming into production in the autumn, the prospects are favourable.

NEW MILKING STATIONS

There has, I am afraid, been much irritating delay in the completion of the new milking stations on our farms, to which I referred last year. At the moment, only one is in use, though I hope the other two will be completed in a few weeks' time. We are still threatened with the requisition of a large acreage of land for opencast coal mining, although as a result of energetic representations, in which we were much helped by officials of the Ministry of Agriculture, the area originally contemplated has been somewhat reduced.

Our anxiety on this score is intensified by our experience of other areas in our farms which were requisitioned some years ago and have now been restored. Restoration I fear can only be held to describe the work done to the land, not the effect on the land itself. In the opinion of our experts, it will be a lifetime before the land regains its fertility, and for many years to come it will produce less than a tenth of what it did. Can it really be good economics to inflict such lasting damage for the sake of so small and temporary a reward?

COAL COMPENSATION DELAY

It is now three and a half years since our coal mines were taken over by the National Coal Board, and though we have received quite substantial sums on account of compensation, the final amount is not yet fixed, and if the statutory procedure is followed, it may well be five years before it is. I make no apology, therefore, for repeating the words I spoke to you in 1948. This is what I said: "I do most sincerely hope that certain proposals aimed at shortening and simplifying the procedure at Stage III which will be shortly under consideration by coal owners in our two districts may be sympathetically studied by them, and they may come to the conclusion that in this case rough but speedy justice is preferable to justice possibly more exact but certainly long delayed and very expensive."

At that time our hopes came to nothing, but I am glad to say that at the present moment another effort is being made. As you know, our coal interests are situated in two valuation districts, North Derbyshire and Notts. In North Derbyshire, coal owners representing 85 per cent. of the 1946 output have intimated their support in principle of a scheme for shortening the Stage III procedure, and in Notts, all the colliery companies except one support another scheme on somewhat similar lines. I believe that complete unanimity is essential to the success of these schemes, and I do appeal to those who have not yet agreed to the schemes to reconsider their attitude so that we may all go forward together and put this weary business behind us.

"THROUGH FIVE GENERATIONS"

A book has recently been published entitled "Through Five Generations—The History of The Butterley Company," by R. H. Mottram and Colin Coote. I commend it to you, not only as being eminently readable, but as a real contribution to the history of the Industrial Revolution in general, and the coal mining industry in this country in particular. And, as shareholders, you will, I hope, be not mistaken in deriving from a study of our past a sober confidence in our prospects for the future.

As in the past, so in the future our success must depend on the energy and ability of our officials and workpeople. They do not fail us, and on your behalf I would once more express to them our appreciation and thanks.

I now have pleasure in moving: "That the directors' report and accounts which carry the following recommendations:—

(1) The payment on the 30th June, 1950, to the Ordinary Shareholders of a sum of £252,000 (representing 14 per cent. on the amount of the Ordinary Stock) out of the excess of compensation received over the book value of main line wagons now vested in the National Coal Board, and

(2) the payment on June 30, 1950, of a final dividend on the Ordinary Stock of 6½ per cent., less tax (making 10 per cent., less tax, for the year), which will absorb £64,350 and the carrying forward of the balance of £204,819,

be received, approved and adopted."

The resolution was duly seconded and carried; the retiring directors, Mr M. F. M. Wright and Mr P. N. Wright, were re-elected; the auditors, Messrs Price, Waterhouse and Company, were re-appointed, and the proceedings terminated with a vote of thanks to the chairman.

ROTHMANS LIMITED

(Cigarette Manufacturers)

60TH TRADING YEAR

EFFECTS OF DEVALUATION

The twenty-first annual general meeting of Rothmans Limited, was held on June 29th in London, Mr Sydney Rothman (the chairman) presiding.

The following are extracts from his circulated statement:—

Profits and capital: The profits of the group are £269,000 depreciation absorbs £45,000, taxation £132,000, leaving a disposable profit of £92,000. It is proposed to pay a dividend of 12½ per cent. on the ordinary shares, to transfer £23,000 to reserve for future depreciation, and £37,000 to the general reserve. Total capital reserves and surplus are £911,000.

Jubilee Year: The business was established sixty years ago by the late Mr Louis Rothman, and was incorporated as a public company in 1929. In 1930, the company's capital and reserves were £221,000, the increase to date being £690,000.

Share Bonus: At an extraordinary general meeting shareholders will be invited to pass resolutions authorising the issue of one non-voting ordinary share for every five ordinary shares held, by the capitalisation of £32,000 of the general reserve.

The Year's Trading: The company has been able to sell, without high selling costs, the maximum quantity of its main product—cigarettes. Its principal brands are Rothmans Pall Mall de Luxe, White Horse and Pall Mall Medium. In consequence of government controls, it has suffered a shortage of tobacco and has been obliged to ration its customers at home and abroad. The bulk of the company's present stock of leaf was acquired at predevaluation sterling costs. Selling prices have not been raised at home, and, in effect, manufacturers are selling American tobacco (after manufacture) at less than replacement cost.

Workers and Management: The team spirit has been excellent and I express my thanks to my co-workers for their successful efforts. Mr C. Stanley Gray, has for some years acted as assistant managing director. He has been invited to become one of our joint managing directors and has accepted this position. I congratulate him upon the appointment.

Prospects: Devaluation must result in increased costs of tobacco and other materials. It will be difficult to earn this year the same rate of profit as last year. However, the orders in hand and the business in sight are satisfactory, and one can anticipate that throughout the world smokers will continue to smoke and that your company will secure its share of the trade.

The report was adopted.

TAYLOR WOODROW LIMITED

A YEAR OF STEADY PROGRESS

The annual general meeting of Taylor Woodrow Limited was held on Friday, June 30th, in London. Mr Frank Taylor (chairman) presided, and in his statement previously circulated he said:—

From the sale of certain investment properties we have created a capital reserve account of £42,947. Your directors suggest that the general reserve be increased by a further £35,000 to £150,000. The consolidated balance sheet shows a provision for contingent liabilities on contracts of £200,000, less taxation, leaving £99,000 net. Provision for taxation has been made for the year 1950-51.

Profit for the year before taxation and depreciation is £415,846, plus capital profit of £42,947, making total profit of £458,793, compared with £404,960, plus capital profit of £29,971 in 1948, making £434,931. After depreciation and taxation reserves, directors' fees and remunerations, there remains a balance of £71,628, which, with the balance brought forward from the previous year, £49,070, leaves a total of £120,698. Your board recommend that the dividend be maintained at 20 per cent. for the full year. To maintain our preference dividend of 6 per cent. and an ordinary dividend of 20 per cent. we only require £66,000 gross, or £36,300 net.

ENGLAND:—Our construction company continues to progress and is now well established in the forefront of the industry. Apart from civil engineering works well in hand, which include open-cast coal production work, Air Ministry contracts, construction of power stations, factories and pre-stressed concrete bridges, we have several new projects, including the foundations for a new power station, a very large factory and a contract for the London County Council value approximately £2,500,000.

New plant is being added to the hire fleet and the new plant workshops are complete and occupied. Contracts for reconditioned plant have kept the equipment company busy during the year, and contracts on hand are sufficient to provide work for at least twelve months. Our ballast pits continue to function satisfactorily and two new pits have been completed. The tyre remoulding and distributing organisations are meeting competition, but progress has been made. The plant manufacturing company has made substantial strides and your board have decided to build increased factory facilities. Our joinery company has been engaged in supplying fitments for houses and flats, power stations, gas works and factories, but current building licence restrictions continue to cause a shortage of work, resulting in keen prices. Experimental and development work has been undertaken with plastic material which can be used as an alternative to materials in short supply.

OVERSEAS:—Our associated company, Taylor Woodrow (West Africa) Limited, is now established in Nigeria and the Gold Coast. We have obtained the contract for extensions to the Takoradi Harbour, value approximately £2,500,000. Subsidiary companies in East Africa have carried out extensive contracts, including the Kenya Girls' Boarding School, factories, housing and offices at Magadi, and the Mikindani Pipeline Scheme. We have carried out extensive works in connection with the Overseas Food Corporation's Groundnut Scheme in Tanganyika, but conditions were most unsatisfactory and unbusiness like, and I asked the O.F.C. to release us from our contract. We are in the process of finalising this contract. Following on our experience in prefabricated housing, we have developed other similar structures for tropical countries.

The report and accounts were adopted.

HONGKONG TIN LIMITED

DIVIDEND OF 35 PER CENT.—LOOKING AHEAD

The twenty-first annual general meeting of Hongkong Tin Limited, was held on June 29th at Asia House, Lime Street, E.C.3.

Mr Jack Addinsell, the chairman, said in the course of his statement: As the result of the sale of 930½ tons of tin ore the accounts show a gross profit of £179,375, which is nearly double that of the previous year, the dredge having worked the exceptionally rich ground to which I referred in previous statements. From the gross profit, £10,850 has been written off fixed assets, and United Kingdom taxation requires £136,905. A final dividend of 17½ per cent. makes 35 per cent. for the year, leaving £53,707 to be carried forward. Before arriving at these figures £57,029 was paid to the Malayan government in royalty and tin duty.

Throughout the year the dredge worked towards the northern boundary and, as anticipated, very high values were encountered. The results must be regarded as exceptional. Special arrangements were made to provide suitable conditions and facilitate experiments for the future treatment of rich ground situated below the maximum digging depth of the dredge. The northern limit was reached in February, 1950. The dredge is now turning to the west and south through good but lower grade ground from which satisfactory but variable outputs are to be expected.

Your general managers estimate that within the Sublease Areas there remains a further proved life of 9½ years, subject to the conversion of the treatment plant on the dredge to modern jigs and the installation of special clay treatment plants to permit the recovery of both very fine and exceptionally coarse ore when selected areas are dredged a second time in a different direction.

TELEPHONE MANUFACTURING CO.

HIGHLY SUCCESSFUL TRADING

The twentieth annual general meeting of this company was held on May 3rd in London, Mr Fred T. Jackson, O.B.E., Comp.I.E.E. (the chairman and managing director), presiding.

The following is an extract from his circulated statement for the year ended December 31, 1949:—

The accounts show another highly successful year of trading, and reflect the results of a year of considerable activity. The profit of the parent company amounted to £193,770 as compared with £209,376 for 1948. The group profits amounted to £220,000 as compared with £228,654 for 1948. The turnover fell very little short of the total for 1948, which was a record apart from the war years. The rate of profit has been maintained, although we have had to extend the range of our products to cater for the needs of the export market.

The attention that we pay to efficiency in operation has made these results possible. I do not think we can be accused of exercising other than moderation and restraint in recommending an increase from 6½ per cent. to 7½ per cent. in our final dividend.

Direct exports constituted 30 per cent. of our output, and for the first three months of this year this percentage has increased to 67 per cent.

Our long-term prospects are bright, but the immediate future gives cause for some concern. Keener prices and the increased cost of materials arising from devaluation will affect our figures for the current year. However, our trading results so far are very satisfactory, and I anticipate that the profits will be sufficient to maintain our dividend and have something in hand for general reserve.

The report was adopted.

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"SHELL" TRANSPORT AND TRADING COMPANY, LIMITED

IMPORTANCE OF PETROL DE-RATIONING

The annual general meeting of The "Shell" Transport and Trading Company, Limited, was held on June 30th in London.

Sir Frederick Godber, the chairman, said: Gentlemen, I have little to add to my speech circulated with the report, except to say that since my statement was prepared, one matter of very great importance, both to this country and the Commonwealth, and to the oil industry which serves them, has occurred, namely, the de-rationing of petrol.

Although only a short time has elapsed since this took place, it is already possible to see the beneficial effect it has had upon industry generally, and upon the public, and the many other incidental benefits which have emerged.

Notwithstanding the congestion of traffic, it is a pleasant sight for all of us to see happy family parties with their large or small cars enjoying the beauties of the countryside as a result of this relief from prolonged austerity. The psychological effect has been immense.

LONG-TERM PLANNING

So far as the oil industry is concerned, de-rationing of course followed naturally from the efforts of the oil companies to provide ample supplies of petroleum products from their great new refineries which have been constructed in this country and elsewhere. I would like to emphasise that it is not some fortuitous chance that has produced this happy state of affairs, but rather the long-term planning by all the units of the oil industry.

As we anticipated, the industry has taken the release from this particular control in its stride. There have been no embarrassments and we now look forward to the day when the remaining controls are removed.

One other matter to which I should like to refer that has occurred since the publication of my statement is the very great honour of Knighthood which His Majesty the King has conferred upon one of our managing directors, Mr George Legh-Jones. I am sure you will desire to add your congratulations to those of the board and, whilst it is primarily a well-deserved reward of Mr Legh-Jones's ability and attainments, we may perhaps as a group accept some of the reflected glory in that we may consider it as recognition also of the group's contribution to the national well-being.

The chairman then moved the adoption of the report and accounts and the payment of a final dividend of 1s. per share or £1 stock unit, free of income tax, on the ordinary capital.

Sir Robert Waley Cohen, KBE, seconded the resolution and it was carried unanimously.

Sir Richard Hopkins proposed a vote of thanks to the chairman and directors and also to the staff of the group for their services during the past year. Stockholders all agreed that this was a very prosperous and a very great undertaking and that prosperity in an organisation of this kind comes from wise and experienced direction by the directors at the top; competent and imaginative management on the part of the general managers and those associated with them, and loyal and conscientious efficiency and industry on the part of the great numbers of people who served them in various places.

The vote was unanimously accorded and the chairman's acknowledgment concluded the proceedings.

ANGLO-IRANIAN OIL COMPANY, LIMITED

TERMS OF AGREEMENT WITH IRANIAN GOVERNMENT

The forty-first annual general meeting of the Anglo-Iranian Oil Company, Limited, will be held on July 25th at Britannic House, Finsbury Circus, London, E.C.2.

The following are extracts from the statement of the chairman, Sir William Fraser, C.B.E., circulated with the report and accounts for the year ended December 31, 1949:—

Our accounts for 1949 have been prepared on the same basis and in the same form as for the previous year, and comparative figures have been shown.

The Group trading profit is £38,666,485, compared with last year's figure of £50,700,804. This is arrived at after making provision for depreciation on fixed assets, oil exploration interests and survey repairs aggregating £24,353,930, the corresponding figure for 1948 being £17,683,502.

In conformity with the dividend limitation policy recommended by His Majesty's Government, your directors have again decided to recommend a final dividend of 25 per cent., less income tax, on the ordinary stock, making 30 per cent. for the year. You may remember that last year I stated that the payment of a larger dividend would have been warranted. A similar conclusion would, I think, again be warranted in respect of the results for 1949.

Capital expenditure of the Group in 1949 was approximately £55,750,000, and the excess of this amount over the £35,353,920 retained in the business is reflected in the reduction of liquid assets less liabilities.

The decrease in our profits, despite the considerable increase in our total sales, reflects the rising tendency of costs and the lower prices of products as compared with the previous year. During 1949 the growth of total world demand for oil products slackened, a reduction in the expansion rate in the United States more than offsetting an increase in the rest of the world; at the same time the successful efforts made in 1948 by all sections of the industry to expand supply facilities were becoming increasingly effective. 1948, which twelve months ago I called a very remarkable year, was thus followed by what might best be described as a readjustment year in 1949, for at present it appears that total world demand is again moving upwards.

DISCUSSIONS WITH THE IRANIAN GOVERNMENT

In my statement to stockholders last year I referred to the discussions which had been taking place between the Imperial Iranian Government and the company on matters connected with our concession agreement in Iran, and briefly described the main subjects discussed.

Later at our annual general meeting on July 26, 1949, I was able to announce that, on July 17th, a supplemental agreement to the company's 1933 concession agreement had been signed in Teheran on behalf of the Iranian Government and the company.

In accordance with Iranian law, the agreement was thereupon submitted in the form of a Bill to the Majlis for ratification. No finality had been reached before the period of office of that Majlis terminated shortly afterwards, on July 28th, and it is understood that the Bill will be presented to the new Majlis which has now reassembled. In the meantime, the company's payments continue to be made on the basis of the 1933 concession agreement.

After ratification of the supplemental agreement the company will, in accordance with the details set out, pay to the Government £5,090,909 in respect of the amount standing at general reserve at December 31, 1947, together with the additional sums made necessary under the various headings of the new agreement on account of 1948 and 1949. The payments for these two years, on the basis of the 1933 agreement, amount in total to £9,172,245 and £13,489,271 respectively. With the agreement ratified the corresponding payments would be £18,667,786 and £22,890,261. Full provision up to the end of 1949 has been made in the accounts for the extra payments which would become payable under the supplemental agreement.

DISTRIBUTION AND SALES

Our sales of refined products and crude oil in 1949 amounted to a net total of 30,560,000 tons, some 4,000,000 tons more than in 1948. All refined products and crude oil contributed to this increase, which was also well spread over our various markets.

World market prices, as measured by the customary index of quotations in the U.S. Gulf of Mexico, receded during 1949 from the levels attained in 1948 in the case of all products except aviation spirit. For motor spirit the decrease was only slight, but quotations for fuel oils and middle distillates continued the sharp downward trend referred to in last year's report; fuel oil quotations were substantially reduced during the early months of the year, although from June onwards there was a partial recovery. Oil is a commodity of international trade and, as consumption requirements can only be met by drawing on production from both sterling and dollar sources, it has a common basis of valuation independent of the currency classification of its source. In consequence, the changes in currency values last autumn, which did not affect the dollar value of oil products, resulted in higher prices expressed in sterling.

In the United Kingdom, our largest market, motor-spirit rationing continued throughout 1949, but was terminated at the end of May, 1950, following the offer of certain American companies to provide a part of the necessary additional supplies against payment in sterling. This welcome development depended also on the ability of ourselves and other sterling suppliers to meet the greater part of the additional demand expected, and the increased supplies forthcoming from our Abadan and Llandarcy refineries were an important factor. The sale of motor-spirit under brand names remains in abeyance, and the need for maximum quantity precludes the introduction at present of higher standards of quality. In the case of kerosene it has been possible to reintroduce a premium grade, which our marketing associates Shell-Mex and B.P. Limited recommenced selling towards the end of 1949.

RESEARCH

The company's research organisation, in this country and overseas, continues its intensive support of our current operations and their future development. We, with other leaders in many branches of British industry and commerce, can take legitimate pride in the vigour with which, in close association with the universities and other learned institutions, experience is combined with experiment in practical and scientific research for the general betterment of mankind.

The scale and diversity of our operations require an exceptionally wide range of effort, skill and management, and the company's personnel is efficient and well-balanced in all these respects. I am sure that you will join the board in thanking all employees at home, afloat and overseas for good work well done.

BRITISH SOUTH AFRICA COMPANY

LARGER INCOME AND DIVIDEND

The annual meeting of The British South Africa Company was held on June 29th in London.

Sir Dougal O. Malcolm, K.C.M.G., the President, in the course of his speech, said: We present our report and accounts for the year ended September 30, 1949, another very good year, as I think you will agree; better even than last year, good as that was.

Our profit for the year at £1,458,778 exceeds the previous year's profit by £64,000 odd. We recommend a dividend for the year under review of 33⅓ per cent., that is to say, 5s. a share less income tax at 9s. in the £, to absorb £1,204,569, as against 26⅔ per cent., or 4s. per share, absorbing £963,655 the year before. This will still leave us a carry forward increased by £254,209 to £1,841,028.

WONDERFUL MINING RESULTS

The remarkable prosperity of our company in these latter years, and I hope that you will agree with me in thinking that it is remarkable, is, of course, due in very great measure to the wonderful results obtained by the Northern Rhodesian Mining Industry, in particular the copper mining industry, whence we benefit so greatly both as very large shareholders, directly and indirectly, in the mining companies, and as recipients under our agreements with them, by which they receive their *mining rights* from us, of royalties, which vary with their output and with the price of copper and other minerals.

During our year under review the sterling equivalent of the New York price for electrolytic copper averaged £117 per ton. During the year now current it has so far averaged £151 and is now at the extremely high figure of £180, so that for our year now current I think I am justified in anticipating that our mineral revenue will not be materially less than it was for our year under review.

THE AGREEMENT

The reception accorded to our circular regarding the agreement with the Government justified, I think, the belief that the conclusion at which we arrived met with general acceptance. Of course the agreement involves substantial sacrifice on our side; but it does make the position as it stands, in the light of the agreement, safe for thirty-seven years. I am satisfied that the other parties to the agreement will live up to it.

I am satisfied that there is no intention on the part of the Leader of the Elected Members of the Northern Rhodesian Legislative Council, who is a man of his word, or of his colleagues, from whom came the initiative which led to the negotiation of the agreement, to go back upon it in any way.

More than that, Clauses 10 and 11, the last two clauses of the formal agreement, implementing No. 2 (e) of the Heads of Agreement secure, so far as is humanly possible, that any future government which may be set up in Northern Rhodesia in place of the present Crown Protectorate administration will be bound by it. This is a very important element in the security which the agreement affords to our position for the thirty-seven years from the beginning of our financial year now current.

In submitting the formal agreement for the approval of the extraordinary meeting, which is to be held in a few minutes, your board is entirely confident that it will be recommending what is in your best interests.

The report was adopted and the agreement with the Government was approved.

RHODESIA BROKEN HILL DEVELOPMENT COMPANY, LIMITED

SATISFACTORY OPERATIONS

The fortieth annual general meeting of the Rhodesia Broken Hill Development Company, Limited, will be held at the Chartered Insurance Institute, 20, Aldermanbury, London, E.C., on July 25th.

The following is an extract from the report of the directors to be submitted to the meeting:—

The profit for the year after charging all costs and expenses was £2,248,424.

The directors recommend the payment of a dividend of 40 per cent., less income tax, in respect of the year ended December 31, 1949.

CAPITAL EXTENSIONS

Lead Smelter Plant.—The chairman referred in his statement last year to certain additions and improvements to the lead smelter plant which were being undertaken with a view to obtaining a better recovery from the ore mined. Since that time, as the result of further investigations and large-scale tests, the consulting engineers have recommended additions and improvements to the plant extensions as originally designed, so that a still higher output of lead will be obtained from a smaller tonnage of ore mined. Partly as the result of these additions and partly of additional costs of plant ordered abroad, arising from the devaluation of the £, the estimated cost is now £514,000. It is expected that the new plant will be in operation by the middle of 1951. This matter is referred to in more detail in the chairman's statement accompanying this report.

Zinc Plant Extensions.—In his statement last year the chairman stated that consideration was being given to an extension of the zinc plant, but that a final decision could not be made until definite conclusions had been reached on the problems of water supply and electrical power. The consulting engineers now consider that adequate water and electric power will be available for a 25 per cent. extension to the zinc tankhouse. The board has approved this extension, which is estimated to cost £100,000, and it is hoped that it will be completed by June, 1952.

Davis Shaft.—In order to mine ore from the lower levels, the consulting engineers have recommended that the Davis shaft should be deepened and a second pump station installed at about 500 feet below the present one. This project, which is estimated to cost £110,000, has been approved by the board, and work has already commenced.

CHAIRMAN'S STATEMENT

The following is an extract from the statement by the chairman (Mr S. S. Taylor, C.M.G., D.S.O.), which has been circulated with the report and accounts:—

Our operations since the beginning of 1950 have continued very satisfactorily. The total production for the five months to the end of May, 1950, was:—

	Long tons
Zinc	9,390
Lead	5,800

CITY OF LONDON REAL PROPERTY

RESTRICTIONS ON REBUILDING

The eighty-sixth annual general meeting of the City of London Real Property Company, Limited, was held on July 3rd in London, Mr Edmund Howard, F.S.I. (chairman and managing director), presiding.

The Chairman, in the course of his speech, said:

Gross rents and net service charges amounted to £1,009,302, and the balance remaining after deducting the usual outgoings amounted to £670,467, an increase of £67,695 over last year. The directors recommend a dividend of 5 per cent. on the ordinary stock, an increase of ½ per cent. on last year.

During the past few years progress has been made in the complete redecoration and modernisation of all our properties, and by the end of the year it is anticipated that this work will have been completed.

The present position with regard to office accommodation is extremely critical. If we received permission to re-develop all our vacant sites on important centres in the City we could then accommodate only about one-third of the applicants.

During the year the company has taken a lease from the Fishmongers' and Cloth-workers' Companies of the large site situated between Lime Street and Billiter Street, and plans were prepared which have received Town Planning approval. I was approached by the chairman of the Committee of Lloyd's as to the granting of an under-lease to them for the whole of our term in respect of the portion of this site lying north of Fenchurch Avenue.

Negotiations have resulted in an understanding whereby this under-lease will be granted.

The report was adopted.

CENTRAL AND DISTRICT PROPERTIES, LIMITED

DIVIDEND OF 15 PER CENT

The annual general meeting of Central and District Properties, Limited, was held in London on June 30, 1950.

Mr A. W. Bourner, the chairman, said in the course of his speech: I have pleasure in presiding at this sixteenth annual general meeting, as after a lapse of fourteen years it has become possible to pay a dividend to the holders of the ordinary shares.

Once again I am able to report to you an increase in the profit of the parent company as compared with the previous year.

With regard to the subsidiary companies, as compared with the previous year, there is an increase in the profit before the charge for taxation and the reserve for amortisation of £1,549.

Your directors have pleasure in recommending the payment of a final dividend of 10 per cent., making, with the interim dividend of 5 per cent., a total of 15 per cent.

During the year under review two of your company's properties have been sold. One of these sales resulted in a surplus over the book value; the other, a building site which your directors hoped at some time to develop, was compulsorily acquired by the local corporation, and, despite prolonged negotiations by expert valuers, resulted in compensation being paid at £4,567 less than the actual book value.

There is a definite proposal to acquire from the company a property which if accepted by your directors will show a surplus of approximately 50 per cent. over the book value, namely, a surplus of about £20,000.

Provided no unforeseen circumstances arise nor new legislation of a nature adverse to your interests is passed, we can, I think, look forward to a more stable future for your company.

The report and accounts were adopted.

Statistical Summary

EXCHEQUER RETURNS

For the 6 days ended June 30, 1950, total ordinary revenue was £52,759,000 against ordinary expenditure of £49,954,000 and issues to sinking funds £10,000. Thus, including sinking fund allocations of £2,524,000 the surplus accrued since April 1st is £41,021,000 compared with £4,315,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950–51	Receipts into the Exchequer (£ thousand) April 1, 1949 to June 30, 1949	April 1, 1950 to June 30, 1950	6 Days ended June 30, 1949	6 Days ended June 30, 1950
	£'000				
ORDINARY REVENUE					
Income Tax	1788000	185,698	141,972	15,536	14,677
Surtax	120,000	22,500	23,100	600	900
Estate, etc., Duties	195,000	44,000	53,000	2,800	3,800
Stamps	50,000	12,700	12,215	300	565
Profits Tax	270,000	49,160	44,420	2,950	3,200
E.P.T.		16,100	3,700	500	900
Other Inland Rev.	500	70	500	10	20
Special Contributn.	4,500	8,500	1,570	500	140
Total Inland Rev.	2028000	338,828	320,627	22,868	23,202
Customs	879,550	202,054	215,431	18,647	18,167
Excise	715,150	156,000	158,209	15,737	19,185
Total Customs and Excise	1583800	358,054	343,631	34,384	37,352
Motor Duties	56,000	5,282	5,234	...	...
Surplus War Stores	35,000	27,883	10,412	...	...
Surplus Receipts from Trading	85,000	4,045	25,974	...	...
P.O. (Net Receipts)	...	...	...	...	...
Wireless Licences	13,000	2,240	2,450	550	*Dr 900*
Sundry Receipts	27,000	2,266	1,588	...	650
Miscell. Receipts (in Crown Lands)	40,000	13,133	19,037	440	2,465
Total Ord. Rev.	3897800	756,731	768,754	58,242	62,769
SELF-BALANCING					
Post Office	172,150	37,250	40,300	2,000	3,300
Income Tax on E.P.T. Refunds	5,700	1,785	2,658	225	218
Total	4075650	795,766	811,712	60,467	66,287

Expenditure	Estimate, 1950–51	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1949 to June 30, 1949	April 1, 1950 to June 30, 1950	6 Days ended June 30, 1949	6 Days ended June 30, 1950
	£'000				
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	490,000	106,281	106,739	...	...
Payments to N. Ireland	36,000	7,821	8,182	...	...
Other Cons. Fund Services	11,000	1,535	979	140	210
Total	537,000	115,637	115,901	140	210
Supply Services	2918069	638,312	609,308	42,599	49,744
Total Ord. Expd.	3455069	755,949	725,209	42,739	49,954
Sinking Funds	...	2,467	2,523	10	10
Total (excl. Self-Bal. Expd.)	3455069	756,416	727,733	42,749	49,964
SELF-BALANCING					
Post Office	172,150	37,250	40,300	2,000	3,300
Income Tax on E.P.T. Refunds	5,700	1,785	2,658	225	218
Total	3632919	795,451	770,691	44,974	53,482

After increasing Exchequer balances by £369,687 to £3,845,007, the other operations for the week decreased the gross National Debt by £541,490 to £25,871 million.

NET RECEIPTS (£ thousand)
Nil

NET ISSUES (£ thousand)

Interest outside Permanent Debt charge	818
E.P.T. Refunds	265
Export Guarantees Act, 1949, s. 3(2)	2,315
Local Authorities Loans Act, 1945, s. 3(1)	4,750
Overseas Resources Development Act, 1948 :—	
Overseas Food	138
Miscellaneous Financial Provisions Act, 1948 :—	
War Damage : War Damage Commission	3,000
Finance Acts, 1946 and 1947, Postwar Credits	408
	11,694

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Tax Reserve Certs.	19,429	Treasury Bills	15,000
Other Debt :—		Savings Certs.	367
Internal	12,781	2½% Def. Bonds	64
		3% Def. Bonds	310
		Other Debt :—	
		External	661
		Ways and Means Advances	8,760
	25,210		25,741

FLOATING DEBT
(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of Eng. Dept.	Treasury Deposit by Bank	Total Floating Debt
1949 June 30	4475·8		539·9	...	1243·5	6019·2
1950 April 8	2910·0	1952·1	397·1	0·5	465·0	5724·9
„ 15	2920·0	1958·0	410·8	...	458·5	5747·3
„ 22	2920·0	1959·2	147·6	...	455·0	5781·8
„ 29	2930·0	1917·9	436·3	...	455·0	5739·2
May 6	2960·0	1872·9	420·0	4·8	430·0	5687·7
„ 13	3000·0	1865·4	416·2	...	410·0	5691·6
„ 20	3020·0	1839·4	437·9	...	410·0	5707·3
„ 27	3050·0	1812·0	439·1	4·0	400·0	5705·1
June 3	3070·0	1838·2	431·2	...	390·0	5729·4
„ 10	3080·0	1765·2	413·2	...	380·0	5638·4
„ 17	3090·0	1784·8	411·9	2·0	370·0	5638·7
„ 24	3100·0	1769·7	421·4	4·0	350·0	5645·1
„ 30	4856·9		404·2	12·5	350·0	5623·6

TREASURY BILLS
(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949 July 1	170·0	294·9	170·0	10 5·48	46
1950 Mar. 31	230·0	273·5	230·0	10 3·22	.79
April 6	240·0	301·7	240·0	10 3·11	73
„ 14	230·0	301·8	230·0	10 2·90	67
„ 21	230·0	306·4	230·0	10 2·82	65
„ 28	240·0	337·1	240·0	10 2·84	60
May 5	250·0	337·6	250·0	10 3·30	3
„ 12	240·0	313·0	240·0	10 3·03	68
„ 19	250·0	312·5	250·0	10 3·13	73
„ 26	240·0	293·5	240·0	10 3·47	77
June 2	240·0	343·5	240·0	10 2·64	57
„ 9	240·0	317·8	240·0	10 3·08	67
„ 16	240·0	299·6	240·0	10 3·33	75
„ 23	240·0	315·4	240·0	10 3·06	68
„ 30	240·0	302·4	240·0	10 3·21	73

On June 30th applications for 91 day bills to be paid from July 3rd to July 8th were accepted dated Monday for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million are being offered for July 7th. For the week ending July 8th the banks will be asked for Treasury deposits to a maximum of £25 million at 182 days.

NATIONAL SAVINGS
(£ thousand)

	Week Ended June 25, 1949	Week Ended June 24, 1950	Total, Apr. 1 to June 24, 1950
Savings Certificates :—			
Receipts	2,450	1,600	20,650
Repayments	2,900	2,800	30,700
Net Savings	*Dr 450*	*Dr1,200*	*Dr10,050*
Defence Bonds :—			
Receipts	610	375	4,235
Repayments	728	835	13,540
Net Savings	*Dr 118*	*Dr 460*	*Dr 9,305*
P.O. and Trustee Savings Banks :—			
Receipts	11,124	11,658	150,046
Repayments	14,463	14,721	155,136
Net Savings	*Dr3,339*	*Dr3,063*	*Dr 5,090*
Total Net Savings	*Dr3,907*	*Dr4,723*	*Dr21,445*
Interest on certificates repaid	574	610	6,586
Interest *accrued*	2,366	2,406	28,729
Change in total remaining invested	*— 2,115*	*— 2,927*	*— 2,303*

BANK OF ENGLAND RETURNS

JULY 5, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued :—		Govt. Debt	11,015,100
In Circulation	1,549,605,319	Other Govt. Securities	1,538,197,957
In Banking Department	41,733,513	Other Securities	775,01
		Coin (other than gold)	11,14
		Amt. of Fid. Issue	1,350,000,00
		Gold Coin and Bullion (at 24s. 0d. per oz. fine)	356,68
	1,591,338,832		1,591,338,832

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Securities	537,611,441
Rest	3,640,662	Other Securities	47,115,905
Public Deposits	241,515,313	Discounts and Advances	23,144,390
Public Accts.*	13,397,697	Securities	23,971,515
H.M. Treas. Special Acct.	217,917,616		
Other Deposits :—	389,479,867		
Bankers	292,365,971	Notes	47,753,513
Other Accts.	97,113,896	Coin	6,507,985
	658,988,842		658,988,842

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS
(£ million)

	1949 July 6	1950 June 21	1950 June 28	1950 July 5
Issue Dept. :—				
Notes in circulation	1284·6	1289·2	1293·9	1302·6
Notes in banking department	65·7	11·1	56·5	41·5
Government debt and securities*	1349·3	1299·3	1349·4	1349·3
Other securities	0·7	0·7	0·6	0·8
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	9·3	12·8	11·9	13·4
Treasury Special Account	21·2	196·2	209·0	217·9
Bankers	291·9	287·8	292·1	292·4
Others	90·4	91·6	96·5	97·1
Total	412·8	588·4	609·5	620·8
Securities :—				
Government	316·6	550·9	513·8	533·6
Discounts, etc.	22·7	14·3	15·4	25·1
Other	21·6	23·7	35·4	24·0
Total	360·9	588·9	564·6	584·7
Banking dept. res.	70·1	17·6	63·0	54·9
"Proportion"	% 16·9	% 2·9	% 10·3	% 8·7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,500 million to £1,350 million on June 27, 1950.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
June 29	63¼	72¼	177 12	115 4
„ 30	63¼	72¼	176 12	114 4
July 1	Markets	Closed	179 3	115 15
„ 3	63¼	72¼	179 8	115 13
„ 4	63¼	Mkt closed	180 1	115 11
„ 5	63¼	72¼	180 6	115 11

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Indian Summer

THE quarterly figures of the state of Britain's reserves of gold and dollars were released last week shortly before *The Economist* went to press and were commented on in a Business Note. The figures were surprisingly good and served to remove any lingering doubts there may be that the devaluation of sterling last autumn has successfully accomplished its immediate purpose—though it is as well to bear in mind that the really startling transformation has been in the position of the rest of the sterling area rather than in that of the United Kingdom.

The dollar figures are not the only good ones that are now appearing. Indeed, it would not be much of an exaggeration to say that the economic news is uniformly good these days. So much is this so that it has become the fashion to poke fun at all those who do not believe that everything in the garden is lovely. Economists are getting used to being asked what has happened to their crisis.

All this is very natural, and supporters of the Government's economic policies, who have had to swallow a number of disappointments since 1945, should not be grudged their present enjoyments. But it is also perhaps worth keeping a clear head. The basic economic argument in this country in the past three years has not been over whether conditions are good or bad. It is true that politicians of the opposition are compelled (as politicians of every opposition have always been compelled and always will be) to magnify every defect. But even they do not seriously deny that for the great majority of the people (exception always being made for pensioners, landlords and others with fixed incomes) the times are good. Certainly no attempt has ever been made in these columns to question that fact; rather the complaint has been that people are far too comfortable to inquire into the soundness of the policies pursued.

The argument is not whether or not times are good, but whether they can stay so. It is related that when Napoleon was crowning himself Emperor of the French amid every outward and visible sign of success and stability, there was one figure who remained unimpressed. Madame Mère (which was the only title ever accepted by the Emperor's mother) was heard to say over and over again, with her Corsican accent and her Corsican shrewdness, *pourvou que ça doure*, "so long as it lasts." It is as well that somebody should always be ready to make the same proviso.

What are the odds that the present good times will continue indefinitely? The fact that they have lasted as long as they have is, admittedly, a rebuff to the economic prophets; but when they have admitted it, they can legitimately point out that it is not due to any policies pursued in this country—not even to devaluation—nearly as much as it is due to the phenomenally long continuance of the postwar boom throughout the world. If that goes on for ever, then full employment in Britain is secure; if not, not. "The world" in this context very largely means the United States. Opinion in America,

even among economists, is confident abo[illegible]ness conditions, but not even the most confide[illegible] envisages a future without any fluctua[illegible] consists in believing that future fluctuations wi[illegible] the flow of dollar income by only some 10 or 15 per cent [illegible] instead of the more than 50 per cent of 1929-33. It is surely the height of foolishness to suppose that not even this will happen sometime in the next few years—always supposing (as every rational economic argument must suppose) that major warfare is avoided.

The case of the critics is that the British economy, owing to such familiar things as high costs, crushing taxation and the paralysis of all the normal adjusting mechanisms, is in no fit shape to face even such a moderate "recession" in world trade. That case may be good or bad; but it is no sort of answer to it to point to the undeniable fact that times are good now. The contention is that what is now happening is the Indian summer of the long postwar inflation; and to warnings that no preparation has been made for the winter, it is simply irrelevant to point out that the sun is still shining. The alternation of good and bad times is neither as regular nor as certain as the precession of the equinoxes; but the only possible assumption for the prudent man to make is that it has not now, without visible cause, been wholly arrested.

It is, of course, just conceivable that the British Government has up its sleeve really effective measures for insulating this country against the effect of any change in external circumstances; but it is not very likely. In the first place, how can a trading economy such as the British insulate itself? And, secondly, there is no sign at all that the Government has any novel or original plans for buttressing wavering employment figures. The [illegible] case, that of the fishing industry, has [illegible] recently and the expedient appl[illegible] of a subsidy. Full employment [illegible] cannot be [illegible] anybody subsidising [illegible] policies, turn out, on examination, to be ca[illegible] an inflation going. This would be a sound p[illegible] if, under the cover of the continued inflation, other means were being used to move resources of men and capital into employments where there is a real and continuing demand for their products. Permanent inflation by itself is a recipe for permanent full employment only if it can be assumed that people will be willing indefinitely to go on paying high prices for things that are not what they really want. Yet there is no indication that the British, or any other government, has a better

The present public attitude, especially on the left, towards the possibility of any return, however moderate, of trade depression and unemployment is that it is unthinkable. That means that it is not being thought about. If there were any real sign that the rulers of the country knew what they would do when the first frosts of winter come, one could rejoice with them in their present prosperity without any foreboding. But since the present state of affairs is so much more the result of circumstances external to Britain than of good husbandry at home, the wise man will continue to expect trouble when the run of the luck turns, and to insist that policy is not sound until it begins to make some preparation against this inevitable day.

Under Which Flag?

ON July 7th—not quite a fortnight after the aggression in Korea—the Security Council of the United Nations passed a resolution providing for the unified command of the forces placed at its disposal. The resolution also authorised the use by that command of a United Nations flag in the course of operations. The Russians have, of course, protested at the illegality of both measures; but forty-six out of fifty-nine states members support them. Both the symbol and the mechanism of collective action are therefore in use after only a trifling delay. Yet murmurs of criticism are to be heard. "If only there had been an international force, much grave anxiety would have been saved. . . ."

Have such suggestions any substance? Could an international force have been deployed in Korea effectively and immediately after the Security Council had named the aggressor? The whole idea of an international force of decisive strength and ubiquity is so attractive to the imagination that it tends to give rise to muddled thinking. In particular, its advocates draw too little distinction between the two types of force of which the Security Council could dispose—the one, a constabulary capable of ensuring that peaceful settlements under chapter VI of the Charter are observed, the other an army, navy and air force in battle dress taking action under Chapter VII—the Chapter on action in case of aggression—and armed with weapons powerful enough to strike fear into a military aggressor.

Mr Trygve Lie must shoulder some of the blame for the confusion in the public mind; for he has not, in his speeches to the general public, continuously made the distinction clear. It is fatally easy to win a round of applause for such phrases as "We must put teeth into the Charter." In a speech at Harvard, where he received an honorary degree in June, 1948, he proclaimed that "the Security Council must have a force to back up its decisions." This was the phrase that caught the headlines. Only some of those who heard him, or read the full text of what he said, noticed that he later added that he had in mind only:

> a small guard force as distinct from a striking force. I cannot think of a single case that has been dealt with so far in which a large force would have been needed, provided that a small United Nations guard force of some kind had been available at the proper time.

By the following Assembly he had specified the kind. Count Bernadotte had been murdered, and Dr Bunche, Bernadotte's successor in Palestine, was asking for guards for the Truce Commission. At the 1948 Assembly, Mr Lie tabled his plan for the immediate establishment of a United Nations Guard 800 strong. But the Russians objected: they regarded such a force as a tool in the hands of the western majority and labelled it an attempt to violate the Charter. Mr Lie silently trimmed his sails to the wind. A year later, all that was proposed was a "field service" of 300 men, plus a "field reserve panel" of 500 observers to be called upon when need arose. The duties of the field service were to supply transport for United Nations Missions and to look after their communications, lives and property. This mild proposition secured the approval of the 1949 Assembly by 38 votes

to 5, with 8 abstentions. On March 1st of this year, therefore, there came into being the United Nations Field Service. But neither in name nor in nature is it a force. It is an administrative unit within Mr Lie's Department of Administration and Finance. It has none of the qualities of the international constabularies which supervised one or two of the plebiscites conducted by the victors of World War I in 1920-1—or by the League High Commission in 1935 in the Saar. Yet Mr Lie's public, having heard nothing to the contrary, goes on thinking in terms of his Harvard outlook.

Such thinking has no relation to the international situation as it is. The lesson of the aggression habit is that it takes a tank to catch a tank. Effective military power nowadays hangs upon vast supplies of heavy arms and equipment. The point to thrash out with the advocates of an international force waiting in leash, at the right spot, to pounce upon an aggressor is whether a permanent international service of the necessary strength can be organised, or whether the best that can be done is that the Security Council should call on national units when need arises.

The obvious advantages of a permanent service force lie in standardisation of training, pay, equipment, weapons and the like. Familar arguments against it are that it would be difficult to recruit because of the need for striking a balance between nationalities and ideologies, and that its morale—or, rather, its pugnacity—would tend to be inferior to that of a national army fighting in a popular, if wicked, cause. Both these difficulties can be mastered: international recruitment for the secretariat has in fact been organised and, with modern weapons, professional pride tends to replace pugnacity as a fighting quality. But there are other insurmountable arguments against a permanent international force and, of these, the chief is the question: Where would it buy its weapons? It must be big and strong enough to engender fear of reprisal. How is it, then, to have certain access to heavy armaments and to the staggering industrial machine behind the guns that is nowadays the condition of effective military strength? The world's manufacture of heavy armaments is concentrated in the hands of three or four states. If these are arming simultaneously—and divided into two camps—what are they going to sell to the Security Council, exclusive models, or duplicates of their own latest and secret equipment? Nations loaded down with their own immense bills for armaments would be quite unable to contribute to a permanent central pool on the only scale that would be effective in a heavily armed world. In short, the creation of an international striking force of a size to meet the Council's need is not possible except in a world that has become trustful enough to hand over a proportion of each nation's private provision against attack; that is, in a world of Governments that have accepted disarmament, and so closed the present gap between a striking force and a constabulary.

It is said that an international force, in the event of aggression, could be on the spot more quickly than a national contingent. On what spot? And from what bases would it arrive? Its bases could not be scattered over the globe. The nearest might be far from the scene of action. An international force cannot get its tanks to the scene of an aggression more quickly than ships can steam and men can load, unload and mount its heavy equipment.

A force composed of national units under international authority may be a *pis aller*, but at least it is practicable. It is not a new idea. It was advanced from the United States in 1904 when, at the instance of Theodore Roosevelt, Congress passed a resolution that advocated "constituting the combined navies of the world into an international force for preserving the peace"—an idea that obtained support in Britain but was pooh-poohed by the Kaiser. It was the conception behind Wilson's "organised major force of mankind," and again behind the Tardieu Plan presented by the French to the Disarmament Conference in 1932. Of course the arrangement has drawbacks, and causes quarrels and jealousies. When the mission is being conducted in the name of an international, peace-preserving body, the problems that beset any team of wartime allies seem to multiply. Mutual good will is frustrated by differences in language, organisation, equipment, rations and scales of pay. But the proposals of the pre-war era failed for more fundamental reasons: because of the absence of some Great Powers from the organisation, and because the concept of the complete equality and collective responsibility of all nations seemed to reduce the readiness of Governments to co-operate when it came to the point of actually applying sanctions. Over the years, articles 10 and 16 of the League Covenant became blunt instruments. The Manchuria incident dispelled the illusion that taking "common action" was easy. The Abyssinian crisis shattered it.

The situation now is different, because the United Nations Organisation is universal and because power is concentrated in a few hands—and its Charter admits this fact. Provided that any two of the biggest three will furnish the Security Council with a striking force, other members will co-operate and collective action follows. That is the lesson of Korea.

General MacArthur's force, with its 49 backers and its United Nations flag, therefore possesses several valuable qualities. Its composition is the best attainable in the circumstances. It has reached the site of aggression at least as quickly as could any permanent international service force. Above all, it represents, both in composition and in the spirit in which it has been despatched, an immense advance upon any other measure ever taken by an international organisation to stop an armed aggressor.

It is possible to argue, as the Russians are vigorously arguing, that any such despatch of force by the Security Council requires seven affirmative votes, including the votes of the permanent members, and that the resolution which authorised the unified command and flag obtained neither the one nor even the other—since the seventh affirmative voter did not represent the people of China. But the Charter—indeed the whole concept of the United Nations—does not provide for a case in which one of the permanent five actively helps the aggressor. In such a case, if the letter of the Charter prevents the Council from working, the world divides into two rival alliances. The alternative—which has only to be mentioned to be dismissed—is that whenever the permanent members fall out the United Nations abandons its functions.

The MacArthur force deserves the flag it is authorised to fly. It has the support even of nations which belong to neither the eastern nor the western bloc, notably of India, Pakistan and Burma. It has been neither tardy, nor grudging in sacrifice. And these are causes for thankfulness and satisfaction.

Currency Realism

THE mechanism of the new European Payments Union is described in an article that begins on page 130. The details are complex; they will prove to be of importance to professionals in all forms of international exchange, and of interest to the large body of currency amateurs; but there is no doubt that they will also prove to be caviare for the general. Nevertheless, the birth of this new scheme should not be allowed to pass without a comment of a general nature, for underneath all the technicalities it embodies a development of thought on these matters which is both encouraging and of general importance. This is the first major scheme since the war, in the field of international commerce and finance, that has been designed for the world as it is and not for the world as it should be. That is a great advance.

Hitherto, the various international plans that have been made for the reconstruction of the world's commercial and financial systems have been dominated by the twin principles of multilateral convertibility and of non-discrimination. In the reconstructed postwar world, all currencies were to be convertible on demand (at least for current payments) into all other currencies. If it were necessary to permit any deviations from this principle—that is, if countries found it indispensably necessary to retain exchange control—then at least the principle of non-discrimination was to apply—that is, it was not to be made any easier to exchange Currency A for Currency B than to exchange it for Currency C. The same principle of non-discrimination was to apply to restrictions on trade, as distinct from payments. If countries felt compelled to cut down their imports, they must cut down from all their suppliers equally. These are the principles that underlay the work of the Bretton Woods Conference and are enshrined in the statutes of the International Monetary Fund. They were made an integral part of the Anglo-American Loan Agreement of 1945. With a cloud of qualifications they are the substance of the Charter—as yet unratified—of the International Trade Organisation.

Any reasonably competent third-year student of economics can demonstrate with triumphant theoretical finality that any international trading system which has the peace and the welfare of mankind at heart must be based upon these principles of multilateral convertibility and non-discrimination. No sensible person would dispute that they represent polysyllabic perfection. They have only one defect: in the world as it is, they will not work. In the years when they held undisputed sway *The Economist* got into a great deal of trouble with all men of good will for insisting on this inconvenient but (as it seemed to us) inescapable fact. We could explain that we had no desire to start trade wars in every direction at once or to discriminate for the sake of discrimination; we could plead for an attempt to make currencies convertible within as wide an area as possible instead of within an area so wide as to be impossible; we could play the sesquipedalian game by suggesting that trade should be multilateral but not omnilateral; we could urge that the attainable good is better than the unattainable perfect—but all to no purpose. The men of principle shook their heads over the sad fact that the world's oldest free trade journal had sold out to the Schachtians. It is pleasant to observe that they have changed their minds.

For the European Payments Union is based upon discrimination and upon far less than universal convertibility of currencies. Under it, European currencies are to be freely convertible into each other but not—except in part and with some delay—into the dollar. The European countries will find it easier, with the assistance of the EPU, to buy from and sell to each other than to trade with the United States. These currency arrangements are to be followed up by a measure of trade liberalisation—that is, of the relaxation of import quotas—which will, again, not be extended to the "hard" currency countries of the western hemisphere.

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Stated as bluntly as that, the EPU might appear to be an act hostile to the United States. Yet the great triumph that has been achieved is that EPU is being born with the blessing, almost at the instance and certainly with the effective help, of the United States Government—or at least of a majority of its agencies. Here is a revolution of thought, indeed. It results from the inexorable pressure of the facts. The famine of dollars is a fact. If the European countries are to get on, after the demise of the Marshall Plan, without free gifts of dollars, they must very seriously cut down their dollar expenditures; and if in so doing they are to avoid discrimination, they must treat their imports from all other sources with equal severity. If all currencies are to be convertible by those who hold them into dollars, then every country must take care that nobody holds a single unit of its currency more than he needs. In short, these sacred principles, when combined with the fact of a dollar shortage, become instruments not of expansion but of the most cruel compression of all trade. It has taken five postwar years for this truth, which should have been obvious, to prevail, and for the Americans to realise that if other countries, all equally short of dollars, make such arrangements as they can to foster their mutual non-dollar trade, no trade is being taken away from Americans that they could possibly enjoy.

The impression should not be given that it is only American obtuseness that has caused delay. On the contrary, one of the most extraordinary phenomena of the whole process has been the way in which the British Government, which should in its own interests have been the most enthusiastic and persistent supporter of all schemes for the maximum of free exchange in a limited area, has had, until very recent months, to be pushed towards EPU by the Americans. If there has been a mistaken clinging to the false appearance of self-interest on the one side, there has been a blind ignoring of obvious self-interest on the other.

The five years' wait has been worth while if it has enabled the sacred principles to be set aside with consent and with safeguards against abuse. Those who, like this journal, have always urged that trade must be discriminatory if it is to expand have never wanted discrimination *ad lib.*; the argument has always been that the nations, in their postwar economic reconstruction should seek to agree on what degree of discrimination is permissible in what circumstances. This, in effect, is what EPU does. So long as the dollar shortage persists, the rules of EPU regulate the degree in which member countries can discriminate against the dollar; and if the shortage is relieved, the provisions for payment in gold (which is nowadays a synonym for conversion into dollars) can be tightened up.

It remains to be seen whether EPU will work well or ill; what has been said here implies no judgment on this. But nothing that happens hereafter can take away its importance as the first major instance in which the nations, in their postwar economic reconstruction (exception being always made for rescue operations such as the Marshall Plan), have based themselves upon the real facts of the world as it is. Is it too late to write some retrospective realism into the statutes of the International Monetary Fund itself?

Taxes and Korea

THE dangers from Korea have this week turned towards the public gaze a facet of Britain's finances that so far has been watched only by the few. On the third reading of the Finance Bill the Opposition urged the point that the present burden of taxation is so heavy as to leave hardly any scope for fiscal manoeuvre in an emergency. There is no considerable reserve of taxable capacity. The Chancellor of the Exchequer denied this, just as Mr. Gaitskell recently denied the parallel charge that the Government's financial policy is gravely impairing the supply and quality of the nation's savings. These were matters of moment even before the Korean war gave them a sharper urgency. It is not a little disquieting to find ministers supposing that they can be dismissed by glib negations unsupported by any arguments that deserve to be taken seriously.

The Chancellor did admit last Monday, as he has done before, that so far as peacetime is concerned Britain has come "very near the limit of direct taxation on incomes." But he went on, with no apparent consistency, to affirm—

> but that does not mean, of course, that we have reached the limit of taxability. There is indirect taxation; there are death duties; and many other ways by which taxes can be raised. . . . We have indeed reduced taxation on incomes by £650 million since 1945. So, obviously, there is a reserve which could be tapped if it became necessary.

But it is not obvious; nor is the basis of the Chancellor's figuring, which he did not explain. Fortunately, there is no need to try to follow the Treasury arithmetic, for the argument itself is almost wholly beside the point. No one would dispute the possibility of imposing higher taxes and collecting an even larger total revenue. But the time has long passed when the sole apparent object of collecting a given tax revenue was to enable the Government to pay its bills. The very fact that the Chancellor is budgeting for a true surplus is an admission of the wider purpose—the purpose, repeatedly expounded by Sir Stafford Cripps himself, of enabling the fully-employed national economy to meet the clamant demands upon its resources without increasing the tempo of inflation. The inflationary pressures will mount, bringing a new threat of rising costs to Britain's balance of external payments, unless at current price levels the flow of private savings, plus the budget surplus, is sufficient to finance the nation's large outlays on maintaining and creating capital assets. If defence expenditures precipitated by the Korean affair encroach to any great extent upon the budget surplus, it is doubtful whether, in present conditions, an increased inflationary pressure can be avoided.

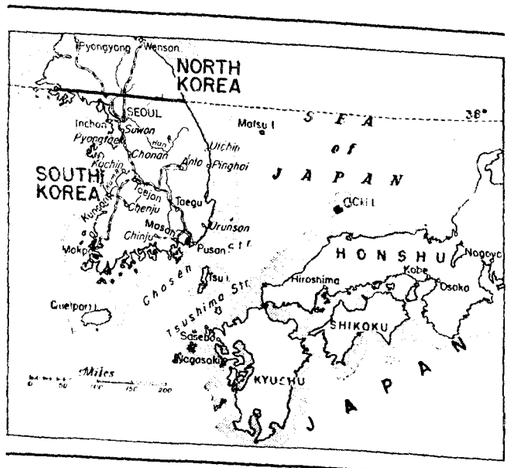
In judging whether the limit of taxable capacity has been reached, the question to be asked, therefore, is not whether it is possible for the Government to collect additional revenue, but whether the addition can achieve the wider purpose for which it would be exacted. If increased taxation diminishes the flow of new savings out of income, it is to that extent self-defeating. The fact that certain taxes have been reduced since 1945 is no guide whatever to the possibility of achieving a genuine net gain by raising them towards their wartime level. During the war, the volume of private savings was determined much more by the stringency of physical controls, by the wide gaps in supplies of goods and by the general circumstances of life under fire than by the positive willingness of the public to save. It is, therefore, absurd to suppose that in present conditions any large increase in taxation towards wartime rates could be accompanied by comparable abstentions from spending. Such abstentions as were made would, moreover, certainly have their biggest impact on the most highly-taxed commodities—notably beer and tobacco. These tendencies, indeed, are showing themselves even now in many directions. If this argument is true of the general run of taxes, such as those on income and indirect taxation, it applies even more directly to special forms of taxation. Very naïvely, Sir Stafford instanced death duties as a source of reserve capacity; but these are met almost wholly out of capital, since the securities that are sold to pay them must be bought and financed out of other people's savings. Similarly with profits taxation: an increase here is most unlikely to be financed, except to a fractional extent, by cuts in dividends; it will merely reduce the level of company savings. In neither case will there be any net gain at all.

The conclusion surely is plain. Since the Government evidently has no intention of increasing its fiscal latitude by cutting down civil expenditure, rising defence expenditure is likely to mean rising inflationary pressure. Unless and until Britain reverts to a war footing, with all the paraphernalia of detailed controls, there will be little if any apparent reserve of taxable capacity in the true sense. And if and when that time comes, the fiscal instrument, so over-worked already, will not be the cutting edge. Almost the whole job of shifting productive resources from serving civil consumption to making war material will have to be done by the Government's dragooning of the national economy. In the last war, the weapon of tax increases did an important part of the work. But now even Sir Stafford's £650 million of supposed "reserve" of taxes would be a puny proportionate addition, by the standards of war requirements, to the prewar yield of taxation. It is a disquieting prospect—and not least for those who believe that the individual citizen has a right to freedom, and that he cannot be personally free unless he is also free to control the spending of his income.

NOTES OF THE WEEK

Buying Time in Korea

It is now clear that the Communist invasion of South Korea has behind it a weight of armour and of fire power that the defenders, caught unawares, cannot yet match. In spite of their superiority in the air, they lack the necessary weapons on the ground to check the invaders' persistent tank attacks, and have been compelled to retreat from Seoul to the outskirts of Taejon in a fortnight of bitter and unbroken fighting. In one sense, this delaying action represents a considerable military achievement. The North Koreans would have swallowed an unaided South in a few days, and the Americans, hurriedly assembled from the garrison in Japan, and thrown into the front line, apparently without adequate weapons, have contrived "to buy time by giving space" and to offer the hope of building up a bridgehead that can be held—as Salerno and Anzio were held. But the race is not yet won, and the Communists with fifteen divisions and not less than a hundred tanks still in the field have striking local superiority. General Bradley has said that the situation is "very serious and it would be a disservice to our people to give them any other impression."



It is when news is bad that tempers are frayed and allies fall out. There have been uncomfortable signs in the last week of angry American reactions to the "criticism" of America's military performance that is reported to have appeared in other countries, particularly in Britain. This reaction is very wide of the mark. There has been nothing but admiration in Britain for the boldness of the President's move and nothing but understanding for the intense difficulty of mounting an effective defence at a moment's notice and some 5,000 miles from the home base. Moreover, such criticisms as have appeared in Britain are almost entirely based on the reports of American correspondents. But American criticism is, perhaps, not so wide of the mark when it questions the British decision to commit no land forces to Korea. It is impossible for the layman to speak with authority on such an issue, but the existence of a garrison of 40,000 regular soldiers in Hongkong, relatively within reach of the Korean battlefront, is bound to raise questions which should be conclusively answered in the interests of Allied understanding. One would have thought that Anglo-American military relations and consultation were by now such that joint—rather than unilateral—decision and announcement would have been possible.

The "Peace" Campaign in Trouble

If the western allies are disheartened by events in Asia, they can take some comfort from the likelihood that the Communists, too, have some grounds for discouragement. For them Korea is simply an incident in their worldwide pressure on the free nations, and it is very likely that the local effects of the invasion are less significant to them than the repercussions of the attack in the world at large. There they have been conducting for months a frenzied "peace" campaign, denouncing the west as aggressors, imperialists and warmongers, and calling upon the peoples to thwart their rulers' "plans for war." Moscow radio daily issues instructions of the "correct" attitude to be adopted. Here is an example written by Mr Sobolev of *Pravda*:—

> I vote against war—and this is not merely a matter of words. It means that I shall do my utmost to prevent war. I shall stop the trains; I shall refuse to unload the ships carrying war-materials; I shall not supply fuel for the planes; I shall seize the arms of the mercenaries; I shall not allow my son or my husband to go to war; I shall deprive the Ministers of food, drink, telephones, transport and coal. Let those who are dragging us into war do the fighting themselves.

Korea has now been made a test case of this "peace" campaign. The Russians accuse the Americans of aggression and call upon the workers to respond with resistance and sabotage. In fact, however, the response has been almost nil. The Communist Party of Italy has managed no more than a symbolic hour's stoppage. France is calm. In Britain, strikes have occurred only where normal wage grievances already threatened trouble. Agitation in Germany has been a fiasco. If this is the "rallying of the peoples" to the peace campaign, it is clear that the Russians have a long way to go either to convince the workers that the western powers are aggressors or that active sabotage on the Russian side is the way to "peace."

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Hors de Combat

It is more than unfortunate that British foreign policy should be conducted from a sick-bed when the international situation is so tense and the co-ordination of American and British policies so vitally necessary. No doubt Mr Bevin sees all the right papers, has the right minutes written, can shape policy by his grasp of essentials. But there are two things he cannot do which need doing at this juncture: the first is to see that his colleagues of the Cabinet really understand the kind of world that British policy has to work in and reconsider their policies as a result; the second is to ensure that will power as well as intelligence goes into those day to day decisions in the Foreign Office that make policy.

It is true that Mr Bevin may be back at his desk in three or four weeks. But he then proposes to attend the Council of Europe in Strasbourg and the General Assembly at Lake Success. These are duties that a less conscientious Minister would unhesitatingly delegate. Foreign policy in the Cabinet and western defence demand his undivided attention for many months ahead.

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Railway Wages

The threat of a road haulage strike in Greater London, precipitated by the dispute among the Smithfield drivers, has almost subsided. Mr Deakin, the secretary of the Transport and General Workers' Union, has succeeded in assuring the drivers that the union will not neglect their interests, and thus once again this mammoth union has managed to preserve at least the appearance of unity. If the trouble with the transport union is that it covers too many trades and industries for its leaders to keep effective contact with the men, the difficulty on the railways is precisely the opposite—one industry is covered by three unions with conflicting interests. After more than a year of negotiations, threats, and unrest, the National Union of Railwaymen decided last week to accept the Railway Executive's offer of an increased wage of 3s. 6d. a week for the lowest grades. It has thus accepted an offer originally made over a year ago which it turned down with scorn at the time. In the meanwhile it has seen its successive claims for £1, 10s. and 7s. 6d. rejected by the executive or by the arbitration tribunals, and Mr Figgins, the union's secretary, obviously feels that he must get some immediate advance if he is to save his face with his union.

But the matter is not as simple as that. The two smaller railway unions, the Railway Clerks' Association and the Associated Society of Locomotive Engineers and Firemen, have claims of their own and will not associate themselves with the NUR's acceptance of the Railway Executive's offer. The RCA in particular will not permit those few of its men who are affected to accept the increase. Thus the whole matter is to be again referred to the national reference tribunal, and in the meantime nobody will receive the extra money since the Railway Executive rightly refuses to give the increase only to members of a particular union. The railways, like the engineering industry or the printing trades, illustrate the chaos of inter-union rivalries which makes it virtually impossible to arrive at any rational wage structure. This is a question of which Parliament will one day be forced to take notice.

But the case of the railways also brings up again the unresolved problem of control over the nationalised industries. The railways are running at a substantial loss at present, and the Railway Executive in offering an increase even of 3s. 6d. a week is in fact making an offer of money which it has not got and which must be found by the taxpayer. Since the negotiations with the unions have taken place behind closed doors the taxpayer or his representative has had no opportunity to decide whether that is the way in which he wishes his money laid out. An increase of wages for the lower paid railwaymen must at present lead either to further operating losses or to increased fares, and it is fairly certain that the taxpayer would have considerable reluctance about this step if he were consulted. A solvent nationalised industry is obviously at liberty to pay what wages it likes, but an insolvent one is in effect a bankrupt in the custody of the nation, and it is time that the distinction was recognised.

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Mr Strachey

Mr Strachey's defence, in a debate in the House of Commons on Tuesday, of his now famous speech at Colchester, seems to have satisfied the Prime Minister and the majority of the Labour Members, although it has satisfied no one else. He explained to the House, as he had previously explained to the Prime Minister, that his use of the word "plot" was applied not to the Schuman Plan but to the actions of the Tories. Whatever might have been in the text of the notes issued beforehand for the guidance of the press, he had, he said, in delivering his speech, interpolated sufficient sentences to make it clear that the Tories and not the French and German Governments were the plotters, although he regretted the tone of his expressions about the Schuman Plan. In view of this explanation it is worth setting out the press report of the disputed passage, as supplied to the newspapers by the Press Association whose reporter had attended Mr Strachey's meeting.

> Is it not obvious that the real purpose of this plan was to put up a barrier against the control of the basic industries of Europe by the European people? After all, gradually and with difficulty, but nevertheless surely, the people of Europe and of Britain are getting hold of economic power. . . We shall get more and more of these schemes, no doubt, which under the guise of internationalism, are designed to prevent the people really controlling their economic system. Well, Labour had only, of course, to expose this plot in order to defeat it. Labour triumphed in the debates and divisions on this issue last week. Even some of the Tories wavered a bit when they saw what it really was.

If the nation is to accept Mr Strachey's explanation it must rely on his word against that of the reporter who, after checking Mr Strachey's notes against what he actually said, prepared this dispatch—that is the word of an interested party against that of a person wholly disinterested in the content of the speech but whose job depended on preparing an absolutely accurate report of it. This is not the first time that Mr Strachey has been involved in a wrangle over the exact form of one of his public utterances; it happened when as Minister of Food he was defending the conduct of the groundnut scheme.

But quite apart from the disputed sentence, Mr Strachey, by using opprobrious language about the Schuman Plan, has in fact attacked the policy of his colleagues, and has therefore denied the principle of collective responsibility which is essential to the maintenance of Cabinet Government. Irrespective of whom it was who was accused of perpetrating a "plot," the whole tenor of his speech has seriously jeopardised the relations of all his colleagues with the governments of Europe. It would seem that loyalty alone should make him wish to resign. The fantastic extravagance of his language in this speech shows that behind the façade of the responsible administrator there lurks the wildest kind of irresponsible political agitator. If Mr Strachey really believes the nonsense to which he has given utterance, it is doubtful whether he has the necessary qualifications to be the head of any department of state.

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The Defence of Germany

Judgment of international affairs can easily be distorted by analogies rashly drawn; but that fact will not deter Germans from arguing that Korea has been the scene of rehearsals of several events that have happened, or might in future happen, in the two Germanies. The argument will have very different impacts on their respective politicians. Walter Ulbricht, the Communist Deputy Premier in the east, already smells blood and victory for his "National Front." This organisation is to direct a "resistance movement against the rule of the American governors" which will rally "all patriotic Germans"—a clear threat of force to be used by Communist Germans and their allies against the rest. The Ulbricht junta are doubtless encouraged by the fact that there has been no reply from Moscow to western inquiries about the highly trained *Bereitschaften*—or Communist SS—that they have at their disposal, and that Mr Gromyko has now provided them with a classic exposition of why neither Uno nor the Great Powers are entitled to intervene in a "civil war" that is likely to be won by the Communist "liberators."

At the other end of Germany Dr Adenauer is in an embarrassing position. The eastern junta has claimed the leadership of German patriotism. He will increasingly be asked by political opponents and allies what assurances he can offer for the security of western Germany. He will find it increasingly difficult to explain why the German Government that is taking part in the conference on the Schuman proposals and in the Council of Europe cannot be covered by the Atlantic Pact. There is even the possibility that nationalist extremists, Communists and advocates of neutrality will combine to spread the idea that the presence of American troops in Germany is a source of danger and not of safety.

The whole problem is beset with political and military difficulties. The provisional solution that would produce the greatest effect on morale—not only in Germany but throughout free Europe—would be for the Americans, British and French each to double the number of their divisions stationed in Germany, or close at hand. If that cannot be done, then there is something fundamentally wrong with the Atlantic Pact and Western Union planning of which so much has been heard.

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Ulbricht's Promises to Moscow

The treaties concluded last month between the German "People's Republic" and Poland, Czechoslavakia and Hungary have now been dutifully ratified by the Pieck parliament in Berlin. Speeches made by the Christian-Democrat "Foreign Minister," Herr Dertinger, on this occasion show clearly the significance of the agreements that Russia's German satellites have signed. They were, it appears, intended to implement the Warsaw Agreement of June, 1948, by which Mr Molotov secured the approval of the suspicious Poles and Czechs to his plan for incorporating Soviet Germany into the political, economic and strategic bloc ruled from Moscow. The price paid for Polish and Czech agreement to accept the Germans into their fold, and to support Soviet propaganda for a withdrawal of the occupation forces, was a declaration by Mr Molotov to the effect that the Oder-Neisse line was a permanent "frontier of peace." Now that frontier is formally acknowledged in the People's Republic's treaty with Warsaw. In the same way, Herr Ulbricht, the Soviet citizen who rules eastern Germany, has renounced in Prague all claims to the return of Germans to the Sudetenland.

No renunciations were involved in the treaty with Hungary, and *Volksdeutsche* expelled from that country are said to be returning. But it provided, like those signed in Warsaw and Prague, for greatly increased trade and ideological collaboration with eastern Germany. Even more plainly than the other agreements, however, it stressed that the main purpose of all three is to prepare the way for a military alliance such as binds the Soviet Union to its other satellites. The Poles, Czechs and Hungarians have now been assured that eastern Germany will not again be their enemy; while the Soviet Germans themselves have been informed by Herr Dertinger and President Pieck that their leaders

> have been called upon to affirm on behalf of the entire nation that, in the event of war, the German people will fight by the side of the USSR and the camp of peace.

West German statesmen have naturally repudiated with indignation the right of Herr Ulbricht to sign away the Oder-Neisse line and to pledge the whole of Germany to fight for Russia. Their feelings have found expression in the expulsion from the Christian-Democratic Party of Herr Gereke, the Minister of Agriculture for Lower Saxony, who, on his own responsibility, discussed with the "traitor" Ulbricht the idea of selling to eastern Germany Lower Saxony's huge stocks of unsold tinned foods.

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Juggling with Defence Estimates

The much publicised statement that the United States is spending more than 76 per cent of its budget "for war purposes," whereas the comparable Soviet expenditure is only 18.5 per cent of the budget should not be allowed to pass unchallenged. If, in each case, the official term of military—or national defence—expenditure is accepted at its face value, then American expenditure, as estimated at the beginning of this year, is $13,148 million out of a total of $43,397 million (30.4 per cent), and Soviet expenditure is $19,850 million out of a total of $106,975 million (18.5 per cent). But the Soviet Finance Minister is not content to take at their face value terms used in the capitalist world, and he reaches his conclusions about the American budget by a curious calculation. He appears to have added together the sums allotted by the Americans to national defence ($13,148 million), to international affairs, which includes Marshall aid ($5,964 million), to veterans' services and benefits ($6,905 million) and to interest on the national debt ($5,725 million). This produces a total of $31,742 million, which indeed is 76 per cent of total expenditure—but by pure propagandist juggling.

It is not possible to apply with any confidence Mr Zverev's technique to his own budget figures. But it would surely be not unfair to add to the admitted Soviet defence expenditure of $19,850 million some proportion at least of the following inadequately labelled items: capital investment of $33,400 million, $1,400 million for scientific research and $3,475 million for administration. If that could be done with a full knowledge of the facts—on the scale, say, that facts are made available to committees of Congress—then the results would be quite startling.

It is by attemping such a calculation that experts in the American Industrial College of the Armed Forces have reached the conclusion that the true Soviet annual defence expenditure is not $19 billion but $45 billion. It is based, *inter alia*, on information that in the Soviet Union aircraft construction is provided for under industrial production, new armament industries under capital investment and atomic research under education. (In the United States this item is covered by the title "natural resources" to which $1,845 million are allotted.) There is no means available to the layman of judging the worth of this conclusion; but if Mr Zverev insists on playing tricks with American figures he can hardly object to some intelligent speculation about the adequacy of his own bald estimates.

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The County Plan in Danger

There is a serious danger that the County of London plan will suffer the fate of death by a thousand cuts. The LCC already has 165,000 families on its waiting list. If its redevelopment and slum clearance plans are carried out, this list will be further swollen. But where are all these displaced families to go? The LCC has accepted the principle that it should stop housing operations in the Green Belt after the completion of its present schemes. It has amended the original County plan along egalitarian lines, so as to bring down densities in the poorer areas and raise them in the leafier districts—to the detriment of places like Blackheath and Hampstead—but few open sites remain even in the pleasanter parts of the county.

The theoretical solution to the problem is that there should be a large-scale movement out of London to the new towns and other towns at a distance. But it has become clear that the present policy of dispersal will not work. A prime reason is economic exigency. The Board of Trade is not prepared to help squeeze industry out of London, or to ensure that the new towns draw their industry from congested inner areas. Where houses or factories are left vacant, there is little to stop them being reoccupied by migrants from other parts of the country. There is no effective co-ordination between "evacuation" areas and "reception" areas. Moreover, the whole programme is bedevilled by financial considerations. Towns intended for expansion are reluctant or unable to afford the capital outlay. The LCC, for its part, would be faced with a heavier debt burden as its population fell—a consideration which may temper its enthusiasm for its own plan.

The LCC is understandably alarmed that it may eventually be forced to modify its schemes and raise density standards. This would without doubt be a social tragedy. It is therefore up to the Government to reach a clear decision whether the social and strategic advantages of dispersal from London are worth the cost. If they are, then it must not only force the authorities concerned to march in step, but it must also face the probable need for new planning legislation: the present powers, wide as they are, are shown by experience to be vexatious without being effective. If dispersal is not worth the cost, it should stop trifling with a policy which is achieving at great labour and expense very little that would not come about by natural processes. Indeed, Government efforts are cancelling themselves out. What is the point, for instance, of giving the LCC such a high subsidy for flats that it shows a profit in building them at the same time as it is urged to decentralise?

* * *

Advising Mr Bevan

The Central Health Services Council, which is constituted under the National Health Service Act, has published its first report covering the period July 5, 1948, to December 31, 1949. In addition to the central council itself, there are a number of standing advisory committees, consisting partly of members of the council and partly of other persons appointed by the Minister of Health; these are chosen, after consultation with representative organisations, because of their experience in the committees' different fields of activity. The functions of both the central council and the committees are to consider any matter relative to the health services referred to them by the Minister, and also to study any matter to which the council thinks the attention of the Minister should be called.

In his comments on this first report, Mr Bevan states that in the period covered by it he remitted some thirty separate questions to the council and committees, while they themselves, on their own initiative, have taken up more than a dozen other matters. That the council is an important body, with considerable influence on policy, can be seen from the account of its work provided in its report. For instance, in the early days of the health service, Mr Bevan refused to agree that general practitioners should treat private patients at health centres set up under the Act. On the advice of the central council, which pointed out that the maintenance of separate surgeries for a handful of private patients would be undesirable, permission for their doctors to treat them at health centres—on certain conditions—was written into the National Health Service (Amendment) Act of 1949. Advice was also asked on the question of wasteful prescribing. The standing medical and pharmaceutical advisory committees set up a joint subcommittee with their Scottish counterparts, which has reported on what preparations are foods rather than drugs and should not, therefore, be prescribable under the health service. Further, a joint committee of the central council itself and the Scottish council has considered, and is still considering, to what extent proprietary drugs should be prescribable under the health service.

Many of the questions considered by the council and the standing committees in the first eighteen months were, like prescribing, concerned with problems that were bound to arise on the introduction of the health service. But they are also paying attention to long-term matters of policy. The report refers to the difficulties which arise from the administration of the service through three separate agencies—the hospital authorities, the local health authorities, and the executive councils for the general medical and dental services. It was recently announced that a committee of the central council has been set up to consider how co-operation between these three branches can best be achieved.

Care of the Tuberculous

In one respect, some criticism of the advisory machinery provided by the Central Health Services Council seems justifiable. Its members, and those of the standing committees, being men and women who are busy in other spheres, some time is bound to elapse before they can consider a problem, formulate their advice on it and forward it to the Minister of Health. An example of this delay is the new measures announced this week for finding hospital beds for the tuberculous. The long wait, now up to nine months, before a tuberculous person can obtain admission to a sanatorium has been given publicity for some years—long before the introduction of the health service. The dangers of this situation have also been emphasised, time and again. But the standing tuberculous advisory committee has only recently submitted its advice to the Minister on what should be done about it. It held only four meetings in 1949, compared with the nine meetings held by the dental advisory committee.

Yet the proposed solution to the shortage of beds was put to the advisory committee last year, and it is difficult to see why the committee has been so long in making up its mind. The solution is that until more accommodation can be provided in sanatoria, beds should be made available in suitable general hospitals for tuberculous patients needing institutional treatment. Some hospitals have already allocated a proportion of their beds for this purpose, but it is only now, after the advisory committee has made up its mind, that Mr Bevan is asking all hospital boards to make a similar provision, and for many of the 10,000 patients waiting for beds, and the unknown number infected by them, the decision will come too late. It is impossible not to contrast this dilatoriness with the energetic action taken to deal with the poliomyelitis epidemic in 1947.

Even now, the measures announced by Mr Bevan are not complete. The London County Council recently drew attention to the fact that the hospital boards disclaim responsibility for the open—that is, infectious—tuberculous persons who cannot benefit from institutional treatment. There are some 160 of these persons known to be living in common lodging houses in London, but the council's proposal to build a night sanatorium and workshops for such cases has been turned down by the Ministry of Health. The project would have been expensive in itself. But when will the Ministry grant the prevention of tuberculosis the priority it deserves?

* * *

M. Pleven's Success

By a majority of 373 to 185, M. Pleven has been accepted as Prime Minister of France. The basis of his coalition is the return of the Socialists to responsibility, and one of his most effective pleas for support in the Chamber was based on the success of the coalition in the past and the folly of squabbling now, when growing prosperity had come to crown its earlier efforts. This general appeal, however, would probably have been ineffective if M. Pleven had not succeeded in finding a compromise with Socialist difficulties before he submitted himself to the Chamber's approval. The way was paved for him by M. Guy Mollet, the secretary of the Socialist party, who consulted with the other groups and worked out the terms upon which the Socialists would be prepared to return to the coalition they left in February.

M. Pleven took up these tentative proposals, agreed to increase the salaries for civil servants, provided the weight of the extra expenditure was mainly borne by next year's budget, guaranteed to introduce a minimum wage before September and to secure "full employment without inflation." Other matters of dispute—above all, the electoral law—have been shelved for the time being, and until the autumn at least, France seems assured of the only govern-

ment that has any hope of more than a few weeks' existence —a coalition of the three centre parties, leaning neither to right nor to left.

* * *

Marshall Aid for Colonies

The Economic Co-operation Administration (ECA) has made available under the Marshall Plan some $4,000,000 to assist in the development of the overseas territories of the west European nations. By far the largest proportion of the dollars is to be spent on building roads, lack of which has been the greatest single obstacle to increased production of food and raw materials in the colonies.

Britain is to receive as a grant about $1,000,000 for road development in Northern Rhodesia, the Gold Coast, Nigeria, Sierra Leone, Nyasaland, North Borneo and Sarawak. Belgium has been given a loan of $1,768,000 to help finance a large road-building project in the Belgian Congo. Another $1,236,000 is being granted to France to assist the expansion of roads in French West Africa, Equatorial Africa and the Cameroons.

This $4,000,000 is only a small fraction of the $20 million which ECA, nearly a year ago, set aside from Marshall Plan funds for development projects in the overseas territories. It was the view of American officials that such investment should receive a high priority, partly because it reinforced the US Administration's Point Four programme of aid to underdeveloped areas, and also because it might help to restore the triangular pattern of world trade that prevailed before the war.

At first glance it appears strange that it should have taken so long to find ways of using one-fifth of the dollar allocation made available. The most important explanation is that dollars represent only a small part of the funds involved in any one project. This is so largely because Marshall dollars are intended for purchasing only those goods which cannot be bought in Europe and, as economic recovery has progressed, Europe's output of goods has expanded.

Quite apart from this formal restriction on dollar purchases, there has also been some reluctance among the European nations to admit American capital into Africa, even where it is given as a grant. The reluctance springs from a number of sources: long-standing traditions of exclusiveness and a horror of the paper work inevitably involved in the maintenance of accounts which would satisfy Congress. Even more important than these factors is the fear of the colonial authorities that any large-scale investment programme might bring with it inflation and consequent social unrest. It has been estimated that for every Marshall dollar invested in these development schemes, the local authorities would have to put up the equivalent of at least $15 in their own currencies. In the particular instance of the road-building programme, the contribution of the colonial powers is far higher; they plan over a period of years to furnish sterling and franc investments equivalent to $200 million, as compared with ECA aid of $4,000,000.

For all these reasons it will be remarkable if investment projects in the overseas territories absorb as much as $10 million of the original dollar allocation.

* * *

Sidky Pasha

The death of Ismail Sidky Pasha removes a most salutary influence from the somewhat turgid and confused field of Egyptian politics. Sidky Pasha was far more of a statesman than a politician, and there were far too few Egyptians ready to follow his intelligent and refreshing lead. His was the traditional lone voice—small, quiet, ironical. He was increasingly ready, in his later years, to criticise pungently the more crashing of his follow-countrymen's follies. From the beginning, he firmly opposed Egyptian participation in the "Palestine affair"; he was the first—and unpopular—advocate of recognition of Israel and the conclusion of a peace treaty. Almost invariably his view was the one that would have brought most political benefit to Egypt; basically, however, it was always that of a financier and an economist.

Once independence had been won, he became one of a minority that recognised that safety for small countries depends upon the friendship of a big power, and that Britain was Egypt's natural friend and ally. The draft treaty he worked out in 1946 with Mr Bevin was rejected by Egypt, but it was a reasonable and sensible arrangement and it is not easy to see how it can be improved upon. It is, indeed, one of the tragedies of Egypt that men like Sidky—and there are a few more—have no following and little honour in their country. In his own homeland, although he had twice been Prime Minister, he was neither popular nor widely known; nor were his opinions (much sought by the press) ever acted upon. To achieve popular support an Egyptian politician has only to be a demagogue, inciting the masses against something or making wild promises about something else. As it is only the politicians with such support who, in the normal run of affairs, are able to influence their country's policy, the erratic and witless course Egypt has pursued in recent years becomes understandable. An excellent memorial to Sidky Pasha would be the publication by the Egyptian Government, for use in universities and higher schools (and also Parliament), of a selection of the elder statesman's speeches and articles on home and foreign policy.

Political Wisdom

Indeed, it may well be questioned whether the consistency so much lauded and desiderated in public men be not, as the word is ordinarily used, a defect rather than a virtue. If indeed a man could start on his course endowed with mature and perfect wisdom, possessed of a gift of forecast almost amounting to the primeval power of prophecy, he might be consistent without danger. But such Godlike capacity is not lavished on common mortals: scarce one in the course of centuries can boast of such endowments. With the mass even of the most honest and highly-gifted statesmen, political wisdom is the slow growth of years, the product of long experience, of wide and patient observation, of experiments tried and failed in, of blunders made, recognised, and profited by. Altered times, new circumstances, past errors, teach their own lessons. Political convulsions bring to light new dangers, and explode old theories; recluse philosophers investigate and perfect subtle sciences which overturn many venerable notions and time-honoured prejudices; and the minister must hasten to learn all that new discoveries can teach him, however they may shatter the antiquated knowledge of the past. How can a man be deemed fit to guide the fortunes of an empire whose mind is not always open to hail any new light which can enlarge his conceptions or modify his doctrines? Yet how can anyone, who keeps his mind thus conscientiously alive and open, dare to hope that he can escape having change after change, correction after correction, forced upon him? . . . We consider that there are far clearer duties in a statesman than unswerving adherence either to a party or a creed —viz., the utmost diligence and open-mindedness in forming his views; the greatest caution in announcing or acting upon them till satisfied of their soundness; and the utmost candour in abandoning them when argument or experience has proved them to be erroneous.

The Economist
July 13, 1850

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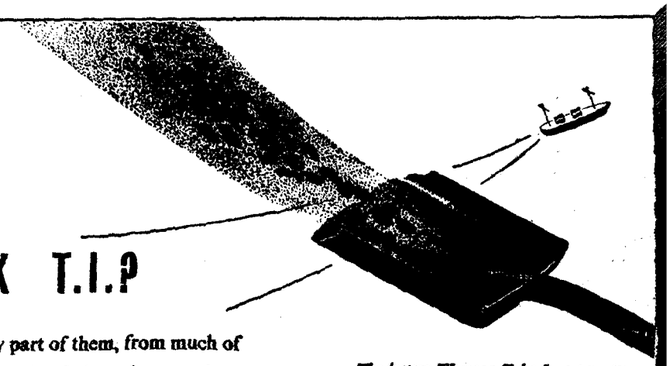


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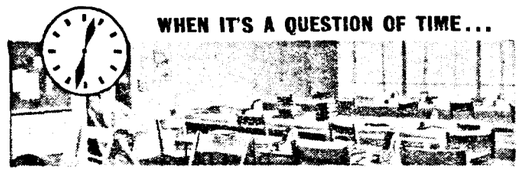


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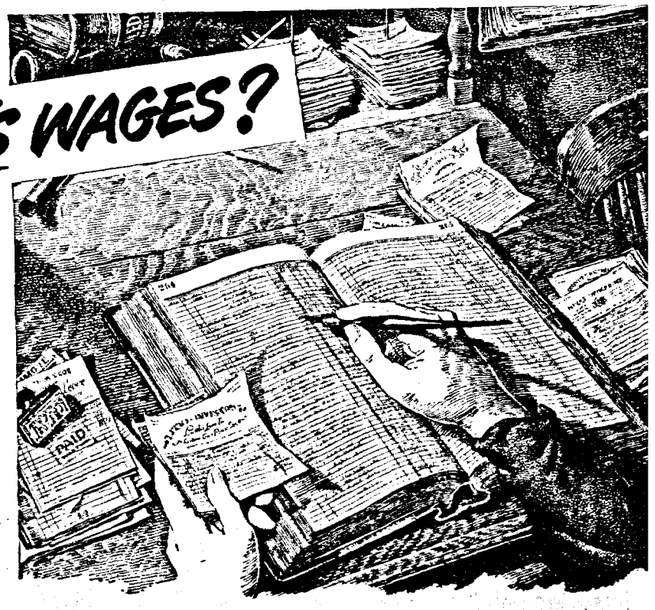
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Highland Development

The Scottish office, stung perhaps by a continuous barrage of criticism in Parliament and in the Scottish press about its slow rate of progress in bolstering up the economy of the Highlands, has issued a White Paper* to explain the basis of its policy. In the last 80 years the population of the Highlands has declined by 75,000, despite a natural increase of births over deaths of over 100,000. Government after government have tinkered with the problem of arresting this decline, but only lately with the demand for increased home food production, the necessity for afforestation, and the development of hydro-electric power has it been possible to justify the application of large amounts of public money on capital development. The White Paper divides the activities of the Government under four heads. There is the provision and expansion of the basic services, including the social services. There is a reasonably good record of new housing in the seven crofting counties, and the scheme initiated fifteen years ago for improving certain essential roads out of the taxpayers' money, which in normal areas would be borne on the rates, is being continued at a much higher cost. The second main task is to develop the basic industries, agriculture, forestry, fishing and tourism. It is hard to believe in view of the general state of the market for fish that it is worth concentrating much effort on fishing. The third line of development is to exploit the natural resources of the Highlands, which have an especial importance, since they often provide a subsidiary occupation to crofting: it is hoped that it will be possible to develop the use of peat for generating electricity. Finally, there is the encouragement to be given to manufacturing industries, especially in the Highland Development Area near Inverness.

The White Paper suggests that a sensible programme of public development is in progress to provide the framework within which the economy of the Highlands can continue to exist. The White Paper naturally neither raises nor answers the question of whether all these scattered developments, undertaken by the departments of the Scottish Office, by local authorities, by public corporations and private companies, receive the necessary co-ordination to prevent waste and overlapping. Nor is there much sign of originality and adaptability in the design of the various schemes—civil aviation is a case in point. But the Highlands can no longer claim to be neglected.

* A Programme for Highland Development (Cmd. 7976).

Shorter Notes

The $20 million now available to the United Nations for technical assistance to underdeveloped countries was referred to in last week's leading article on Ecosoc, but was wrongly arrived at. It is not dependent upon this year's American appropriation for Point Four purposes, the present state of which is described in a Note on page 123. It consists of the contributions of fifty states, already in hand, the largest of which is $12.5 million from the United States and the smallest $2,500 from Luxemburg. The United Kingdom and French contributions are $2,128,000 and $1,207,500 respectively. There are no contributions from the Soviet bloc.

*

The herring industry is predominantly a small man's business, an affair of owner-skippers and share-men. The annual report of the Herring Industry Board for 1949-50 (Cmd. 7975) covers a season of disastrously poor catches and even poorer markets, and makes, therefore, gloomy reading. Last summer barely one-third of some export contracts could be fulfilled because of shortage of fish, while successful landings from the arduous winter fishings found markets flooded with fine Dutch and Norwegian herrings. Yet to reduce these hit-and-miss activities to some sort of order the board has only powers of persuasion to employ on several thousand independent fishermen, scattered throughout a dozen ports. Its plea for more authority and for a more generous loan for its trading operations is certainly based on a strong case.

Letters to the Editor

Portugal and Beira

SIR,—As a regular reader of *The Economist*, I was surprised to read the article entitled "Agreement on Beira," which appeared in the issue of June 27th.

I fail to understand the reference to a "pyrrhic victory for the Portuguese." It seems to me that there can be neither victory nor defeat when two countries sign a Convention among themselves for the protection of their interests and to ensure their mutual co-operation. The recent Convention regarding the Port of Beira is as advantageous to Portugal as it is to Britain, and this has been acknowledged by the respective governments. And it is only when international conventions establish, as does this one, a just balance between the interests of the contracting parties that they can be effective. The Convention implies the recognition that the Port of Beira really needs capital development, but such development was not possible in the absence of a guarantee that the port would be made use of by its hinterland and would always be protected from unfavourable discrimination.

It seems that the article casts doubt on the capacity or the intention of Portugal to carry out the necessary improvements. I am happy, therefore, to be able to inform you that orders for equipment for the Beira Railway have already been placed for the amounts set out below:

	£
Orders placed in Belgium.	844,720
Orders placed in the United Kingdom and in the Union of South Africa ...	1,391,304
Orders placed in Germany.	621,118

In addition, there has already been adjudicated to the Anglo-Dutch Engineering and Harbour Company the construction of a new quay for the shipment of ores.

Thus it will be seen that Portugal has not, in the few weeks since the signing of the Convention, been neglecting the development of the Port of Beira.—Yours faithfully, R. ENNES ULRICH,
Ambassador
Portuguese Embassy, London

Home Rule for Great Britain

SIR,—In your article on Home Rule for Wales and Scotland in your issue of July 8th, you say that "this is the very thing which the officials of Whitehall have persuaded generations of politicians to oppose." Some forty years ago I heard Whitehall officials prove by arguments which seemed unanswerable that the thing was impossible. Ten years later I saw the officials achieve the impossible by transferring many of their functions to Northern Ireland, and nearly all of them to the Irish Free State, under the direction of Mr. Winston Churchill.

My own primary interest in this settlement was to secure home rule for Great Britain. One trembles to think what would have happened after the world war if a large body of Irish members had remained to dislocate and paralyse the business at Westminster.

It is not in question that the government of Northern Ireland since 1921 has done work in the six counties, especially in the fields of agriculture and education, which Whitehall had failed to do. I agree with your suggestion that Ulster is the model which Wales and Scotland would be wise to follow. Wales might need more powers than were given to Ulster and Scotland still more. The powers already given to Ulster might also be increased at the same time.

I once had the privilege of serving under Lord Welby when he was Chairman of the London County Council. As head of the Treasury he had seen

mere of the working of government in Whitehall than any man alive. He once said to me,

> It is the greatest mistake to suppose that a central government increases its power by centralisation. The great problem in Whitehall is always to find time to do what no one but the central government can do. The central government should, therefore, devolve on provincial authorities everything which provincial governments can do, even though they might not be able to do it quite as well as the central government. That is the real way in which it can increase its own power. The *onus probandi* should always be laid on the advocates of centralisation

If Welby's policy were applied the British Government would have time to attend to foreign affairs, which involve the issues of peace and war. Since 1945 the volume of business concentrated in Whitehall has come near to killing the strongest Foreign Secretary who has ever filled that office. Officials in Whitehall would do well to consider the advice of one brilliant head of the civil service, who was not only a competent official but also a statesman.—Yours faithfully,

LIONEL CURTIS

All Souls College, Oxford

Uno and Korea

SIR,—In your issue of July 1st, you write at some length on the assumption that the Security Council of Uno has established on some reliable evidence that North Korea had committed an act of aggression. I had hoped that a journal of your reputation—whatever lesser journals might do—would have checked up on the "evidence."

Had you done so, you would of course have been led to the report of the UN Commission on Korea, which the resolution of the Council expressly cites as its evidence. And, when you looked at that report, you would have found that it merely repeated the assertion of the South Korean government that North Korea had attacked—an assertion they would be sure to make, whatever the facts—without itself either confirming or even investigating it. The report begins, frankly enough, with the words:—"Government of Korea states," and its authors commit themselves to no assertion of fact whatever.

The Security Council has thus—illegally, of course, but that is another matter—started thousands of people off on the road to death, and perhaps precipitated a third world war, on "evidence" on which no reputable solicitor would issue a County Court summons.

—Yours faithfully, D. N. PRITT

4 *Essex Court, Temple, E.C.4*

[If Mr Pritt will not accept the report of a responsible international body on the spot, what evidence will he accept? If the UN Commission, sitting in Seoul within a short distance of the frontier, had had any doubt about the accuracy of the facts stated by the Korean Government they would have said so.—EDITOR.]

The Berlin Congress

SIR,—Your correspondent's admirably fair account of the Berlin Congress for Cultural Freedom does not, I think, fully explain the political issue on which we were divided. May I state this issue as seen by some delegates?

Your correspondent implies that there was originally a *neutral bloc*; that this *bloc* was converted by Korea and Mr Koestler (after his indiscretions of form had been remedied by Mr Amery); and that the substance of Mr Koestler's second speech was in the end accepted by all. I do not believe there was any such neutral *bloc* or any such conversion. We were almost all united in opposition to communism at the start, though we differed as to policy and the function of the Congress; and this unity and this divergence persisted to the end. Mr Koestler's conclusions, as I understood them, were certainly not generally accepted.

The views expressed by Mr Koestler, Mr Burnham, Professor Hook, Herr Borkenau and other prominent ex-Marxists or ex-communists were, briefly, that all old politics are now useless; that the only present political issue is communism or anti-communism; and that all those who are not communists must therefore unconditionally support those who have the will and means to attack communism. There are no other alternatives. Mr Koestler particularly attacked the Socialist alternative as no better than neutrality.

Many delegates, however (not all Socialists), believed that there both are and ought to be valid alternatives (of which the Socialist alternative is only one); that the best method of constructively opposing communism is to foster or create such alternatives, tackling by liberal methods the problems which communism wrongly claims to have solved; and that unconditional support of existing anti-communist parties or leaders (whatever their other aims or views) is politically unconstructive and intellectually unjustifiable.

In the end Mr Koestler's formula was only accepted after two amendments had denied some of its essential premises. Your correspondent mentions that the British delegation succeeded in killing the clause advocating intellectual intolerance. M. David Rousset deserves some credit for insisting successfully on an express advocacy of new and liberal alternatives. These two amendments are incompatible with the thesis of the ex-communists as understood by us.—Yours faithfully,

H. R. TREVOR-ROPER

Christ Church, Oxford

Books and Publications

Commonsense or Psychology

The Young Lag. A Study in Crime. By Sir Leo Page. *Faber.* 320 pages. 18s.

It is inevitable that this book should be compared with the study in delinquency recently undertaken by Mr D. H. Stott for the Carnegie Trust, which has already been discussed in *The Economist* (May 13th, page 1054). Both works consist largely of a collection of case histories of delinquents. In both the statistical method, normally used in studies of crime and criminals, is rejected. There, however, the similarities end, for the outlook and opinions of Sir Leo Page are so different from Mr Stott's that his book almost seems to have been written as a deliberate criticism of the other.

Mr Stott is a psychologist, and therefore in his study of delinquency he looked for emotional disturbances to explain the abnormal behaviour that showed itself in crime. He claims to have found these emotional disturbances, provoked by faulty family relationships, in every one of his 102 approved school boys. Sir Leo Page characterises conclusions like this as actively mischievous. Indeed, he devotes a whole chapter in his book to an attack on the psychological approach to crime. He allows the psychiatrist a small place in the treatment of a few—a very few—offenders, but the great majority of them he declares to be normal human beings, with the normal weaknesses of human nature, but without the strength of character to resist them.

This attitude is perfectly justifiable. Psychology has yet to prove its case—at least to the layman—and the arrogant assumptions of some of its practitioners, especially in the sphere of delinquency, do not help it. But Sir Leo Page goes much too far to the other extreme. He firmly refuses to go below the surface. For him the main causes of crime are the decline of religious faith and the deterioration of general moral standards. To this Mr Stott would answer that moral standards are the codifying of good human relations, that precept and discipline are effective only when emotional conditions allow them to be accepted—discipline imposed by a parent in whom natural affection for his children is lacking often, he points out, results in the child being brought to court as beyond control.

But there is no need for the reader to champion the cause of psychology to feel dissatisfied with Sir Leo Page's study. He claims that his explanations of the motives of crime are as "plain as a pikestaff," but nowhere does he provide a convincing reason why his young lags, after it has been proved to them in abundant measure that crime does not pay, yet go on committing it. Many of them on leaving approved school and Borstal, and between prisons, found steady well-paid employment, and then threw it up and returned to crime. Does this not point to some motive hidden below the surface? It does not follow that the motive is the same that Mr Stott claims to have found. But it is a remarkable fact that many of Sir Leo's case histories revealed facts indicating the unhappy childhood characteristic of the approved school boys. There are other similarities—a restlessness, which Sir Leo regards as a fault of character and Mr Stott as a symptom of deep-seated *malaise*, and strange lapses of memory.

On one point, however, there will be fairly general agreement with Sir Leo Page, and that is with his criticism of many of the sentences passed on his young criminals—though here he sometimes seems to be being wise after the event. He puts in a strong plea for more knowledge of penology by justices and judges and above all for more information about the offender before sentence is passed. He is also an advocate of the suspended sentence and the indeterminate sentence. In all of this, it may be pointed out, most psychiatrists and psychologists would wholeheartedly agree.

Throughout this book there comes out the detached but nonetheless real sympathy of the author for the criminals he studied. It reveals itself in countless ways—in writing letters, in lending books, in intervening with the prison commissioners, in finding prison visitors, and in keeping in touch with the prisoner after his discharge. Whatever the real causes of crime, the delinquent needs practical help and encouragement if society is to reclaim him. In this Sir Leo Page has set a fine example.

Post-Keynesian Revolution?

Income, Saving, and the Theory of Consumer Behaviour. By James S. Duesenberry. *Harvard University Press* (London: *Geoffrey Cumberlege.*) 124 pages. 16s.

In applying the Keynesian theory to the United States, economists have encountered considerable difficulty in accounting for the facts about saving. While the figures taken over a long period indicate a surprising constancy in the ratio of savings to national income, both budget studies and annual figures show that the savings ratio increases as income rises. This apparent inconsistency has usually been reconciled by postulating an upward trend in the propensity to consume.

Dr Duesenberry disagrees with this explanation. He contends that the satisfaction one gets from consumption depends on what is being consumed by others with whom one comes in contact, so that the proportion of income which an individual saves will depend on his relative position in the income scale rather than on his absolute income. Consequently, given the income-distribution, the aggregate savings ratio will be independent of the level of aggregate income, even though wealthy families consistently save a higher proportion of their income than poor families.

This conclusion, however, only holds when income is steadily rising. When income falls, Dr Duesenberry argues, individuals will have greater difficulty in reducing consumption below the standards enjoyed in the past than they would have in raising those standards; and this asymmetry produces cyclical variations in the savings ratio which are consistent with its longer-run constancy. Thus, all the facts are reconciled in one theory, a theory which the author is finally able to summarise in a simple formula.

Dr Duesenberry carefully and ingeniously tests his own and the rival hypothesis against the restricted range of relevant statistics; the results amply justify his modest confidence in the superiority of his own explanation. Some readers will doubtless be sceptical of his efforts to translate sociology into rigorous economic theory; others may be unconvinced that his formula describes the behaviour of American savings more accurately than its rivals. Nevertheless, he has written one of the most provocative works to appear since Keynes's "General Theory."

Science and Philosophy

The British Journal for the Philosophy of Science. Vol. I. No. I. May 1950. *Nelson.* 7s. 6d. a copy, 30s. per annum.

This volume marks what may well be the advent of a new era in this history of science. As Professor Beth of Amsterdam points out in the second article "Aristotle, inspired by Plato's philosophy, systematically set forth a theory of science, which for centuries to come directed and even dominated scientific and philosophical thought." That domination provoked the revolution of the three golden centuries of scientific enterprise from 1500-1800 A.D. based on observation and experiment in lieu of reading into "nature" the implications of pure theory. That revolution in its turn crystallised into what is now generally recognised to be equally invalid, that is the notion of an external world of which scientific thought is the medium of revelation, albeit expressed in terms of numbers and measurements. It was possible for Galileo to view mathematics as the language in which the great book of nature is written, for Newton to conceive space as the expression of the omnipresence of God. By contrast, the editors of this new journal can state that "Today the position is reversed. . . . The philosophical aspect of science has become obscured; science is no longer primarily a philosophy but an instrument." This they rightly deplore and point out that "there is tending to grow up, in larger and larger numbers, a community [of scientists] into whose hands the reins of civilisation are passing, and in whose minds there is less and less understanding of the motive power which they alone are in a position to control." This indeed is the central dilemma of modern society.

Meanwhile, science is urged to recognise the actual character of its work and achievements and not to resort to outmoded beliefs in scientific theories as revealing the objective nature of an external world. Professor Dingle concludes

> "We are now at a stage when old conceptions in physics have broken down and new ones have taken their place. . . . The older views, within their limited range, were consistent, and the newer ones, within a wider range, may be consistent also. But in the time of transition from one to the other we are prone to entertain both at once, without being aware of the contradiction thus introduced into our thinking."

The British Society for the History of Science represents a growing movement for science to understand its own character and possibilities; within it has been formed the Philosophy of Science Group which includes such men as Professor Dingle of London, Professor Milne of Oxford, Earl Russell, Professor



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Schrödinger, Sir Charles Sherrington and Sir Edmund Whittaker. The movement is rapidly extending both in influence and activity and this first number of their journal is to be welcomed as a promise of things to come. Their work may well herald the recall of mankind from the exploitation of science merely for technological progress to the recognition of its latent contributions via experimental philosophy to natural philosophy.

Serfdom for Labour

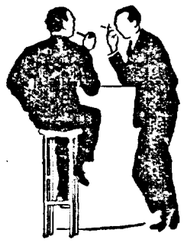
Soviet Trade Unions. By Isaac Deutscher. *Royal Institute of International Affairs.* 156 pages. 7s. 6d.

To have much painstaking original research shredded down into a simple, palatable study of a big subject is a boon seldom offered to the student of international affairs. Chatham House should encourage more work on such lines, especially in Soviet studies, where the difficulty and need of cool interpretation are so great. It is no discredit to Mr Deutscher's scholarship to say that his journalistic gift is as evident in his treatment of this unpromising subject as it was in his recent study of Stalin. In recording and analysing the crucial features in the Soviet trade unions and defining their place in Soviet labour policy, Mr Deutscher also surveys the extraordinary twists and turns of economic policy in the Union, showing how the personal and doctrinal struggles through which Stalin worked his way to power had their effect on the present limited and subordinate status of the Soviet trade union.

Mr Deutscher is sober but severe in his final judgment: "as the organisation designed to forge the workers' solidarity in their struggle for better working conditions, they (the trade unions) have suffered complete atrophy." The useful welfare duties they still perform are performed as "subsidiaries of the State administration." They play no direct part in the fixing of wages and living conditions; and all local collective agreements are based on central agreements between the ministry responsible for the industry and the central committee of the appropriate trade union. There is, it is true, at the basis of the whole organisation the *fabzavkom*, or factory committee—which in the earliest days of the revolution aspired to independence, in the belief that industrial control would be decentralised—but it is "far closer to the administration and the managements than to the workers." The real master in the factory is the *troika*, the triad of committee chairman, manager and secretary of the party cell. Nonetheless, out of a total union membership of 28½ million (the figure for 1948, compared with 1½ million in 1917) there are more than nine million "activists," voluntarily engaged in part-time work for their unions.

How this evolution occurred is a fascinating story. The explanation is found by the author in the fact that the overriding purpose of Soviet planning was to achieve in a decade a ruthless industrial revolution. When the trade union movement was at its most formative stage there was not sufficient wealth for workers and state to bargain about; at the end of the 'twenties the Russians were still producing only 3-4 million tons of steel and 30 million pairs of shoes for 150 million people. Once the Five Year plans had been started direction of labour was inevitable, and between 1926 and 1939 over 24 million "redundant" people were brought from the villages into the towns. Organised resistance was impossible: "the Soviet trade unions firmly discouraged strikes, and behind the unions stood the political police. Fluidity of labour was the substitute for strikes."

Those who wish to see what really purposive planning can be, should read in this book the totalitarian theory of labour produced by Trotsky 30 years ago to justify his labour armies, which was "exaggerated and brutalised" by Stalin ten years later, and the Draconian labour decree of December 28, 1938. Mr Deutscher has no doubt that such handling of labour is no essential part of planning; indeed, he regards it as "positively incompatible with an orderly planned economy." The message of this book is that the Russian experiment in planned economy was conquered by the tradition of serfdom and not *vice versa*.



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AMERICAN SURVEY

United States at Lake Success

(From Our American Staff)

BITTER things have been said in the past, and will undoubtedly be said in the future, about the American tendency to enlist the good offices of the United Nations only when this suits the American book. But in the Korean affair none but the Soviet Union and its satellites say them openly. This time the American action has been wrapped in the very drapings of the sanctuary. Both the State Department and the United Nations have supplied correspondents with a chronology of events as they occurred; the pattern is clear.

As Mr Acheson told the American Newspaper Guild four days later, the cable carrying news of trouble reached the State Department at nine-thirty on Saturday night, June 26th, Washington time. By ten-thirty the Assistant Secretary of State for Far Eastern Affairs (a former liaison officer with the United Nations) was conferring with the Secretary of the Army; by eleven Mr Acheson had discussed the situation on the telephone with the President, who was then in Missouri. Other sources add that Washington called Mr Trygve Lie at three in the morning and found him already aware that a dangerous situation had been created. On the request of the United States for an emergency meeting of the Security Council, members were summoned from Sunday morning breakfast tables and golf links; only Russia, following her pattern of absenteeism, failed to respond. Meanwhile less important routines were also upset: at Lake Success the heating system, turned on to dry undue moisture from the walls, had to be turned off and the cooling system turned on, that diplomatic brains might consult less feverishly.

On Sunday afternoon, within twenty hours of the time the first official word of the invasion was received in Washington, the Security Council had passed its first resolution on the subject; this, framed by the United States, called for an immediate end to the fighting, and for the assistance of all members in restoring the peace. When the President reached Washington by air on Sunday evening, he met representatives of the State and Defence Departments, who laid before him joint recommendations for action under the sanction of a United Nations request. Two weeks later the Security Council, with pledges of support from forty-eight member nations in hand, passed a British-French recommendation that forces and supplies be made available to a unified comn and under the United States, that the United States designate a commander, that the UN flag be used at the "discretion" of the command and that the United States report to the Security Council at intervals.

Critics might murmur that this picture of smooth-geared unity among departments whose internecine quarrels have so recently rent the air, and between nations whose differences of opinion are seldom secret, is so good as to be suspect. Sour speeches by Senators Taft and McCarthy have contributed to this doubt. But the American people as a whole seem to find nothing about it that is strange. The American soldier who, being briefed for action as to his duties under the United Nations, drawled "Do I get a badge?" expressed the general assent. The common interest in the details of collaboration as worked out between the United States and the United Nations is merely that of a people who like to know how things work, and like to see them work well.

*

Whether or not, in this instance, the working well implies the control of the United Nations by the United States is another question. Technically, of course, the relationship prevailing between the two is similar to that with any of the five powers that have permanent seats on the Security Council and hence a somewhat closer responsibility than other member states. The United States is a member of all major committees and commissions; it participates in the work of the specialised agencies; it pays its share of costs, and has its share of nationals in the Secretariat; it is one of forty-seven countries supporting a permanent mission at UN headquarters. The chief function of this mission is officially described as "to assist the President and the Department of State in conducting United States participation in the United Nations." It also serves as the channel through which nations talk to nations about UN affairs, and particularly those considered at New York. Bodies meeting elsewhere have missions separately appointed.

The present head of the mission is the Honourable Warren E. Austin, a solid man more remarkable for presence than for oratory. He is a retired Senator from Vermont. With Mr Austin serve eight deputies assigned to various bodies (two have the rank of Ambassador) and a corps of advisers and assistants, making thirty in all who are listed as members of the delegation. (Britain's list has twelve names, Russia's twenty, China's twenty-three, and there are nine from France.)

The weight of American representation is paralleled by the heavy American contribution in terms of money (some 39 per cent of the total costs are met by the United States) and by the number of Americans employed in the Secretariat. Both these proportions, like American success in competing for UN contracts, arouse complaint on the part of other nations which feel pinched thereby, and vaguely affronted. Behind the official delegation, acting as a bulwark of its position, is the widespread American belief that the United Nations is potentially more important than any one of the actions it has taken. The official attitude is expressed in President Truman's foreword to the State Department's report on American participation in 1949: "Support of the United Nations is and must be Point I of our foreign

"AMERICAN SURVEY" is drawn from three sources. Articles described as "From Our American Staff" are the work of a small group of regular correspondents, resident in the United States. Articles with some such attribution as "From an Industrial Correspondent" or "From a Correspondent in Ohio" are from outside contributors. Everything printed without attribution is prepared in London.

policy." Next comes the enthusiasm of citizen supporters, many of them women, an emotional attitude which is uncritical, but highly effective both in Washington and at the grass roots. And third is the neutral eye of the man, for example, in the taxi-driver's seat—sceptical, expecting little, but in no way hostile. Threading his taxi past the headquarters building nearing completion in New York this citizen remarks "Wonderful if it works," and "Suppose they'll get it done before a bomb hits it?"

There is little evidence in this that the United Nations is in the pocket of the United States, and much that tends to refute the opposite charge, made at home and abroad during the Greek affair of 1947, that the United States was too prone to disregard its obligations under the Charter and act on its own responsibility. What is certain is that many Americans have so vivid a personal interest in the success of the United Nations that they offer their own volunteer aid. They may not have a clear understanding of its amorphous and overlapping organs, they may grow impatient with its slow ways and cavil at some of its procedures, but they do not seem to find its supra-national character alien or inimical. Almost instinctively they see it in terms of their own form of government, finding an analogy in the relations between Washington and the 48 States. The parallel is far from exact, and it holds dangers, but it does serve to make the new comprehensible in terms of the old. Just as a State has, in effect, its delegation in the Senate, so the nation has its own delegation in the United Nations; that they should haggle with men from Cambodia or the Ukraine is hardly more remarkable than that a Senator from Maine should bargain with a Senator from Louisiana. Every American feels himself a citizen both of his State and of his nation—the peril, or perhaps the hope, is that he will come to assume citizenship in the United Nations, and try to make it, too, in his image.

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American Notes

Arms and the Men

Apparently as much to the surprise of the President as of the public, he was obliged to authorise the resumption of conscription almost as soon as Congress had revived the moribund Selective Service Act. It was hoped that the threat of conscription would bring out sufficient volunteers, but the Army, having no illusion about its charms compared with those of the other services, has already asked that 20,000 men be drafted into its ranks at once. They will be taken, to begin with, from the top age group, the 25-year olds. So far, however, the reserve forces have not been called up, although it is hoped that skilled volunteers will come from them. For the moment, it is intended only to enlist the necessary replacements for the men sent to the Korean theatre, not to bring the services up to their authorised strength of 2,005,000 men. The ceiling on defence expenditure, now removed, has limited enlistment to about 1,500,000 men.

At present it is weapons, not men, that seem to be lacking in Korea. The charge that Korea has received practically no aid under the military assistance programme is not difficult to answer; Korea already had arms left behind by the American forces and it has been eligible for aid under the new scheme only for six months. But the charge that Korea is revealing the inadequacy of the entire military assistance programme, in Europe as well as in Asia, carries more weight. The Republican Senator Lodge is asking for an additional $2 billion for the programme this year, but it is not so much a question of whether more money is needed as of whether it is being spent on the right weapons. The free world has been arming against a total war hot all over, while it looks as if it may have to defend itself against a series of minor wars warm only in parts.

Korea is showing that for such wars the latest weapons are not necessarily the best. It is not long-range strategic bombing by B36s that is needed, but air cover for ground troops. Jet fighters seem too fast and too short-ranged for this work, at least as long as they must operate from distant bases in Japan. To the embarrassment of the Air Force, and probably also of the Secretary of Defence, who took its side last year in its civil war against the Navy, aircraft based on naval carriers have come to the rescue of the soldiers in Korea.

* * *

How Much Mobilisation?

The Secretary of Defence has rated economy even higher than he has the Air Force, and so it is especially embarrassing to him personally to have to ask Congress for additional funds. The request may be broken up into small packages, but with more men the armed forces must also have more money, probably about $2 billion more. This is a minimum which may be exceeded if hostilities spread beyond Korea, or if reassessment of the military assistance programme leads to its extension.

This minimum is only a drop in an economic bucket which already contains a national product of over $260 billion a year. But the bucket is full to the brim, and seems almost certain to overflow if more than one or two such drops are added. The steel industry, for example, had until last week's holiday been working above capacity for eleven weeks, although capacity is 20 per cent greater than in 1940. Last month the labour force reached the record total of 64,100,000 as the result of 2,000,000 new entries, chiefly young people leaving school; yet all but 327,000 of these found work and the unemployment figure stood at only 3,384,000. In this situation, any substantial increase in defence expenditure would mean less steel for civilian goods and higher earnings for skilled workers. More money would be chasing fewer goods round the economic bucket, making an inflationary splash in the process that would almost certainly lead to a Presidential demand for credit restrictions and perhaps to one for much stricter controls on civilian consumption.

The bucket is, however, expected to be emptier by the beginning of next year, which is when any defence funds requested now would reach the production line in the form of orders. Indeed, it can be, and is being, argued that such orders would serve to check deflation rather than to spur inflation. But in practice it is Congressional discussions rather than industrial contracts that send consumers to the shops to start the inflationary spiral by trying to beat anticipated shortages. So far there has been less advance buying as a result of the Korean news than might have been expected, but the President's refusal to make announcements beyond the needs of the moment has been largely responsible for this.

Governor Dewey, with less restraint, has called for an all-out effort to enable the United States to outstrip Soviet production of arms. Such an effort would almost certainly mean full industrial mobilisation with many of the controls over materials, prices and so on that Congress granted so reluctantly during the last war and that the voters accepted even more reluctantly. Governor Dewey is not fighting an election next November; the President's party is, yet prominent Democrats are openly supporting Mr Dewey's thesis. But it is the Kremlin, not the President, that will decide how far the United States must mobilise. The last weeks have shown that Mr Truman will not hesitate to demand the necessary sacrifices, if he must, from the American people.

* * *

Omnibus Behind Schedule

Of all the legislation that must be cleared from Congressional desks before adjournment—or such recess as the Korean emergency allows—none is more urgent than the omnibus Appropriation Bill. The government has been living on tick since June 30th, by grace of a resolution that permits spending to continue until the regular appropriations are approved. Hopes that the device of consolidating the bulk of appropriations in a single measure, used this year for the first time, would make it easy to adjust the nation's spending to its income, have been blown sky-high by the Korean outbreak. The deficit in the year just ended totalled only $3.1 billion, $2.4 billion less than the President expected in January, but this was chiefly because of a slow start in spending money.

The new fiscal year begins with abandonment of the President's ceiling of $13 billion on military costs; more money will be needed both for the Pacific expedition and to bring the forces up to strength. The Secretary of Defence would have liked Congress to sign a blank cheque for Korea, but this has been refused, and detailed estimates will have to be presented. A possible vehicle for such a request is the Bill to grant an additional $260 million for work on the hydrogen bomb and other atomic developments, if the Administration can determine, in time, how much more it will need.

The trial run of the omnibus Bill was already in difficulties before Korea. Delay in passing the authorisations for foreign economic and military assistance meant that these controversial items were not considered by the House when it voted on appropriations. They have only caught up with the omnibus in the Senate, and the temper of the House will not be tested until a conference committee of the two bodies reconciles the two versions, now $5 billion or more apart.

The speed with which the Senate Appropriations Committee finally acted to approve a $34 billion expense account (in addition to $6 billion of automatic expenditures) and its firm rejection of all short-sighted economy riders, reflect the atmosphere of emergency. Though the figure approved is $1.5 billion below the President's request, thanks, in part, to a $333 million reduction in foreign aid, military assistance has been allotted the full $1.2 billion.

The Senate Appropriations Committee, however, has not had the time or inclination to realise that, desirable as economy may be, the outbreak of hostilities in the Pacific makes certain non-military appropriations more urgent than ever. Money for the Voice of America and other information activities is reduced just as the need to increase it is becoming apparent. The appropriation for Point Four is cut to a miserable $10 million that will not even cover the US commitment to the United Nations, let alone leave anything for new programmes of American assistance. Funds for present American activities in Latin America are considered separately, so that the final reduction in the appropriation of American funds for Point Four and related activities may be nearer $15 million than $25 million. But it will dismay other contributors to the United Nations scheme, and raise doubts about the constructive spirit in which the United States approaches the long-term problems of the underdeveloped countries. Senator Lehman has introduced an amendment to rescind the cut, a move supported by the President.

* * *

Runaround in Rails

President Truman, handling the striking railway switchmen with unexpected severity, has taken a firm grasp of a much larger nettle, the problem of railway labour disputes in general. It is only two months since a firemen's strike stopped trains for nearly a week on four main railway lines serving the nation's industrial centres. Then the switchmen's strike held up traffic for nearly two weeks on five lines in the middle and far west. Now conductors, trainmen and yardmasters threaten to halt most of the major railways. And in September the chance of the Pullman conductors is



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coming. By striking against only a few railway lines at a time and by striking in turns, a combination with infinite possibilities in a country with 150 railway systems and 21 railway unions, labour leaders hoped to give the railway owners a runaround so exhausting that they would lose their will to resist union demands.

The latest twist was the refusal of the switchmen to abandon their strike against the Chicago and Rock Island Railroad when the President's condemnation of their stoppage drove them back to work on the other four railways. Mr Truman has ended this gyration, and perhaps the entire runaround strategy, by using his powers as Commander-in-Chief to seize the Rock Island line and by obtaining a court injunction against the strike ; the men have gone back to work, for the present at least, on the old terms, but with negotiations to be continued. Not only have the switchmen been put in their places, but other railwaymen who are thinking of striking have been warned not to leave theirs.

The widespread restiveness of railway labour springs from rivalry between unions and particularly between the two big groups, the aristocrats who operate the trains and the proletariat who only service them. The traditional wage differentials between the two types of work have been much narrowed in recent years and last autumn the non-operating unions won the forty-hour week, already widespread in industry. This forty-hour week with no loss of earnings is the main issue in the recent and threatened strikes of operating unions. A fact-finding board has recommended such a week, but with wage increases of only 18 cents an hour instead of the 30 cents which, according to union calculations, are necessary if earnings are not to fall below the forty-eight hour level.

This impartial fact-finding board, appointed by the President, was the last stage in the lengthy process of negotiation, mediation and voluntary arbitration established by the Railway Labour Act of 1926. For many years, this special process, justified by the fact that the railways are a public utility, was very effective in damping down railway disputes before they burst into a strike and the Railway Act has been held up as a model to labour legislators. But recently the unions have developed a habit of rejecting even the final fact-finding recommendations. The excuse has usually been that the board has favoured the employers, but the real reason for rejection seems more often to have been the hope, frequently justified, that additional concessions could be obtained by striking. This development has led the railway companies, strongly opposed to compulsory arbitration in the past, to support a Senate Bill that would have the effect of banning railway strikes entirely. Only by restoring the prestige of the Railway Mediation Board can the growing pressure on behalf of this Bill be countered. President Truman made the first move in this direction when he based his denunciation of the switchmen's strike not on the Korean emergency, but on the refusal to abide by the fact-finding board's recommendations.

Shorter Notes

The Atomic Energy Commission is at last being restored to strength ; the Senate, overriding an adverse report from the Joint Congressional Committee on Atomic Energy, has confirmed the nomination of Mr Sumner Pike, the only remaining member of the original Commission, to a new four-year term. Mr Pike had been acting chairman, but Mr Gordon Dean, a lawyer who has been a member of the Commission for about a year, is to be appointed permanent chairman. There is still one vacancy on the Commission. President Truman has now asked Congress for $260 million, in addition to this year's regular atomic appropriation, to be spent on facilities with which, it is thought, hydrogen bombs can be made.

★

The Princeton University Press has begun one of the heaviest editorial tasks in American history, one which will take twenty years, fifty 700-page volumes and $1,000,000. It is the publication of the complete papers of Thomas Jefferson, most of which have never before been printed, to commemorate the two hundredth anniversary of his birth in 1943. The books, the first of which has just appeared, will contain all the state papers of the man who laid a foundation on which the United States as well as the Democratic Party was built, about 18,000 letters from him and 25,000 to him, and his incidental writings on such miscellaneous subjects as food and architecture, words and agriculture, in all of which he took an expert interest. Publication in Britain is being undertaken by the Oxford University Press.

★

After the Texas City disaster three years ago, in which 560 persons were killed when ships being loaded with ammonium nitrate exploded, 273 suits were filed against the federal government. The damages, amounting to $200 million, were the largest ever claimed from it, and a district court, ruling on a test case, has now found the government guilty of negligence. The case will be carried to the Supreme Court if necessary.

★

For over two years Congress has been concerned about the plight of a group of native Americans, the Navajo and Hopi Indians who live in Arizona, New Mexico and Utah. The first legislation passed to help America's own underdeveloped area infringed on Indian rights in various ways and was vetoed by the President. He has now signed a satisfactory Bill, which authorises $25 million for schools and another $63 million for health improvements, roads, irrigation and so on.



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THE WORLD OVERSEAS

Socialism in Burma

(From A Correspondent)

THE Government's relative success against the Communists of central Burma during the last three months may have considerably weakened their appeal in the country as a whole. Indeed, if events in Korea end favourably for the Americans, it is possible that the Rangoon Government's prospects of keeping its own Communists at bay may take a further step forward. The Kremlin has always been at something of a disadvantage in Burma owing to the socialist programme which the Government initiated from the start of independence. By redistributing land, and by taking over the provision of agricultural credit through the nationalised rice marketing trade, the Union Government has tackled the twin evils of the prewar system: land alienation and agricultural indebtedness. The acreage of alienated land had reached over 50 per cent by 1937 ; and in the richest rice-growing districts of the delta it was higher still, absentee landlords owning more than 70 per cent of the cultivated area. More than half was in the hands of Indian moneylenders, the Chettyars, and the total agricultural debt was estimated at one time at Rs. 100 million or about one-third the annual value of the crop during depression.

Although it is easy now to see that agricultural indebtedness was largely occasioned by the repeated world slumps in prices, the Burmese peasants and many of their leaders ascribed their prewar difficulties to the machinations of foreign capital, personified by the Indian moneylender and the European merchant. Dislike and fear of foreign capital had also spread from the moneylender to foreign enterprise in general, especially after the abortive agitation in 1928 against the "Bullinger Pool," a combination of the chief European rice-exporting firms. Much of the support for the Government's chief socialist measures, the nationalisation of the land and of the rice trade, is therefore due to the fact that expropriation meant expulsion of the foreigner.

How Land is Redistributed

In Burma, socialist theory and nationalist feeling have found a common ground for action both in land reform and in the increasing measure of state enterprise. While foreigners may no longer buy land except by special dispensation, land is now being compulsorily acquired by the state—with compensation—and is being redistributed to the peasants. The aim is to provide each cultivator with 12 acres, that is, as much as he can plough with one yoke of oxen. Owners of plots larger than 12 acres are allowed to retain up to 50 acres of their land providing they cultivate it themselves. This redistribution of holdings has robbed the Communists of the support of much of the peasantry, which is loyal to the Union—even if only passively. Since rice-cultivation in Burma involves a great deal of hand labour, for example in transplanting, small units often pay best. The small unit, peasant owned, should now be at least as productive as the old large estates, rack-rented by absentee landlords, many of them foreign.

In trade, state enterprise has been extended in several directions, the most important being the marketing of rice and timber, Burma's two main exports. Agents of the State Agricultural Marketing Board buy the rice, mill it, and sell it abroad. The State Timber Board handles all export sales of teak and other timbers. The Government Extraction Agency, which has for many years been responsible for the working of one particular forest area, has now taken over all the areas worked hitherto by the foreign companies. Full working of these other areas is still impossible owing to disturbed conditions. In the Government view, since the companies' leases had expired during the war, no compensation for loss of extraction rights was necessary.

Two other new state enterprises include the Inland Water Transport Board, which has taken over the river transport monopoly from the British company operating it, and the erection of the first cotton mill which is spinning coarse yarns for internal sale to the handloom weavers of the north.

It is intended to increase the number of Government rice and timber mills. Further nationalisation was projected, for example, of electricity undertakings ; but to any serious student of the country it has been clear for some time that there are many practical difficulties in any further extension of state enterprise. With the complete nationalisation of rice and timber alone the state becomes responsible for the greater part of postwar economic activity in Burma, and this has meant that the country's supply of key executives and technicians is already seriously over taxed. Even before the war there were few technically trained Burmese, partly because the wage competition of trained Indians was acute in all grades. Since education has also been at a standstill since 1942 there is a great deal of leeway to make up.

Need for Private Capital

These difficulties were publicly recognised by the Prime Minister, Thakin Nu, in his Statement of Industrial Policy presented to the Burmese Parliament last September. The pace of economic development can, in fact, be rapidly increased only with foreign assistance, both technical and, in view of the still precarious foreign balances, financial. Rangoon intends to press on with putting several large-scale state schemes up to the International Bank for support ; but it also hopes that private capital will once more take part in the development of the country's economy, in some cases in partnership with the state.

The rate and the character of economic development in Burma will clearly prove important factors in the future of Communism. Since the Burmese Government's postwar policy of land reform has gone a long way towards winning mass support, especially in the villages, the Communists' main hope now rests on whipping up the fear of foreign capital. The Government claims that it is countering this by its offer to take up a majority of the shares in new enterprises, thus retaining at least nominal control. And it is a matter of some surprise in Burma that, in spite of the expression of a new attitude to foreign capital in the Prime Minister's statement of September last year, private capital has been slow to take advantage of investment openings in Burma, partly because of the revolution and partly because of the political uncertainties of the future. This, of course, is Burma's dilemma. But it is also that of the western world, since the real answer to the Communist appeal in the countries of South-east Asia lies in their rapid economic development.

Canada and the Conflict

[FROM OUR OTTAWA CORRESPONDENT]

BY sending three destroyers from Esquimault, the naval base on Vancouver Island, to Pearl Harbour in readiness to support the United Nations forces in Korea, Canada has provided a respectable backing to its support of the United Nations—and of the United States. The government has done enough to offend the irreconcilable isolationists in Quebec, and not enough to satisfy many people in English-speaking Canada. The Conservative press in particular has been saying that this is not enough. Within the government this contribution seems just about right, since from the service point of view it is what can be spared without undue inconvenience.

The RCAF has no heavy bomber squadrons. Its operational fighter squadrons, still equipped with Vampires, number only two, and if they were sent out of the country there would be virtually nothing left to oppose any possible air attack on Canadian territory. However unlikely such an attack may be, there are obvious difficulties in regard to opinion in western and northern Canada—as well as in the United States—in denuding the country of fighter protection.

The same argument applies to the army. The only formation ready for immediate action is a brigade-group of active service troops, the major part of which has completed a full airborne training. This brigade-group, soon to be fully trained in airborne operations, was designed as the front-line defence against any airborne attack on Canada from the north-west. It was also intended to be the only land-force to be kept at home for passive defence in the event of war, in order to free the rest of the Canadian army for use overseas—which hitherto has meant Europe. The rest of the Canadian army was designed as a skeleton of highly trained officers and men around which an expeditionary force could be built from reservists. But it was always contemplated that shipping, and other delays, would inevitably provide a breathing space of three to six months in which this skeleton force could be assembled and filled out. Given three to six months, given the political conditions necessary to calling out the reservists, Canada could mount a respectable, though necessarily small, land force. But these conditions do not appear to apply to the Korean situation, and it is certain that the Government is not at present contemplating any operation on this scale. It does not now—and never has—underestimated the difficulties that the United States or the United Nations will be up against ; but it does not envisage that Canada will take a major part in overcoming them.

Doubts About Formosa

There is no dispute in the Cabinet, and very little in Parliament, about the need for firm action to halt aggression in Korea. In the closing days of the parliamentary session—when the ranks were already thin—the opposition solidly supported the idea of Canadian support to the United Nations forces. Only one member—a dyed-in-the-wool Quebec isolationist, who now calls himself a Liberal—M. Jean-Francois Pouliot denounced the idea of participation. The government was in fact being pressed to move a little faster than it was inclined to.

The government was, however, not reluctant to be pressed provided it could make absolutely clear that it was interested in a Uno police operation: it was not interested in supporting the United States as a major power. Within the government two reservations have been considered to apply to any Canadian contribution to the United Nations force. The first is that Canada will have nothing to do with the so-called barrier around Formosa. This is considered in Ottawa to be purely the concern of the United States. Canada will not support it, and the Canadian Government will do its utmost to ensure that no possible cloak of United Nations respectability is thrown round the operation. The second is a rather smug but entirely natural feeling, that it is the turn of the United States to bear the first brunt. Canada went to war in 1939 twenty-six months earlier than the United States, and there is a strong feeling that there is some justice in the present turn of the wheel of fortune.

Two Kinds of Korean

IT has long been generally known—and the events of the last fortnight have emphasised the fact—that North Korea has received large-scale Russian aid and advice alike in its economic development, in political organisation and administration and, above all, in the training and equipment of its army. What is less widely appreciated is that there exists within the Soviet Union itself a considerable Korean population which has been a useful factor in facilitating the Russian effort to acquire influence in Korea.

These Soviet citizens do not represent any recent emigration from Korea, but are Siberian colonists of long standing. Down to about the middle of the nineteenth century there was no sharp boundary of Korean settlement to the north-east ; the political frontier was supposed to be at the Tumen river, the country to the north being nominally Chinese territory up to the Sea of Okhotsk, but there were very few inhabitants in this remote region, and those mostly belonged to primitive tribes who lived by hunting and fishing. There were, however, some Korean pioneers who, before the coming of the Russians, crossed the Tumen and settled in what is now the hinterland of Vladivostok. After the coast-land between the Tumen and the Amur had been ceded by China to Russia in 1860 and Vladivostok had begun its growth from a cluster of log cabins into a great city, local economic development attracted more migrants from Korea and the Russian authorities did nothing to keep them out. Thus a Korean population of several hundred thousand grew up in the Siberian Maritime Province.

After the Japanese annexation of Korea, the Korean element in Siberia was reinforced by exiles from the home-land and became a potential base for anti-Japanese agitation there, if the Russian authorities should at any time wish to promote such a movement. After the Russian revolution, moreover, the younger generation of Koreans in the Soviet Union were conditioned, by the usual Soviet education and propaganda, to regard the Soviet power as the destined liberator of oppressed peoples and Korea as one of the countries which would thus in due time be emancipated from imperialism. The Soviet Union was for many years very cautious in its dealings with Japan and refrained from any but the most indirect contact with Korean revolutionaries from fear of provoking a war with Japan. The main connections of the Korean militant nationalist movement were with China and, particularly after 1931, with the Chinese anti-Japanese guerillas in Manchuria. The Russians, indeed, not merely avoided being involved in Korean struggles against Japan, but were aroused to extreme alarm by pro-Japanese influences among their own Koreans—which appear to have made some headway during the early thirties, when the Siberian Maritime Province had its full share of the sufferings caused by Stalinist planning.

In the purge panic of 1937 it was decided to remove the Koreans from the frontier region, where they were regarded as unreliable, into the interior of the Soviet Union. They were therefore ruthlessly deported *en masse* and resettled in the Central Asian republics of Uzbekistan and Kazakhstan. This treatment might have been expected to diminish further their Soviet loyalty, but great pains seem to have been taken to counteract its effects by intensive propaganda designed to stimulate their hopes for a future liberation of Korea from the Japanese. Special theatres and films were provided for the Korean areas celebrating Korean partisan

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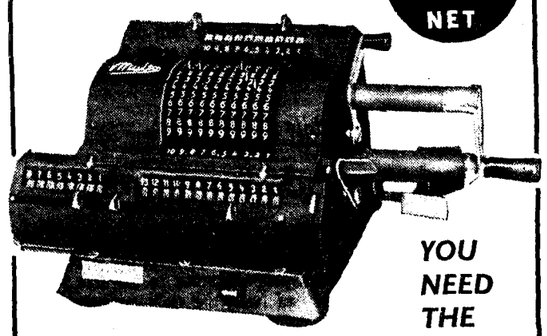
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fights against the Japanese as well as earlier peasant risings against the Korean gentry. Selected Koreans were admitted into the Communist Party, while all qualified members of the community were liable for conscription in the Soviet army, where some of them became officers and even rose to high rank.

When Japan surrendered in 1945 and the Soviet army occupied Korea north of the 38th parallel, trusted Soviet Koreans were of great value to the Soviet state. They spoke both Russian and Korean; they were Soviet citizens and subject to Soviet law and police; but there was no difficulty about providing them with additional Korean citizenship; they had acquired the genuine Soviet mentality from their life within the Union and were free from the spirit of independence which the Russians find so tiresome in the local Communists of satellite states. They included men with administrative and technical training such as Koreans had not been able to acquire under Japanese rule. The political figureheads of North Korea have been native-born, but in the background the "Muscovite" Koreans have had great power and influence, and a part at any rate of the efficiency in aggression which the North Korean state has displayed within five years of its birth must be attributed to their work.

Defenders of the Middle East—IV

Jordan and Its Legion

[FROM OUR SPECIAL CORRESPONDENT]

THE little kingdom of Jordan plays a part in the defence of the Middle East that is disproportionate to its size; it is, with the possible exception of Iraq, the only country in the Middle East that can be considered, both by reason of its military effectiveness and of its loyalty, an integral part of the Middle East defence scheme of the western world. This is due to the Arab Legion, which demonstrates most strikingly what can be achieved by the combination of natural Arab fighting-men and expert British officers. The Arab Legion now numbers not much more than 8,000 well-equipped and fully trained men, but during the Palestine war it reached 12,000. It is not necessary here to dilate upon the excellencies of the well-publicised Legion, but it might be pointed out that its equipment includes such things as field kitchens—not usually thought about by Middle Eastern armies—and first-class ordnance and supply depots. At the moment the British Government, whose grant-in-aid of £3,000,000 a year pays for the Legion, is again keeping it very short of ammunition, particularly for its heavier guns. This seems to be a deliberate insurance that the Legion will not be used by King Abdullah—in one of his more hot-headed moments—for operations against any of his, to him, singularly irritating neighbours, especially Syria.

The Legion has recently acquired an army co-operation squadron of light aircraft which are a local source of pride and pleasure as well as useful for "spotting" over the barren, practically road-less deserts and high rugged mountains of the area. Unlike other Middle Eastern armies, the Legion has also a trained reserve. This is a force of about 4,000 men organised almost on territorial army lines. The regular legionaires are recruited from the desert areas; the reservists are villagers, for they can more easily be called up at short notice. They receive a "retainer" of £2 a year but have to do a fortnight's field training for which they draw ordinary Legion pay. Their uniforms and equipment, including small arms, are retained in Legion depots but are ready for instant issue. There is also a body of irregulars, remnants of the volunteers from Jordan and other Arab countries who fought with the Legion during the Palestine campaign. They have been formed into a rough and ready frontier force to patrol Jordan's boundaries and leave the Legion free for other duties and proper training. On any standards the Legion is a small force, but on the same standards an extremely good one.

The Legion's most important duties today are the maintenance of order and internal security in Arab Palestine; for many months they included the actual civil administration of that area. It is not an easy task. Abdullah's absorption of Arab Palestine has far greater support amongst Palestine Arabs than might have been expected, and his half-Palestinian half-Jordanian Parliament and Council of Ministers are working reasonably well. But there are numbers of Palestinians, understandably embittered and disgruntled at having lost all they possessed, who feel that King Abdullah, by tacitly recognising Israel's existence, has come to terms which can never restore to Palestinians the land and farms, jobs and houses they have lost, and has, therefore, let them down. As, at the same time, enmity towards Abdullah is growing to fever pitch in Egypt, it is not out of the question that use might be made of these Palestinians, accustomed since 1946 to violence as a successful method of settling political or other arguments, as a means of removing a ruler who is determined and strong enough to steer his own course. Were it not for the immunity which his direct descent from the Prophet gives Abdullah amongst devout Moslems, his life could by no means be termed a "good risk"—and many westernised Moslems are no longer devout.

Heir to Abdullah

What would happen to Jordan if Abdullah died—he is not a young man—or were assassinated? The heir to the throne is Prince Talal, of whom not a great deal is generally known, because his father has always short-sightedly kept him so well in the background that no form of public office has been permitted him. Fortunately, Talal is a level-headed man and has derived advantages from a small group of intelligent and far-seeing British friends. Despite many obstacles, not the least of which has been the ill-advised refusal of the British Government to risk Abdullah's displeasure by giving any kind of official recognition to Talal, he is far readier to take over the responsibility of governing Jordan than might have seemed possible. And, despite wretched memories of a most unhappy period at Sandhurst, Talal is fervently pro-British, progressive and, it is felt, capable. Whether he has inherited Abdullah's crafty statecraft or his strength of purpose, only time can show. But there is a reasonable chance that Abdullah's death would not now lead to the collapse of Jordan. Talal is certainly far more progressive than Abdullah and would not therefore impose the irksome restrictions, based upon orthodox Moslem conventions, which now irritate former Palestinians accustomed to British ways.

Financially and economically Abdullah's kingdom is entirely dependent upon the United Kingdom and must remain so for some years to come. Despite excellent plans laid to tide Jordan over the next five years, during which it hopes to complete the integration of its country with Arab Palestine and establish some local industries, there will be need for considerable austerity and most strict control if a sterling "gap" which was nearly £8,000,000 last year is to be reduced to workable proportions.

On balance, however, and despite the violent antagonism of Egypt and Saudi Arabia, there is an essential stability and reliability about this little country which, together with its geographical position, make it of far greater importance to the Arab League, and to the defence of the Middle East, than is the League to Jordan.

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A sensible policy for process steam—No. 14

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BY SPIRAX

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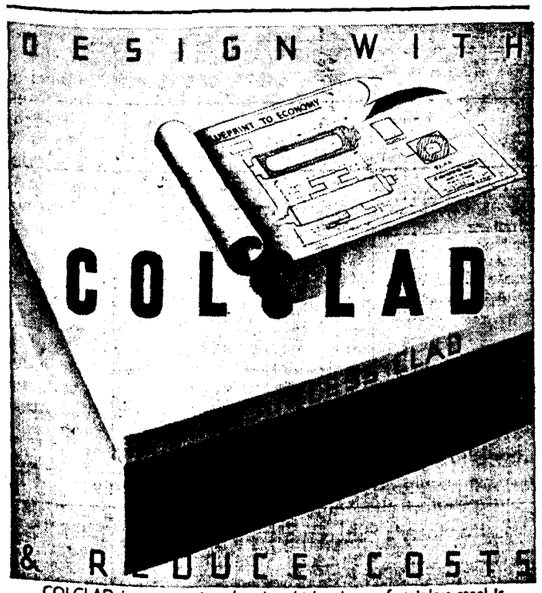
The role of the steam trapping installation is important. It can, for example, decide whether a machine takes 15 minutes or an hour to come up to temperature; whether the temperature will remain steady or become erratic; whether a process takes 30 minutes or 50 minutes; whether steam consumption is modest or extravagant; whether the percentage of spoilage or rejects is low or high.

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There are, in fact, good reasons for the question which heads these notes.

Correspondence to: **Spirax Manufacturing Co. Ltd.** (Economist Enquiries), Cheltenham, Glos.

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THE BUSINESS WORLD

Mechanics of EPU

THE best way to grasp the essentials of the European Payments Union agreed in Paris by the OEEC countries last week, and operating retrospectively from July 1st, is to contrast it with the Intra-European Payments Agreement that it is replacing. Both are mechanisms for compensating or clearing the debits and credits arising from current business between member countries of the OEEC group, and both are concerned with the balances of central banks, not with those of individuals. The two successive intra-European payments schemes, however, were integral parts of the system of Marshall Aid and could not have been operated without the grants of ECA dollars made to creditors on condition that they made "contributions" in their own currencies to debtors in the OEEC community. Moreover, these earlier payments schemes were built on the existing bilateral arrangements between the various parties. They called for a monthly offsetting of debit and credit balances arising from bilateral trading, the settlements then being completed—so far as possible—by the use of the contributions and drawing rights. The distinctive weaknesses of these schemes arose from the fact, first, that the amounts of these contributions and rights were fixed before each annual version of the scheme came into operation, and secondly, that the contributions and rights themselves were bilateral—rigidly and exclusively so in the first version of the scheme and as to 75 per cent in the second version that has just terminated. Hence the IEPS served to reinforce the bilateralism of European trade.

Clearing Machinery

The new EPU mechanism marks a revolutionary departure from this principle. Each periodic "compensation" will be fully multilateral and automatic, so that each member country will be concerned only with its credit or debit position *vis-à-vis* the other members of the EPU group as a whole, and not with its several bilateral relationships with those other members. Within the range of EPU payments, which incidentally embraces the non-European monetary areas of the participating countries, there will be complete transferability, at the periodic settlements, of each member's currently accumulated holding of the currency of any other member. It follows that, in formulating its exchange control policy, each participating country will be able to regard the currencies of the other participants as equally "hard" or "soft," so that no justification will remain for discrimination between them in trade or payments. Although EPU will be launched with a certain amount of Marshall Aid assistance, the mechanism that has been devised will, in principle, be capable of operating when that aid is withdrawn.

The Bank for International Settlements in Basle will act as agent for EPU as it did for the Intra-European Payments schemes. During the first six months of the operation of EPU the settlements are to take place every two months; thereafter they will take place monthly. The method of establishing the net debit or credit position of each country at these periodic compensations will follow the lines adopted for the IEPS. At the end of every period the central bank of each member will notify to the agent the balance in the accounts open on its books in the name of the central bank of each of the other members. On the basis of this information, and of the corresponding information supplied for previous periods, the agent will be able to calculate the net deficits or surpluses of each member *vis-à-vis* all the others. These calculations and the resultant book entries will be made on the basis of units of account equal to 0.888671 grammes of fine gold, the equivalent of the present US dollar. The resulting net debits and credits will be entered in the accounts of EPU, and will thus measure at each stage the net cumulative position of each member since the coming into force of EPU on July 1, 1950.

These surpluses and deficits will remain as claims on, or debts due to, the EPU unless and to the extent that they are required to be settled in gold. The extent of the continuing EPU credit and of any associated gold payments is determined by quotas that have been allocated to members on the basis of their aggregate visible and invisible current transactions with other members in 1949. These quotas are as follows:

EPU Quota

Country	Quota (Equivalent in millions of Units of Acct.)	Individual Quotas as percentage of Total Quotas
Austria	70	1·8
Belgium/Luxemburg	360	9·1
Denmark	195	4·9
France	520	13·2
Germany	320	8·1
Greece	45	1·1
Iceland	15	0·4
Italy	205	5·2
Netherlands	330	8·3
Norway	200	5·0
Portugal	70	1·8
Sweden	260	6·6
Switzerland	250	6·3
Turkey	50	1·3
Sterling area (excluding Iceland)	1,060	26·9
	3,950	100·0

If any country's net cumulative position at EPU rose beyond its quota, any excess would at once be dischargeable in full in gold. In other words, apart from certain special provisions explained below, the limit of each country's obligation to lend to the EPU, and of its right to receive credit from it, is set by its quota. If the quota were reached, then at that point the member concerned would have received (or paid) 40 per cent of its EPU surplus (or deficit) in gold; the balance would remain as a credit or debit at the EPU. Below that point, the proportion to be settled in gold is determined by the scale set out in the following table:

Borrowing Rights and Lending Obligations

% of Quota	Debtors		Creditors	
	Use of Credit	Gold Payments	Use of Credit	Gold Receipts
20	20	...	20	...
20	16	4	10	10
20	12	8	10	10
20	8	12	10	10
20	4	16	10	10
100	60	40	60	40

The EPU is to pay interest at 2 per cent to creditor countries that have accumulated balances with it. It will charge debtors interest at 2 per cent on all debts outstanding for 12 months or less, at 2¼ per cent on debts outstanding for more than 12 months and up to 24 months, and at 2½ per cent on all debts outstanding for more than 24 months. These provisions for interest payments cannot be regarded as a punitive deterrent to chronic debtors or as a discouragement to the accumulation of excessive balances. In this context it may be recalled that in the original Keynes scheme for a clearing union, interest was to be charged on excessive credit balances, as a penalty for large creditors. There is no echo of this provision in EPU.

Although the credit lines available under the EPU are liberal, and would in themselves postpone gold payments to a fairly distant future, it has been agreed to make gold transfers even more remote by starting the operations of EPU with initial handicaps weighted against prospective creditors and in favour of prospective debtors in intra-European trade. Certain chronic debtor countries will be given a starting credit balance at the EPU, and certain creditor countries will be saddled with a starting debt to the EPU. These initial credit and debit positions will be as follows:

Initial Credit Positions

Country	Amount	Remarks
	(millions of units of account)	
Austria	80	...
Greece	115	...
Iceland	4	Unless other arrangements are made.
Netherlands	30	...
Norway	Between 40 and 70	Part as a loan from EPU.
Turkey	25	As a loan from EPU.
Total	Between 294 and 324	

Initial Debit Positions

Country	Amount	Remarks
Belgium and Luxemburg	...	Half of allotment to Belgium for 1950–51.
Sweden	...	Equal to allotment to Sweden to 1950–51.
UK	150	...
Total	150+? 80	

These arrangements comprise the one important feature that has been taken over from the previous Intra-European Payments Scheme. The initial debit positions will be the equivalent of the contributions that were made by creditors under the IEPS. In so far as they are utilised by the debtors, the creditor countries saddled with initial debits will secure an equivalent amount of "conditional" ECA aid, in US dollars. Conversely, the initial credit positions are the equivalent of drawing rights under the former IEPS. These initial positions will be recorded as debits or credits of the member with EPU and will thus be available as a cushion before the machinery of the quotas comes into play.

To prevent any member's indebtedness to the EPU from being unduly swollen by other members' drafts on accumulated holdings of its currency (for example, the substantial sterling balances held by some of the participating countries) it has been agreed that bilateral agreements shall be concluded for the funding and amortisation of these outstanding debts. If agreement cannot be reached on the terms of amortisation, there may be an appeal to EPU and the matter will then be referred to a special committee. The amounts to be released under these bilateral amortisation agreements will be available for compensation just as though they were current transactions. The British Government, which is the party mainly concerned with this provision, does not intend to negotiate funding agreements of this character. Its representatives announced during the EPU discussions that all sterling balances outstanding on June 30, 1950, might be used by this process to settle net deficits with EPU. If, therefore, Italy—with its estimated £65 million of sterling balances—runs into debit with EPU, it will be able to use that £65 million whether or not it is in debit with the sterling area. Given the size of sterling balances held by other member countries, this gesture by Britain might at first sight seem quixotically generous. The risk of gold loss from this particular arrangement has, however, been entirely obliterated by a special agreement under which the Economic Co-operation Administration has underwritten all gold losses that Britain may suffer as the result of such utilisation of accumulated resources by other members.

The Role of Marshall Dollars

The special arrangement by which ECA underwrites this risk of gold losses by Britain indicates one of the two channels through which ECA dollars will feed the EPU machinery. The first of these is the initial working capital of between $350 and $400 million that is being made available by ECA in the form of free dollars. These dollars will be available to bridge any gap that may arise between gold payments due from EPU to creditor countries and the gold payments due to EPU from debtors. There are two reasons why such a gap may occur—first, because the credits may be concentrated in one or two countries while the debits are spread over a large number of debtors; and, secondly, because (as a glance at Table II will reveal) the relation of gold payments to utilisation of credit is not the same for debtors as for creditors. In addition to providing this working capital fund, ECA will hold an "administrative assistance fund," which will be available to help any member that finds itself running into deficit with EPU at a rate and in circumstances that threaten that member's gold reserves.

A considerable part of the lengthy discussions that preceded the EPU agreement was devoted to the special position of sterling and to the need to safeguard the sterling mechanism in the transaction of international trade. Various solutions were propounded for this problem, including first the British suggestion of a special membership for Britain, then the plan for giving creditors of EPU the option to hold in sterling such part of their credit as had been earned in sterling. The final agreement is modelled on this second proposal, which has been adapted to all currencies of members of EPU. All participating countries will have the right to enter into

bilateral agreements with other participants whereby one partner or both will agree to give the other "a determined volume of credit" in certain conditions. If one of them is or becomes a creditor with EPU, that member may give credit to its partner instead of to EPU. This bilateral credit must be limited to the amount of the surplus with the partner (unless a lower limit is set by the bilateral agreement) and must also be within the credit line available to the debtor under his EPU quota.

Thus, the so-called "sterling option" has not only been generalised, but has also lost most of its substance—because of the rules set out for the liquidation of EPU after its minimum two-year life. When EPU has run its course it is provided that all balances of national currencies accumulated in accordance with this misnamed "option" shall be swept into the general pool for liquidation, being exchanged for EPU units. The EPU holdings of national currencies will then be distributed to creditors in proportion to their quotas. The resultant holdings of creditors will thereafter be repaid in accordance with bilateral agreements between each pair of countries concerned, or, failing such agreement, will be repayable in the currency of the creditor over a period of three years, meanwhile bearing interest at 2¾ per cent. By this provision for sweeping the bilateral credits into the general pool, it is hoped to ensure that member countries cannot so ordain their trade as to concentrate their surpluses into comparatively strong currencies such as Swiss francs and thus to leave others to hold the mixed bag of less desirable currencies that might otherwise comprise the main assets of EPU before the final distribution.

Whether surpluses are held by creditors in EPU units or in national currencies will be immaterial in the calculation of the cumulative debit or credit positions of members and, therefore, in fixing the point at which gold payments have to be made or received. The net position of each participating country will include not merely its credit or debit balance at EPU, but the amount it may hold or owe in the currencies of participating countries by reason of bilateral agreements.

The formation of EPU and the opportunity given to creditors to arrange to hold their surpluses (within certain limits) in particular national currencies, will call for a general reconsideration of the whole structure of bilateral agreements on the basis of which Britain and the sterling area conduct their transactions with the non-sterling world. The gold clause included in certain agreements—that with Belgium for example—will probably have to be dropped, since henceforth any member's obligation to pay gold in consequence of its transactions with participating countries will be an obligation to pay the EPU. Since many agreements may need to be renegotiated, it may be asked whether there is any longer any justification for Britain's practice of negotiating for different kinds of bilateral payments arrangements with different OEEC countries. Since the sterling area's transactions with these countries will be settled multilaterally, there is no point in having, say, the Netherlands within the transferable account area and Belgium out of it. The logic of EPU may before long demand a new segregation of non-sterling countries for exchange control purposes—distinguishing European accounts, non-European (and also non-American) accounts, and American accounts.

The EPU mechanism will not do away with the structure of exchange control in the various participating countries. The transferability of the currencies of member countries will not apply to the transactions of individual traders or travellers, but will come into effect only when the central banks of these participants use the EPU machinery to clear their mutual credits and debits. The actual mechanism of exchange control may, of course, be adjusted by the re-negotiation of bilateral payments agreements and by administrative action that will loosen up the controls. But no individual trader will be conscious of any change in payments machinery following the transition from the Intra-European Payments Scheme to the European Payments Union.

Britain's Credit Obligations

Britain's commitments as a potential creditor under EPU will be as follows:

	In million units
Initial debit position (balanced by conditional ECA grants)	150
Gold free credit line	212
Credit *pari-passu* with gold	424
Gold receipts	424
Total Quota	1060

In addition to these potential obligations, there is the provision for using accumulated sterling balances of member countries; these may be estimated at about £150 million. Despite the ECA guarantee against gold losses from the use of such balances, it will be readily apparent that Britain enters these new payment arrangements committed to pull a very full weight.

Commercial Policy

The most visible evidence of the new regime will be seen in the sphere of commercial policy. If the currencies of participants are freely transferable within the EPU group, there can be no justification for discrimination in their mutual commercial relations. Under the EPU agreement, therefore, members have undertaken as from January 1st, 1951, "to avoid any discrimination in respect of imports of any products as between one member and another." For Britain this means that the system of open general licences granted to OEEC countries will no longer exclude Belgium, Switzerland and western Germany. This policy of non-discrimination is also to apply to "invisible" transactions. The EPU agreement provides that as soon as the new system has come into force "no member may delay solely on payments grounds the immediate elimination of all discrimination in the field of invisibles." It will not be long therefore, before all member countries are treated alike in such matters as tourist allocations.

The EPU agreement, however, makes provisions for departure from this rule of non-discrimination by members who run into serious disequilibrium on their balance of payments. If a member "finds itself running into deficit with EPU at a rate and in circumstances which it deems serious in view of the state of its reserves," it may temporarily suspend measures taken by it for the liberalisation of trade and invisible transactions. The member in question is required to do this in such a way as to avoid unnecessary damage to the interests of any particular member, and it must avoid discrimination. The EPU nevertheless may recommend any action that it deems necessary, including a waiver of all rules relating to non-discrimination, against any member who becomes so chronic a creditor as to threaten the reserves of the Union.

Gilt-Edged Chronicle

A FORMER Nonconformist benefactor was known throughout the Methodist connexion as "the anonymous donor." Perhaps it would not be stretching Stock Exchange manners too far to refer, with something of the same kind of personalised anonymity, to "the leading firm of investment brokers" who have introduced, for limited private circulation, the second edition of *British Government Securities in the Twentieth Century*. The authors have been led to suppose, by the interest with which the first edition was received, that "some enlargement of its orginal scope might be acceptable." This is a very modest way of describing a major work of reference of nearly six hundred pages, covering every significant aspect of British Government securities since 1900. The volume sets out the results of painstaking research with great typographical skill; the student of the funds who needs more facts will indeed be hard to satisfy, and nowhere will he find them set out with greater care or authority.

The authors' objective is neatly summarised by a quotation from *Fairman on the Funds*, published in 1824:

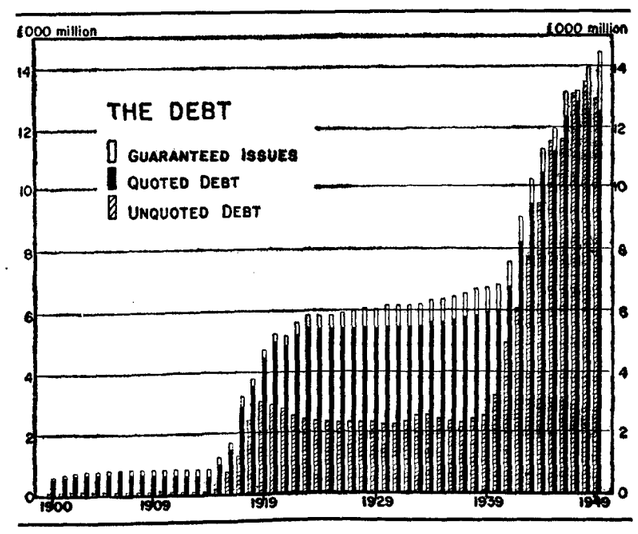
> With regard to the contents of the following publication, I have altogether avoided political observations and conjectures, sincerely hoping that virtue and knowledge may ever triumph over vice and ignorance.

The preface does no more than indicate, though with a certain pointed wit, the main signposts down the fifty years. It is, indeed, a far cry to "those distant days before the 1914 war, when London was the money-centre of the world and money was readily forthcoming for every type of enterprise at home and abroad." Today "the whole future of risk capital is in doubt . . . private thrift has become something of a dangerous drug, prescribed in small doses but proscribed in large." The consequence has been a great diminution of private investment and a remarkable increase in the scope of institutional investment. Hence the need for expert study and research in the gilt-edged field:

> The actuarial calculation of yields and the comparison of securities from a multiplicity of angles today form a valuable part of Stock Exchange service in a market in which the turnover last year exceeded four thousand million pounds.

Without any question, this new work is a major contribution towards that service.

The book itself is divided into six distinct sections. The first, simply entitled "The Market," sets out for each year from 1900 to 1949 particulars of all British Government securities (both direct obligations and issues carrying Government guarantee) quoted on the London market, showing the amounts in issue, the terms of repayment, the year's record of prices, and end-year yields. For each year there is also shown a summary of the internal debt and particulars of new Government issues. The second section, "History of the Issues," stretches back to 1694 to trace the growth of the Funded Debt up to 1899; then it sets out in detail the history of every security that has existed during the half-century, whether quoted or unquoted. Section Three presents for each of the fifty years an analysis of the National Debt, with details of changes during the year, and a division of the quoted debt according to the respective lives of individual stocks. Section Four examines the changes in the published holdings of the National Debt Commissioners—that mysterious body which has not sat as a whole since 1860 but which, under the discreet management of the Chancellor of the Exchequer, the Governor and the Deputy Governor of the Bank of England, brings into action at the appropriate time most of the "points" of the public stag. The fifth section presents a miscellany of information about British public finance and the debt service (is there any other place, one wonders, where the whole course of national revenue and expenditure from 1900 to 1949 can be examined in a two-page spread as here?). And finally, "for the convenience of addicts and abstainers alike," a dozen illuminating charts are brought together, of which a selection is reproduced with this article.



Such a bald summary cannot hope to give much impression of the statistical riches which abound in the volume. Here is the record of the repercussions on the public debt and public finance of a half-century of immense change in social, political and economic life. In 1900, quoted securities amounted to £569 million, and the total debt to £639 million—say £15.56 per head. Bank Rate averaged in that year just under 4 per cent, and taxpayers bemoaned a sharp increase from 8d. to 1s. in the £. In 1949, quoted securities had a nominal value of £12,534 million and the total debt and multiplied forty-fold to £25,332 million—nearly £506 per head. Bank Rate had remained immutable for a decade at 2 per cent, while the standard rate of income tax at 9s. was 6d. higher than the level to which it was raised in the first wartime Budget.

Such random facts paint, in a very slapdash way, the

picture of the new financial orthodoxies that have become the mode in the last generation. A world war would have brought them *into being* in any event, but their seeds were far from dormant in the 'thirties. The private or institutional investor in gilt-edged has only begun to learn the implications of these immense market changes. Modern techniques of official control over the gilt-edged market are as yet but dimly understood, even by those whose business it is to follow them—as closely as is possible from the outside. As the preface observes:

> The growth and application of departmental funds have always been a considerable factor in the market, and today they are probably the most important influence in it.

But any attempt to measure this influence (as, for instance, in the article on the extra budgetary funds that appeared in these columns on June 17th) has to be qualified by so many "ifs" and "buts" that the non-official investor must always feel himself at a disadvantage in a market increasingly dominated by the Chancellor's "creatures." An area of total ignorance extends widely over the Issue Department of the Bank of England and over the Exchange Equalisation Account. The authors of this book readily confess that "only a little light" is shed on official policy and technique by their analysis of the holdings of the National Debt Commissioners, though the bare figures in the first table are a sufficient illustration of their ever-increasing importance.

These changes might be regarded as the flowering of monetary technique in its most modern form, but the preface shows that the roots dig deep into history:

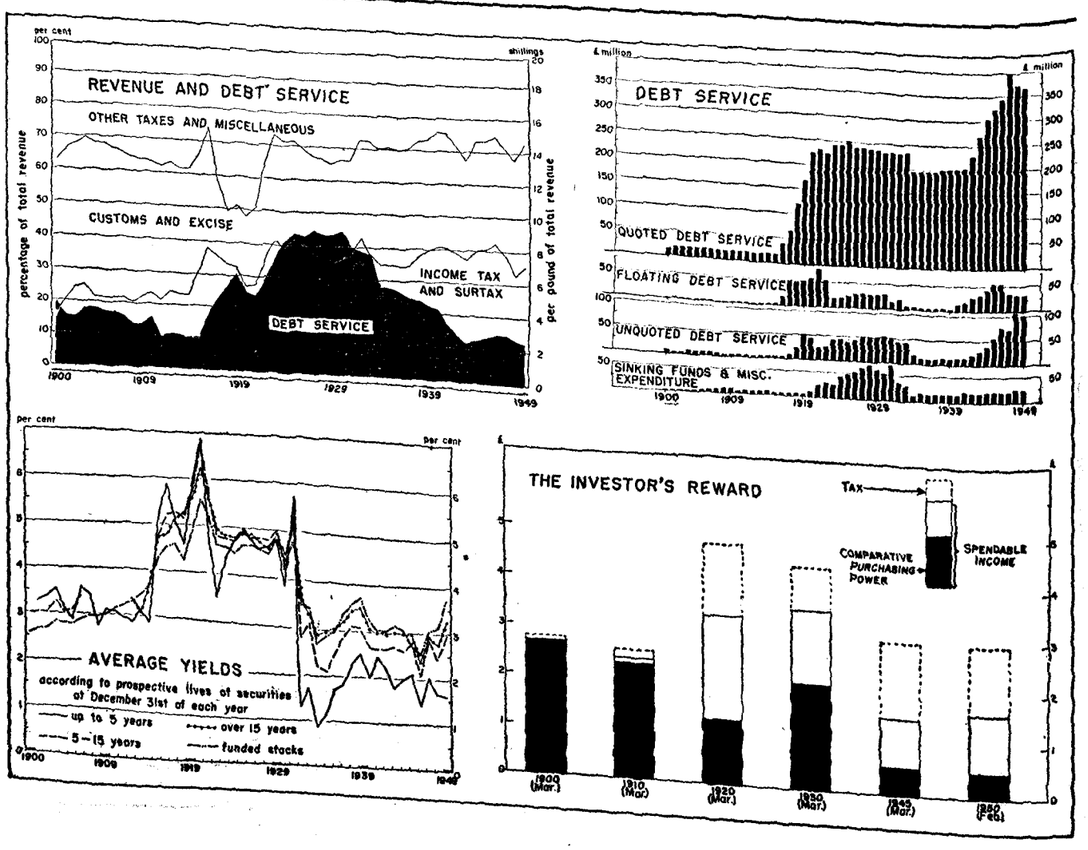
> . . . Departmental subscriptions to new loans, which are sometimes regarded as an essentially modern conception, do in fact constitute an old practice, a clause empowering the Commissioners to subscribe to any future new loan having been introduced, at the suggestion of Charles James Fox, into Pitt's Sinking Fund Act of 1776 which brought the Commission into existence. There is an early example in 1834 of the use of Savings Bank funds to ensure the full performance of a difficult conversion operation.

Such was the puny precursor of the devices that a modern borrower can use to trim the market in his own favour. It is a technique as profound in its financial implications for this century as the discovery of the arts of central banking a hundred years ago.

The selection of charts with this article calls for a brief word. The main chart distinguishes the growth of the quoted debt, the guaranteed issues (much expanded

PUBLISHED HOLDINGS OF NATIONAL DEBT COMMISSIONERS

	Mar. 31 1945	Mar. 31 1946	Mar. 31 1947	Mar. 31 1948	Mar. 31 1949
HOLDINGS	£ m.	£ m.	£ m.	£ m.	£ m.
Quoted (direct and guaranteed)	1,550	1,587	1,728	1,923	2,205
Unquoted	1,138	1,547	1,602	1,599	1,622
Total	2,688	3,134	3,330	3,522	3,827
PROPORTION OF TOTAL ISSUES	%	%	%	%	%
Quoted (direct and guaranteed).....	*12·94*	*12·05*	*13·08*	*13·79*	*15·24*
Unquoted	*9·85*	*13·30*	*12·20*	*11·85*	*12·53*
Total	*11·42*	*12·64*	*12·64*	*12·84*	*13·96*



by recent nationalisation policy) and the unquoted debt (which includes Treasury Bills, TDR's, Tax Reserve Certificates and the various popular savings issues). To give precision to the latest year's figures the direct quoted obligations amount to £12,534 million, the guaranteed issues to £1,982 million, while securities not quoted on the London Stock Exchange total £12,892 million. Another chart (not reproduced here) shows the increasing weight of quoted debt represented by securities of shorter life. The present "age composition," compared with 1945, is tabulated below:—

QUOTED SECURITIES ACCORDING TO LIFE
(£ million)

As at March 31	Less than 5 years	5–15 years	15–25 years	Over 25 years	Govt. option to repay
1945	1,672	3,072	1,561	1,523	3,350
1946	1,531	3,498	2,560	1,371	3,409
1947	1,501	2,984	3,103	1,366	3,890
1948	2,023	2,160	3,093	1,361	3,888
1949	2,833	1,615	2,833	1,371	3,887

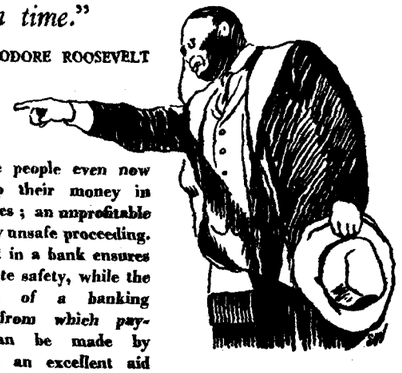
An alternative title for this table might well be "the tasks of the fifties."

The four charts in the large block compare the revenue and the debt service. The latter is now relatively far lighter in weight than in the twenties. It is sometimes suggested that a rise in interest rates would produce a great and immediate increase in the cost of debt service. The second chart, in conjunction with the table above, suggests that this case is by no means so conclusive as its supporters are inclined to argue. The third chart gives an impression of the movements of average yields on stocks of varying life. Even a regime of strict monetary control, it is clear, does not guarantee uniformity in the relative returns on the different classes. The fourth chart shows that the rentier's real return equivalent to 2.7 per cent in 1900 has now dwindled to a mere 0.5 per cent.

The only invidious aspect of dealing with a book of the dimensions and scope of *British Government Securities in the Twentieth Century* is that any selection from its riches is bound to be scrappy. The work does not aim at any statement of investment principles or doctrine; it is content to establish the facts and to leave readers to their own interpretations. It provides layers of rich material for a dozen separate studies. If the inquirer is in search of the methods by which a popular democracy, burdened by two wars in a single generation, can make its debt burden tolerable, he will find the answers here. If he is interested in the precise techniques by which this has been achieved, he can turn to these pages for statistical corroboration. If he is attracted by nostalgic jobbing backwards (and there are few who are sufficiently strong-minded to resist the pains and pleasures of that much-condemned pastime) he will find these pages as irresistible as those of *Whitaker* or *Wisden*. It is fitting for *The Economist* to return the compliment to "all who study or write about investment and finance," which the authors offer in their dedication, by acknowledging to them its great debt for their contributions to the stuff of investment knowledge.

"Nine-tenths of wisdom is being wise in time."

THEODORE ROOSEVELT



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Business Notes

Prices and Korea

The Stock Exchange has made the best of the cheerless news from Korea this week—a little firmer one day and not so firm the next. In a quiet market, industrial shares have shown a few small rises—the *Financial Times* industrial share index stood at 112.0 in the middle of the week, compared with 111.1 a week earlier and 114.8 before hostilities began in Korea. The broad effect on gilt-edged has been to raise the yields on "undated" stocks by rather more than a shilling per cent with correspondingly smaller movements in the returns on the dated issues and shorts. Thus Old Consols which were yielding a copper or two more than 3½ per cent on the eve of the Korean war now yield practically 3.6 per cent, while 3 per cent Savings Bonds 1965-75 have fallen from a yield basis of £3 6s. per cent to £3 7s. 2d. per cent.

Perhaps London's evident willingness to await events is more realistic than Wall Street's occasional flurries this week. If the international situation is really grave, it is difficult to rationalise the selling of common stocks which pushed the Dow Jones average down by 5½ points on Wednesday. Indeed, the key to the market situation surely lies in the

	Unit	Pre-De-valuation	Post De-valuation	Jan. 25, 1950	June 25, 1950	July 10, 1950	July 12, 1950
British :—							
Rubber ...	d/lb.	11⅛	12⅞	15 5/16	24⅛	27⅛	29⅛
Cotton (US)	,,	23⅛	28⅛	30⅛	33⅛	33⅝	35⅛
Tin	£/ton	569	750	601	591	633	662
Copper ...	,,	107½	140	155	136	136	138
Zinc	,,	63½	87½	87½	127½	127½	127½
Lead	,,	87½	122	97	95	88	92
US :—							
Rubber ...	cts/lb.	18⅞	16⅝	18½	23½	33½	35⅞
Cotton (US)	,,	31	30 3/32	31⅛	34 5/16	38	38
Tin	,,	105	105	77½	76⅝	82⅝	87
Copper	,,	17⅜	17⅜	18⅜	22½	22½	22½
Zinc	,,	10	10	9⅜	15	15	15
Lead	,,	15⅛	15⅛	12	11½	11	11½

Note: Korea was invaded on June 25th.

inflationary implications of the Korean war. The commodity markets have certainly shown a sharper awareness of these factors than have the security markets. It is hardly surprising that rumours of commodity controls in the United States have multiplied in the past week, for the western world has been treated in the space of three weeks to a boom in commodity prices of so far-reaching an order as to suggest that the tepid war had been heated up to boiling point. Rubber, after its recent salutary check, is now at 2s. 5½d.—a record unchallenged since the restriction scheme of the mid-'twenties. Tin, about which recent discussion has turned on the possibility of restriction of supplies, had by Thursday jumped by more than £100 a ton; lead has recovered, and cotton is 2d. a lb. dearer.

Such are the immediate consequences of superimposing a keener demand for rearmament purposes on an already high civil demand for basic raw materials. Here are the proximate consequences of inflation and the one thing that could reverse them would be a sudden outbreak of peace. Whether the commodity markets are safe in regarding this possibility as entirely remote could no doubt be argued. But it is remote enough, and the one certain consequence of Korea—whether the fighting ends quickly or not—is that it will touch off a major demand for rearmament and in all probability sustain high prices for all essential raw materials. In due course, no doubt, these consequences will not be lost on equity investment.

* * *

Mr Menzies' Mission

During the past few days conflicting reports have come from Canberra about the financial implications of Mr Menzies' whirlwind world tour—and, in particular, about the objects of the financial discussions he is expected to hold in London. There seems to be no doubt that he is hoping to negotiate some sort of dollar loan in America; he may even be going to angle for direct participation by American contractors in Australia's development programme. It will be remembered that Australia found some initial difficulty in implementing the 25 per cent cut in dollar imports agreed on at the Commonwealth Finance Ministers' Conference in July, 1949. In November, indeed, the Chifley Government resorted to a draft of $20 million on the International Monetary Fund to enable it to reduce its drawings from the sterling area central pool while still maintaining purchases of dollar capital goods. Since then the Australian investment programme has gone forward at a brisk pace, although some of the most cherished hydro-electric and other schemes have run up against shortages of capital equipment that only America can supply. There is, of course, no binding obligation to prevent Australia from drawing dollars from the sterling area pool to purchase this equipment—the Commonwealth is not (officially, at any rate) restricted to any annual dollar quota. But it is obviously in the interests of all sterling area members, first, that Australia should place as many orders as possible in soft currency rather than hard currency areas; and, secondly, that Mr Menzies should discuss any proposed increase in such drawings or any borrowing projects that involve future dollar commitments with the central banker of the area before his mission to America takes place. This, presumably, is the explanation of the London talks.

Meanwhile, figures issued in Canberra show that a massive increase in Australian imports of vehicles and machinery from the sterling area reduced the Dominion's external surplus on merchandise account from £A120 million in the eleven months to end-May, 1949, to £A80 million in the eleven months to end-May, 1950. Imports from the dollar area were kept well in check—the dollar deficit on trade account declining from $35 million to $30 million in this period. This welcome decline, however, may well have been due as much to the change in the price differential between sterling and dollar goods after sterling's devaluation as to any startling efficacy of Australian import controls. Whatever the way in which the industrial development programme is to be financed, it is to be hoped that the inflationary pressure generated by it, as well as by the high level of export income and by what some quarters still believe to be the undervaluation of the Australian pound will not now lead to a politically irresistible increase in Australian demand for dollar consumer as well as dollar capital goods.

* * *

Six Months' Surplus?

The provisional trade figures for June, which the Chancellor of the Exchequer gave to the House of Commons on Monday evening, are at once encouraging and disquieting. The encouragement lies in the buoyancy of the export drive. The total value of exports for the month reached £175.9 million, compared with £182.7 million in May. June had only 25 working days; thus the daily rate of exports in that month actually exceeded the record level of May. The disquiet rests in the further rise in the cost of imports which reached a new record of £238.6 millions, some £10 million more than in May. Imports normally rise to a peak in June and July, but the record figures for last month obviously owe much to the continued rise in commodity prices.

The excess of imports (valued c.i.f.) over total exports and re-exports (valued f.o.b.) for the first half of the year amounted to £220.5 million. The corresponding figure for the first six months of 1949 was £199.1 million and for the

second six months £230.4 million. If the figures for the first six months of 1950 are adjusted to a common f.o.b. basis (on the lines explained in a Business Note on page 1234 of the issue of June 3rd), a net visible deficit for the period of £70 million would result against a deficit of £57 million for the first half of 1949. The trend in invisible items is much harder to estimate with any certainty. In the first half of 1949 the invisibles yielded a surplus of £42 million, and in the second half £68 million. It is a fair guess that net income from invisibles this year should at least have equalled that of the second half of 1949. If so, Britain's overseas payments for the first half of the year should balance and might even show a small surplus. The "Economic Survey" assumed an overall surplus of £50 million for 1950. This is not yet outside the realms of possibility. But the Government's overseas expenditure may well increase in the coming months, and exports and income from invisibles would then have to expand at a much faster rate than at present if a surplus of this size is to be achieved.

* * *

Sterling and Dollar Oil

While the attempt to settle the Anglo-American oil differences in principle as between governments shows every sign of being bogged down, the negotiations with individual companies have been making progress in the last few weeks. The latest step is an agreement, made public this week, between the Arabian American Oil Company and the British Government. "Aramco," a partnership of four major American companies, has in the past sold its oil for dollars only; it has now agreed to take some sterling from the marketing companies which sell its product, and is to be permitted to use that sterling to pay royalties to the Saudi Arabian Government and to meet some other expenses in Arabia. These provisions indicate a potential saving of dollars to Britain, though it cannot be a large saving. More important, they have been taken in the United States to clear the way for the agreement with the Caltex Company which has been under discussion for so long.

Caltex is the foreign marketing organisation of two of the partners in Aramco—California Standard and Texas Oil Company. Thus it is Caltex that markets some 60 per cent of the Arabian American output. Clearly there would not be a great deal of significance in the Aramco agreement if it were not to be followed by a further agreement permitting Caltex to handle sterling more freely than it has so far done. The Caltex negotiations, however, concern the oil of Bahrein, which is in the sterling area, more than they concern the oil of Saudi Arabia, which is not. The Caltex output from Bahrein has not yet been treated as sterling oil. The case is one in which the argument for "sterling" treatment of an American company's output is particularly strong, and it will be surprising if the Caltex agreement is delayed much longer.

The derationing agreement at the end of May was followed quickly by two other agreements with American companies. The first, with Standard Vacuum (a partnership in the Far East of the Jersey Standard and Socony-Vacuum groups) permitted the Indonesian output of Standard Vacuum, so far as it is sold in the sterling area, to be treated as sterling oil. The second concerned the same two companies' share of the output of Iraq Petroleum Company. To the extent that they sell this oil in the sterling area the two companies have agreed to take sterling for it and to make the sales through a joint British subsidiary, still to be formed, which will be subject to British taxation. In return they are permitted to sell some of their Iraq oil for sterling outside the sterling area.

Although the details are complex the general tendency of these agreements is fairly clear. Britain saves dollars. By their agreement to take sterling for certain oil sales in the sterling area, the American companies gain freedom from the British Government's "substitution policy" there and a somewhat greater trading freedom in third countries. One result is that the substitution policy itself is beginning to look a good deal smaller than when it was first announced.

* *

Policy for Ironstone Workings

The contrast between the meticulous and costly restoration of opencast coal sites and the condition in which some of the iron ore workings in the east Midlands have been left has puzzled many people, and few will be sorry that the energetic Minister of Town and Country Planning has decided to produce a policy for the iron ore workings. Dr Dalton visited the ironstone areas soon after his appointment, and (he said in the Commons last week) was "greatly shocked" by what he saw. These are proper feelings. But it is desirable that a policy that is to be put into statutory form—and which can have important industrial repercussions—should be produced in a state of calm rather than a state of shock. The iron and steel industry depends on home-produced ore for about half its production of pig iron, and this dependence is likely to increase in the next year or two. The industry is showing some concern lest the policy to be imposed may upset its production programme.

The Minister's statement of policy last week was more formidable in its language than in its content. "Complete restoration, with replacement of topsoil" is to be the formula for present and future workings, but the exceptions to the formula are so extensive that it may fairly be doubted whether the new order will differ fundamentally from the old. Where the length of face worked is so great that the cost of replacing the topsoil would be "very high," then topsoil may not, after all, have to be replaced. Where restoration to agriculture is "impracticable" the worked land can be afforested, with or without levelling. The producers and landowners will bear three-quarters of the cost, and the Exchequer will bear the rest. This refers to present and future workings, which may well cover 31,500 acres of land in the next century or so. For the past workings that have not yet been restored there is to be a Government effort to bring about levelling and restoration to agriculture, either by the owners or by local authorities with Exchequer help.

To this policy, in the general terms in which it now stands, no very urgent objection need be taken. It is true that there is a somewhat offensive imputation of "past neglect" against the firms concerned, which might not have arisen if they had been as good at public relations as they are at their work. It is also true that the presumption in favour of "levelling" the worked ground turns out to be entirely questionable when the actual ground is seen at close quarters. Experience may, however, supply a corrective—provided that the statutory Order that the Minister has promised is not drawn in a rigid way and does not fail to allow for the possibility that more may yet be learnt about the best treatment for ironstone workings. The matter, in short, needs care rather than haste.

* * *

Strip Mining and Steel Output

Nearly half of the 8,577 acres worked for ironstone in Northamptonshire up to the end of last year has by now been restored to agriculture—though with by no means uniform success. Only 900 acres have been planted with trees. But if the iron ore producers decide the matter, the proportion to be planted with trees will increase very greatly as the depth of the workings and the size of the excavating machines increase. The reasons are to be found partly in the methods of heavy mechanised excavation; to leave the land flat the excavators would require to do their work twice, and thus their output would be cut by half. Another reason lies in the geology of the area: where the excavations

have to dig deeper than about 35 feet they encounter a thick band of limestone lying on top of the ore, and the sites in their final state are strewn with limestone boulders that defy cultivation. To restore sites of this kind fully to a cultivable state would cost, in the iron ore producers' estimate, something like £950 an acre—perhaps twenty times as much as the land, as agricultural land, is worth before mining.

These facts have influenced the producers to adopt their present policy, which is to leave most of the land in the "hill and dale" formation (a somewhat kindly description of the ugly serrated state in which the excavators leave it) and to plant the slopes with trees. Experience in strip mining districts of the United States, and more recently in Northamptonshire itself, has supported this policy by showing that conifers grow better on the slopes of the serrated land than on sites that have been levelled. To level the land may often be worse than useless. Stewarts and Lloyds, who are the biggest ironstone producers in Northamptonshire, have their own forestry department and tree nurseries and have gone a long way towards demonstrating the value of afforesting the "hill and dale." Since much of the ironstone mining in Northamptonshire will eventually have to go underground—and will therefore need timber—the industrial value of these plantations may eventually be high.

*

The expansion of British steel output is continuing; figures released this week show that the crude output was 8,309,000 tons in the first six months of 1950, and this is 351,000 tons more than in the first six months of last year. As the programme stands at present, the expansion will go on until an annual rate of output of some 18,000,000 tons is reached in 1953. This will not happen, however, unless home ore production is expanded; indeed, since supplies of German scrap are expected to fall off, even the present output cannot be maintained without an expansion of pig iron production based partly on greater supplies of home ore. It is an unpleasant fact, therefore, that the steel production programme requires iron ore to be mined in Northamptonshire on a large and increasing scale. Rigid orders to level and restore the sites would reduce the supplies of ore and add greatly to their cost; so it seems doubtful whether, once the probable consequences have been faced, the Government will insist on revolutionary changes.

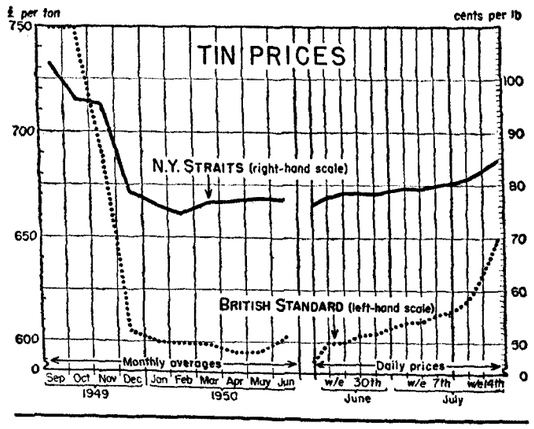
* * *

Record Rise in Tin

Tin has shown a spectacular rise in the past week; on Tuesday it jumped by £16 a ton and on Thursday by as much as £30 a ton. The closing quotation on Thursday was £692¼ a ton, compared with £615½ a week earlier and £591⅛ on the Friday before fighting started in Korea. Prices on the New York market have kept pace, rising from 76⅜ cents a lb. (equivalent to £611 a ton) on June 24th to 87 cents (£696 a ton) last Wednesday. There is as yet no sign that the United States Munitions Board has increased its purchases for the stockpile or that consumption has increased in America, in Britain or on the Continent. Users of tin have in the past tended to hold only minimum working stocks. Now that supplies from the Far East might be affected by any spread of hostilities, there has been a rush to rebuild inventories. The demand has come mainly from European countries.

Will this sharp rise in price be more than temporary? Once stocks have been replenished (and assuming always that supplies from Malaya and Indonesia are uninterrupted) some adjustment in the market might perhaps follow. The Ministry of Supply has done nothing to check the rise by offering metal from stocks. Since the London market was re-opened in November the Ministry has followed a cautious policy in releasing tin, on the ground that as tin is an important dollar earner, a larger dollar income may be secured by sustaining the price. Even in the past week, its offerings on the market, though increased, have not been on a large scale.

Tin has many uses in war, but it is less vital than it was. The development of alternative materials was successful in the last war and new techniques then developed with substitutes have continued since. But tin is still being accumulated by the American stockpile and in recent months the Munitions Board has acquired almost the entire output of the Texas smelter. The Reconstruction Finance Corporation has recently agreed to buy tin concentrates from Bolivia in the current year at 4 cents a lb. below the average price for the month in which delivery is made. The Texas smelter will thus be assured of the major part of its raw material.



* * *

Argentina and Meat Supplies

The negotiations between Britain and Argentina on the price of meat for the second year of the five year contract are still dragging on. Meat, of course, is only one item on the agenda; remittances to Britain is the other and the two are inextricably bound together. But despite the length of time which has already elapsed without agreement there are signs that some progress is being made. Recent reports in particular indicate that Argentina is becoming more conciliatory. Shipments of meat are continuing and even in larger quantities than Britain expected; the invoice price is subject to later adjustment. Since home killings in Britain will reach their seasonal peak in the next few months and since the supplies of home produced meat are likely to reach their highest level since the war (judging from the increase this year in the number of cattle over two years old), Britain may find these larger shipments of Argentine meat somewhat embarrassing. In view of this prospect, the British offer to Argentina of £90 a ton against £97 10s. last year seems reasonable.

Britain is likely to be faced in the autumn with a surplus of meat, but the surplus would of course be only seasonal. World production, according to a revised study published a fortnight ago by the Commonwealth Economic Committee,* is still below its prewar level, while exports of meat are still 15 per cent smaller than in 1938. Production in Britain last year was less than three-quarters of its prewar level, while output in most countries of western Europe has yet to recover fully from the effects of the war. But at least there are signs that output is increasing.

World exports of beef in 1949 were about 12½ per cent below their prewar level. Exports from Argentina alone were

* "Meat, 1950." H.M.S.O. 5s. (net).



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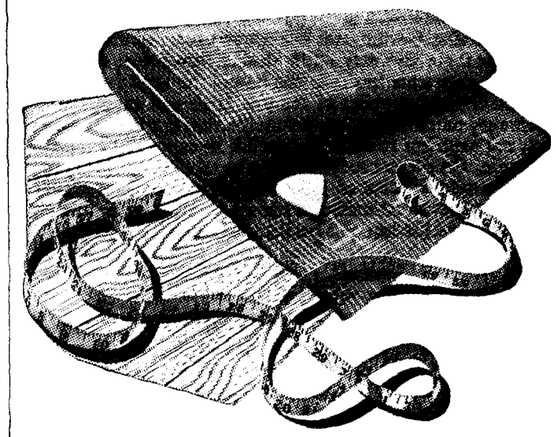
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30 per cent smaller although production was 15 per cent larger than in 1938. Before the war, Argentina accounted for well over half of the world exports of beef and veal. The gap between output and exports has been caused by increased domestic consumption in the postwar years, an increase which the Argentine Government has encouraged. World exports of pigmeat are also very much smaller than before the war; last year they were less than one half of the 1938 figure. On the other hand supplies of mutton, lamb and canned meat were very much larger than before the war, but their increase was not sufficient to offset the decline in exports of beef and pigmeat. On present reckoning it may take at least two years before world exports of meat are large enough to enable Britain to abolish rationing. A change of policy by Argentina, however, could reduce this period appreciably.

* * *

Standards of Air worthiness

The Air Registration Board is awaiting confirmation of an agreement with the American Civil Aeronautics Board by which all 1950 certificates of airworthiness issued by the British authority will be accepted by the Americans. The importance of such a step can hardly be exaggerated. Either registering authority has been able hitherto to refuse to approve an aircraft already certified as airworthy by the other, and although the British have accepted the Civil Aeronautics Board's certificates for the American aircraft bought for British airlines, reciprocal treatment by the American authorities was thought unlikely. The present tentative agreement has been reached by technical men on the basis of the technical points which determine the safety of a machine. It needs to be approved by the political authorities in Washington, but the chances of success are thought to be better than those of previous attempts which started on a political instead of a technical level.

On this occasion the political opposition may carry less weight than in the past. The reciprocal recognition of certificates of airworthiness removes one device that could have prevented the purchase of British aircraft for operation by American airlines. But it must now be clear that the American aircraft manufacturers, whatever protection they get, cannot for some years catch up with the British development of gas turbine civil aircraft. In the circumstances the American airlines may need freedom to buy British machines.

Once approved, the agreement will last until February when the standards of the International Civil Aviation Organisation are expected to replace it. The draft standards which were drawn up, largely in accordance with American ideas, have never been accepted. When ICAO meets in Paris soon, the American delegates are expected to accept certain British counter-proposals on climb and performance standards and there seems a good chance that an international standard will be agreed; the British proposals have already been accepted by the other members.

Few British aircraft now holding 1950 certificates of airworthiness have a potential market in America. The Viscount is the only gas turbine aircraft to have a full certificate yet, but the Viscount 700, the production model that is due to make its first flight next month, differs in some respects from the prototype and does not inherit the certificate automatically. The Come has still some tests to complete before it has a full certificate, and the same is true of other gas turbine aircraft. Of the piston-engined aircraft with current certificates, only the smaller ones with no American equivalent are likely to prove popular with American operators. The 12-seat de Havilland Dove has already been the subject of a separate successful negotiation with the Civil Aeronautics Board. Improvements were made in the engine performance to bring it up to American requirements, and the Civil Aeronautics Board was then prepared to accept the British board's assurance that the Dove met American standards. The new agreement would make such formalities unnecessary.

* * *

Producing Polystyrene in Britain

The first of two British plants for the production of the plastic polystyrene—that of Monsanto Chemicals Limited—comes into production in the middle of the month. A smaller plant built by Petrochemicals Limited is expected to start production later in the year. Sales of polystyrene have risen rapidly in the United States since 1945. It is said to have the best insulating properties of any thermo-plastic; it is unaffected by acids, alkalis and most other materials; it moulds accurately, keeps its dimensions, and is lighter than other similar plastics. In the United States, mouldings have been used to replace zinc die castings, aluminium, steel, glass, paper and laminates. Domestic appliance manufacturers take the largest tonnage, but considerable quantities go to the motor, aircraft, radio and electronics industries. It has the militarily useful property of giving a good performance at low temperatures.

Until this month, British supplies have depended on imports of polystyrene by Monsanto from its parent company, which is the largest producer in America. These imports were permitted only on the understanding that 90 per cent of the final products were re-exported. The regulation is now expected to lapse, but until there are British supplies of styrene (which is polymerised to produce the plastic) Monsanto will imports its styrene from the company's Texas plant. These plans were made before the expanded operations of the synthetic rubber plants created an American shortage of styrene, but the tonnage required is a negligible fraction of total American production and is, therefore, expected to be unaffected. The company considers the new British plant to be the finest of its kind in the world, and is unlikely to starve it of materials. The dependence on imported styrene is temporary, but its duration depends on events which are only partly within Monsanto's control. A styrene plant is being built at Grangemouth by Forth Chemicals Limited, a company formed in April by Monsanto and British Petroleum Chemicals Limited. This will provide the Newport polymerising plant with its raw material. Through its connection with British Petroleum Chemicals, which is jointly owned by Distillers and Anglo-Iranian, the styrene plant expects to get the ethylene and benzene needed as raw materials. Both will be produced by the Anglo-Iranian catalytic cracking plant which will be part of the Grangemouth refinery. The Petrochemicals plant will supply materials to those plants in its group which make polystyrene and the styrene co-polymers used in paint manufacture.

* * *

ROYAL BANK OF CANADA

DIVIDEND NO. 252

Notice is hereby given that a DIVIDEND of 2½ per cent., being at the rate of 10 per cent. per annum upon the paid-up Capital Stock of the Bank, has been declared for the three months ending August 31, 1950, and will be PAYABLE at the Bank and its branches on and after September 1, 1950, to shareholders of record July 31, 1950.

By Order of the Board, B. Strath, London Manager.

6, Lothbury, London, E.C.2. July 13, 1950.

DOMINION OF CANADA

FOUR PER CENT REGISTERED STOCK, 1953-58

For the purpose of preparing the Interest Warrants due September 1, 1950, the BALANCES will be STRUCK at the close of business on August 1, 1950, after which date the Stock will be transferred ex-dividend.—For the Bank of Montreal, Financial Agents of the Government of Canada in London, A. D. HARPER, Manager, 47 Threadneedle Street, E.C.2. July 1, 1950.

CITY OF JOHANNESBURG 3½% INSCRIBED STOCK 1952

NOTICE is hereby given in order to prepare the Warrants for interest due September 1st next, the BALANCES of the several accounts in the above-mentioned Stock will be struck on the night of August 1st, and that on and after August 2nd, the Stock will be transferable ex dividend.

For Barclays Bank (Dominion, Colonial and Overseas), (Registrar of the above Stock), H. V. Martin, Assistant Manager.

Circus Place, London Wall, E.C.2. July 11, 1950.

UNIVERSITY COLLEGE OF HULL

The College proposes to award a Post-Graduate Studentship in the Faculty of Arts for full-time research in Arts, Commerce, Economics or Law. The value of the award is £250 for one academic year, renewable for a second year. Further particulars may be obtained from the Registrar, to whom applications in triplicate should be sent not later than July 31, 1950.

C. MEGGITT, Registrar.

Exchange Account's Profit

The current Exchequer return duly records the issue to the Exchange Equalisation Account of the additional £300 million to which the Chancellor referred in his statement on gold reserves last week. Previous increases in the resources of the account were specifically authorised by statute, by the insertion of clauses in successive Finance Bills in the 'thirties. Under legislation passed at the outbreak of war, however, when the amount issued to the Account stood at £575 million, the Treasury was empowered to sanction further issues without limit and without seeking specific parliamentary approval. Not until last week was there any need to utilise these powers, so that the latest increase brings the total issues to the Account up to £875 million. The purpose of this increase is quite clear. It results from the substantial recovery in Britain's gold holding and from the steep increase in the cost of buying gold with depreciated sterling. After the resultant depletion of the Fund's sterling assets, it had little or no resources available for making any further purchases.

The operation has, however, caused some mystification—on the grounds that the sterling worth of the holding of gold and dollars at June 30th last, calculated at the current exchange rate, was £865 million—or only £10 million (not £69 million, as was inadvertently stated in these columns last week) below the new total of sterling issues to the Account. This does not mean, however, that virtually the whole of the additional £300 million of sterling was already bespoken. Roughly 55 per cent of the present gold holding was acquired at dates prior to devaluation, and since Britain "scraped the barrel" in the early years of the war, it can reasonably be presumed that the whole of this proportion was bought when sterling stood at $4 to the £. If the remaining 45 per cent is priced at the current rate of $2.80, the aggregate cost of the total holding would be about £720 million.

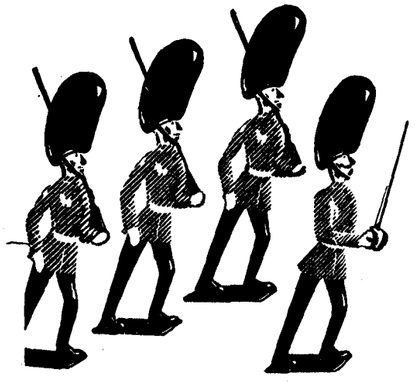
Even this calculation, however, does not quite dispose of the mystery, because it indicates that at June 30th the sterling cost of the holding was already roughly £145 million in excess of the total sterling resources that had then been issued to the Account. It is just conceivable—though rather improbable—that the authorities had been anticipating the issue of additional sterling, and had found some internal accounting device for providing the funds in the meantime. A much more probable explanation, however, is that the whole of the difference between the former borrowing powers and the actual cost of the gold represents additional sterling resources accruing to the Account, not through issues from the Exchequer, but from dealing profits on gold and exchange in earlier periods. In particular, the depreciation of sterling in 1939 meant that the Account secured considerable profits when its gold holdings were resold in the early phase of the war. This explanation seems to be confirmed by the fact that this week's increase in the total of outstanding Treasury bills occurred almost wholly in the internal portion of "tap" bills, indicating that the Exchange Account had not already encroached upon the additional £300 million for gold purchases—and perhaps even had some residue of its earlier resources still in hand.

* * *

Agreement on West Indian Sugar

At long last, agreement has been reached between Britain and the West Indian sugar producers on the terms of a five-year contract for the period opening in 1953. The negotiations started in November. In January Britain offered to buy 640,000 tons of sugar a year (out of total exports from

'Lead' exclaimed my Uncle Toby, 'Lead, Tristram, is the general metal in which they fashion the soldiery—and the officers also. Where, pray, would your fortifications be, or the cannon-balls, or the Barricados were it not for Lead?—'tis a prodigious metal' (here my Uncle blew his nose) . . . Tristram Shandy, Chapter 96



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the West Indies of 900,000 tons) at prices "which would assure reasonable remuneration to efficient producers." This offer formed part of a general agreement with Commonwealth producers, and the West Indian delegation alone raised objection, demanding that Britain should contract to buy 725,000 tons a year instead of 640,000 tons.

The negotiations were based on the assumption that Britain's unrestricted requirements for sugar would be 2,550,000 tons a year, and this total was divided among the various suppliers. To increase the West Indian share of the British market would have meant a corresponding reduction in supplies from other sources. Other Commonwealth producers were not willing to have their "allocations" reduced, and the proposed "quotas" allotted to Cuba and the Dominican Republic had already been cut to a minimum.

The new compromise has taken the form of an undertaking by Britain to make a special examination of the position in 1953, the first year of the new contract. If British consumption proves to be higher than the basic estimate, the guaranteed quantities will be increased in proportion. To quote from the joint statement: "For example, if consumption proved to be 5 per cent above the estimate, the offer would be to increase the guaranteed quantities by at least 5 per cent." The intention of the British Government is that, once sugar rationing ends, a period of six months should be allowed for sugar consumption to settle down, after which a review of the guaranteed quantities from Commonwealth producers would be undertaken.

This solution to a somewhat bitter controversy seems reasonable enough. The West Indies put in a strong plea for special treatment because of their peculiar social problems. But the Ministry of Food had to consider other producers within the Commonwealth and outside, particularly in view of the possibility of a new international sugar agreement. At the meeting of the International Sugar Council a fortnight ago, supplies of sugar for the "free market" for the crop year ending August 31, 1950, were estimated at 5,090,000 tons, against estimated requirements of 4,600,000 tons. There was little prospect of this surplus being reduced. The council thereupon adopted the special committee's report which suggested that a marketing scheme for sugar should be prepared to stabilise prices between agreed upper and lower limits—following, presumably, the pattern of the 1937 agreement. The report has now gone to the governments of member countries for consideration.

* * *

Soap *Versus* Soapless Detergents

The Ministry of Food hinted some time ago that soap might be derationed. The date has now been announced—September 10th. The Ministry will retain control over the supplies of oils and fats, and the maximum price schedules will continue. In these circumstances it seems that de-rationing is a strictly limited measure. Coupons will be abolished. But trading freedom for soap manufacturers will not be achieved until they can procure their own supplies of raw materials at or below prices ruling in the world market.

The Minister of Food in his annoucement this week, said nothing about the allocation of supplies of oils and fats to different manufacturers. Will they be able to bid against one another for particular vegetable oils which are not plentiful? Or will raw materials continue to be allocated in proportions related to a datum year? The latter method seems to be the most likely, but to the extent that it assures to inefficient producers a certain output it may prevent the consumer from getting all that he wants of the brands that he prefers.

Derationing of soap will test the contention that soapless detergents have made headway in recent years largely because soap has been rationed. Since the soap ration has not been fully taken up for some months past, the distribution of demand between soap and soapless detergents may not be materially altered after September 10th. The quality of soap has improved noticeably in recent months and if manufacturers are able to obtain the materials they require this improvement—an important element in the competitive strength of soap—will no doubt continue. Soapless detergents are dearer than soap but they have advantages in hard water areas and in certain industrial uses. They are, however, limited in quality and output in Britain by a shortage of certain raw materials, and until these limitations are overcome it may prove necessary to reduce the selling prices of soapless detergents in order to hold their present market.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Record and Statistics* Supplement. Notes on the following company reports appear in the Supplement: British Electric Traction; John Brown and Company; Richard Thomas and Baldwins; E. K. Cole.

Prices, Year 1950 Jan. 1 to July 12 High	Prices, Year 1950 Jan. 1 to July 12 Low	Name of Security	Price, July 5, 1950	Price, July 12, 1950	Net Yield, July 12, 1950 (n)	Gross Yield, July 12, 1950
		British Funds			£ s. d.	£ s. d.
101¾	100⅛	War Bonds 2½% Aug. 1, 1949-51	100⅛	100⅛	0 14 2	1 15 6
100⅛	98⅜	War Bonds 2½% Assented	99xd	99⅛xd	1 9 2	2 11 7
102	101⅛	War Bonds 2½% Mar. 1, 1951-53	101⅜	101⅛	0 14 2	1 19 8
102⅛	100⅛	War Bonds 2½% Mar. 1, 1952-54	102	101⅛	0 14 4	1 18 10
101⅛	100	Exch. Stk. 2½% Feb. 15, 1955..	101	101	1 0 8	2 0 5
103½	100⅛	War Bonds 2½% Aug. 15, 1954-56	102⅜	101⅛xd	1 1 9	2 3 8
102⅛	101½	Funding 2½% June 15, 1952-57.	102	101⅞	1 4 11	2 9 9
104⅛	102	Nat. Def. 3% July 15, 1954-58.	103xd	102½xd	1 5 5	2 11 11
104⅛	101⅛	War Loan 3% Oct. 15, 1955-59.	103½	103½	1 5 11	2 13 3
101⅛	96⅛	Sav. Bonds 3% Aug. 15, 1955-65	100⅛	99⅛xd	1 13 3	3 0 1
100½	97⅛	Funding 2½% April 15, 1956-61.	99⅛	99⅛	1 8 11	2 12 1
99⅛	98½	Funding 2½% April 15, 1956-61 'A'	99⅛	99⅛	1 9 0	2 11 10
99⅛	95	Funding 3% April 15, 1959-69..	97⅛	97⅛	1 16 6	3 4 5
105⅛	104⅛	Funding 4% May 1, 1960-90..	106⅛	107⅛	1 9 2	3 4 8
98⅜	94½	Sav. Bonds 3% Sept. 1, 1960-70	97⅛	97½	1 17 0	3 5 5
95½	91⅛	Sav. Bonds 2½% May 1, 1964-67	93⅛	93⅞	1 16 5	3 0 1
110⅛	106⅜	Vict. Bonds 4% Sept. 1, 1920-76	109⅛	109⅜	1 11 4	3 6 5
96⅛	91⅜	Sav. Bonds 3% Aug. 15, 1965-75	94⅛	93⅞xd	1 19 3	3 7 2
105½	100	Consols 4% (after Feb. 1, 1957).	102½xd	102½xd	2 2 10	3 17 10
96½	91⅛	Conv. 3½% (after Apr. 1, 1961).	94⅛	94⅜	2 1 0	3 14 11
71	66⅜	Treas.Stk.2½%(after Apr.1,1975)	69	69⅜	1 19 10	3 12 10
84⅛	79⅜	Treas.Stk.3%(after Apr.5,1966).	82⅛	82⅛	2 0 3	3 13 5
100⅛	99	Treas. Stk. 3½% June 15, 1977-80	99⅛	100	1 18 8	3 10 4
97	86⅞	Redemp. Stk. 3% Oct. 1, 1986-96	88⅜	89	2 0 8	3 10 5
94⅜	90	War Loan 3½% (after Dec. 1, 1952)	92⅜	93⅛	2 1 6	3 15 11
71⅜	68½	Consols 2½%	69⅛	69⅜	1 19 6	3 11 11
96⅜	92½	Brit. El. 3% Gd. Apr. 1, 1968-73	94⅞	95⅛	1 18 8	3 7 1
95⅜	91⅛	Brit. El. 3% Gd. Mar. 15, 1974-77	93⅛	93⅞	1 19 5	3 8 2
100⅜	99	Brit.El.3½% Gd.Nov.15, 1976-79	99½	99⅜	1 18 11	3 10 7
91	86⅜	Brit. Tpt. 3% Gd. July 1, 1978-88	88⅜	89⅜	2 1 2	3 10 3
96⅛	92½	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	94½	95⅜	1 18 10	3 7 3
90⅛	85⅞	Brit. Gas Gd. 3% May 1, 1990-95	88⅛	88⅜	2 0 11	3 10 7

Prices, Year 1950 Jan. 1 to July 12 High	Prices, Year 1950 Jan. 1 to July 12 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, July 5, 1950	Price, July 12, 1950	Yield, July 12, 1950
					Other Securities			£ s. d.
100⅜	95⅛	% (d)		% (d)	Australia 3½% 1965-69.....	96⅛xd	97⅛xd	3 8 6
101⅛	99⅜	(d)		(d)	Birmingham 2½% 1955-57..	100⅛	100⅛	2 13 6
8⅛	6⅜	50	c	60 c	Anglo-American Corp.. 10/-	6⅛	6⅜	4 10 6
7⅜	6⅜	5	a	25 b	Anglo-Iranian Oil, £1.....	6⅜	6⅜	4 15 0
77/6	67/9	5	a	10 b	Assoc. Electrical, Ord. £1..	76/6	76/6	3 18 5
87/-	71/6	7½	a	15 b	Assoc. Port Cem., Ord. Stk. £1	85/-	86/-	5 4 7
40/-	32/6	40	c	40 c	Austin Motor, Ord. Stk. 5/-..	22/9	24/-	5 11 0m
70/7½	66/-	7	b	7 a	Barclays Bank, Ord. 'B' £1..	69/-	69/6	4 0 7
145/-	129/-	†19	b	†5 a	Bass Ratcliff, Ord. £1.....	137/6	136/10½	3 10 0†
98/-	87/4½	8	a	12 b	British Oxygen, Ord. £1.....	96/6	96/6	4 2 11
39/3	32/1½	2½	a	5 b	Courtaulds, Ord. £1.....	35/6	37/6	4 0 0
18/9½	16/6	20	b	5 a	Distillers Co., Ord. 4/.....	17/9	18/3	4 0 3½
33/9½	28/9	8	c	8 c	Dorman Long, Ord. £1.....	29/4½	29/7½	5 8 0
63/6	59/-	15	c	15 c	Dunlop Rubber, Ord. £1.....	60/3	60/-	5 0 0
44/3	39/6	3	a	7 b	Imp. Chem. Ind., Ord. Stk. £1	40/7½	40/7½	4 18 6
109/4½	96/-	13½	a	18½ b	Imperial Tobacco, £1.....	101/3	101/3	6 6 3
37/3	29/7½	10	c	5 a	Lancs. Cotton, Ord. Stk. £1.	35/9	36/6	5 9 7
44/6	38/4½	10	c	10 c	Lever & Unilever, Ord. £1..	40/7½xd	40/-xd	5 0 0
63/-	57/3	15	s	15 s	London Brick, Ord. Stk. £1.	60/-	60/-	5 0 0
82/9	69/6	15	a	45 b	Marks & Spencer ("A").. 5/-	79/-	78/9	3 16 2
43/9	33/3	7¼	a	17½ b	P'chin J'nson, Ord. Stk. 10/-	40/6	41/6	6 0 6
48/9	41/-	8	a	4 b	P. & O., Def. Stk. £1.....	47/-	47/-	5 2 2
33⅛	27⅛	†77½	c	†77½ c	Prudential, 'A' £1.....	32	32	2 8 0†
56/3	50/-	12½	c	12½ c	Stewarts & Lloyds, Def. £1.	54/6	55/-	4 10 11
70/2½	60/6	†2½	a	†5 b	"Shell" Transpt., Ord. Stk. £1	63/9	63/9	2 7 0†
6⅛	5⅛	12½	b	12½ a	Tube Invst., Ord. Stk. £1..	6	6	4 3 4
85/3	73/3	3	a	11½ b	Turner & Newall, Ord. Stk. £1	81/6	82/-	3 13 2
35/6	27/-	8	c	8 c	Union Castle Ord. Stk. £1..	32/-	32/-	5 0 0
48/4½	41/9	27½	b	15 a	Woolworth (F. W.) Ord. 5/-	46/9xd	46/9xd	3 14 10m

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'.
(n) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield.
* Assumed average life 14 years, 3 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (k) Assumed dividend 18½% after capital bonus. (l) To latest redemption date. † Free of tax.
(m) Yield basis 35%. (n) Yield basis 26⅔% after capital bonus.

COMPANY MEETINGS

WIGGINS, TEAPE & CO. (1919)

DIFFICULT TRADING CONDITIONS

DEMAND NOW IMPROVING

MR L. W. FARROW'S STATEMENT

The thirty-first annual general meeting of Wiggins, Teape and Company (1919), Limited, was held on July 6th at Winchester House, Old Broad Street, London, E.C., Mr L. W. Farrow, C.B.E. (chairman of the company), presiding.

The secretary (Mr W. Barnes) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended December 31, 1949, and was taken as read:—

Trading conditions during the year 1949 proved to be the most difficult since the beginning of the late war. These unsatisfactory conditions applied to the higher-grade papers throughout the industry and there were a number of factors which caused them. I referred to some of them in my statement submitted to the last annual general meeting. The more important were:—

(*a*) The licensing system which controlled the distribution of paper was, with few exceptions, discontinued;

(*b*) The price of the principal raw material used by the paper trade, namely, wood pulp, continued to fall throughout the year; and

(*c*) Three successive reductions were made in the maximum prices of paper controlled by the Board of Trade.

PAPER STOCKS

Prior to the cessation of licensing, stocks of paper had been built up by consumers and merchants, and with the cessation of licensing and the price reductions stockists naturally took the opportunity of working down their stocks. This process resulted, of course, in a much reduced demand for fresh supplies of paper. Your Board, however, kept your company's mills running full time until the month of July, when, owing to an accumulation of stocks, certain of the mills had to be put on short time. In addition, the St. Neots, Basted and Annandale mills were closed. The St. Neots mill had been closed formerly in the year 1931, but was reopened in the year 1940 when we were compelled to close our Dover mill owing to the bombardment of that town. The Annandale mill was scheduled to be closed just before the outbreak of war, but with the much increased demand for paper during the war period the decision to close the mill was postponed. During the last two years the Basted mill was largely engaged in the manufacture of abnormal orders for speciality papers for foreign countries, and with no fresh orders forthcoming it was decided also to close that mill. The two latter mills are the smallest in the group.

I referred last year to the difficulties in the export markets due to import restrictions. During the year 1949 these import restrictions were intensified and several of our traditional and important markets were entirely closed to us, although we held very large orders from our customers in those markets.

Our merchanting business, both at home and abroad, also suffered from the unsatisfactory trade conditions to which I have referred.

Towards the end of the year, with stocks reduced, conditions became more satisfactory and by the end of the year all our mills, with the exception of those that had been closed, were running full time.

DEMAND FOR SPECIALISED PAPERS

The demand for our specialised papers such as photographic base, greaseproof paper, machine accounting card, etc., was not, I am glad to say, affected by the conditions referred to above, but the Board of Trade controlled maximum prices for these papers at an unremunerative level.

In my last statement, I referred to the refusal by the Board of Trade to take into account, when fixing maximum prices, the increase in wages negotiated with the unions in the year 1948. I regret to say that the Board of Trade have not yet been persuaded to reverse their decision.

Owing to an increase in the production of our lower-grade papers, the output of our mills in 1949, notwithstanding the reduction in the production of high-grade papers, showed an increase of 2 per cent. on the peak year of 1948, but the sales of our own productions were lower by 1 per cent. In addition, there was a substantial reduction in the turnover of our merchanted papers.

I usually refer to our subsidiary, Pirie Appleton and Company, Limited, and was able to report last year a record turnover. The envelope and manufactured stationery trade during 1949 throughout the country unfortunately followed the same trend as that which was experienced generally in the paper trade, and the turnover of our subsidiary company showed a substantial reduction compared with the two previous record years. Production commenced at the two new Pirie Appleton factories in the Union of South Africa towards the end of last year, and your Board consider that these units will, in due course, prove of value to Pirie Appleton and Company, Limited. I am glad to report that the principal subsidiary company of that company—namely, A. Armstrong and Company, Limited, of Dublin—had a successful year's trading.

PROGRESS OF NEW PROJECTS

I will now deal with the progress of the three new projects:—

(1) The alterations to the buildings at our Chartham mill and the installation of new plant and machinery specially designed for making natural tracing paper, were completed during the year and the machine was started up in the month of September. Manufacture of natural tracing paper is entirely new to our group and, in fact, to this country. While obtaining experience of and making adjustments to the machine, lower-grade papers had to be manufactured. In order to supply our customers' needs following the dismantling of the old machine, the tracing paper we had been supplying for some years had to be manufactured at other of our mills. All this proved a costly matter, with the result that a loss of £67,032 was incurred. The loss, being of an exceptional nature, has been provided for by a transfer from contingencies reserve. I am glad to say that we have largely overcome the initial difficulties and the product now being made at Chartham mill is being sold not only in this country, but in the world markets.

(2) The new mill at Wooburn Green for the manufacture of photographic base paper was completed early this year and is now engaged in producing photographic base paper fully up to standard.

(3) The new mill in South Wales for the manufacture of tissue paper is nearing completion and your Board hope that manufacture will commence on the first of the three machines in July, followed by the other two machines in August and September, respectively. The output from the mill has been sold for several months ahead in anticipation of production.

REPAIRS AND RENEWALS

During the year 1949, we continued to carry out certain repairs and renewals to our mills and other properties which had, of necessity, been postponed during the war period. The total cost of repairs and renewals for 1949 amounted to the substantial figure of £618,457. During the war period, we built up reserves to meet these deferred repairs and those executed during 1949 have been charged against that reserve. You will remember that in the years 1946, 1947 and 1948 the deferred repairs executed were charged against the revenue account. No final agreement has been reached with the Inland Revenue with regard to the allowance to be made against excess profits in respect of the expenditure to which I have referred, and as deferred repairs are still being executed it will be some time before a final settlement can be made. It is interesting to record that during the years 1946 to 1949, inclusive, the sum of £2,104,584 has been spent on repairs and renewals, being an average of £526,146 per annum, compared with £140,753 average expenditure during the immediate prewar years.

During the year 1949, your Board decided that it was in the interests of the group to manufacture high-grade papers in the Union of South Africa. Negotiations were concluded with South African Pulp and Paper Industries, Limited, for an interest in that company so that arrangements could be made for the manufacture at their mill of your group's papers for the South African market. Your company subscribed for 320,000 shares of 10s. each at the price of 25s. per share. On the other hand, South African Pulp and Paper Industries, Limited, undertook to acquire one of your group's paper machines. The machine has been dismantled and is being rebuilt, reconditioned and extended in the engineering shops at our Stoneywood mill. We anticipate that it will be re-erected at Johannesburg by the beginning of 1951. The machine will be capable of producing most of the papers which have been made by the group and hitherto exported to the Union of South Africa. It is satisfactory to note that the shares in South African Pulp and Paper Industries, Limited, now stand on the Johannesburg Stock Exchange at the price of 46s. per share.

MILL FOR AUSTRALIA

During the past year, we have been investigating the possibility of establishing a mill in Australia. A site has been acquired and consideration is being given to the designs of buildings and machinery.

As from April 1, 1950, the paper mills in this country, for the first time since the beginning of the late war, have been free to purchase their requirements of chemical wood pulp, although the consumption of wood pulp is still controlled. The maximum prices fixed by the Board of Trade have been freed from control for a limited number of types of paper.

THE ACCOUNTS

With regard to the accounts, changes in the capital structure have occurred during the year by the issue of the balance of the debentures and the capitalisation of reserves which are referred to in the directors' report. Reference is also made therein to certain withdrawals from reserves created in past years to meet contingencies and changes in paper prices and stock values. I would also mention that the discount on the issued debentures and the expenses in connection with the bonus share issue and debenture issue have been charged to the contingencies reserve. In past years, in calculating the provisions for income tax on the profits of the year, credit was taken for the income tax recoverable in respect of debenture interest payable in the year of assessment. Your directors have now eliminated this credit by making a further provision of £16,504 out of the contingencies reserve.

The particulars of fixed assets, etc., and details of capital and revenue reserves, are set out in schedules 1 and 2, respectively.

TRADING PROFIT AND ALLOCATIONS

The consolidated trading profits of the group for 1949, before deducting the expenses enumerated, show a decrease of £831,642. After allowing for repairs and renewals (other than deferred repairs), pensions, interest on loans, amounts set aside for obsolescence and renewals and increases in specific reserves, the profits before taxation amounted to £323,079, compared with £1,019,668. Adding thereto investment income and withdrawals from specific revenue reserves (referred to in the directors' report), and deducting taxation, dividends of subsidiaries applicable to outside shareholders and profits retained in subsidiary companies, etc., the profit of Wiggins, Teape and Company (1919), Limited, amounts to £300,886, compared with £408,568.

It will be seen that your directors are recommending a final dividend of 2¾ per cent, free of tax, making, with the interim dividend, a total of 3¾ per cent., free of tax, on the ordinary stock for the year 1949, which, taking into account the bonus issue of shares, is at the same rate as was paid for the year 1948. After transferring to contingencies reserve the sum of £35,000, the carry-forward is higher at £62,196 by £1,342.

TURNOVER AND COST ITEMS

I give below a table showing the relationship of the various items of cost, reserves and dividend to £1 of turnover for 1949:—

	£	s.	d.
1. Raw materials, purchases and stores		13	4
2. Wages, salaries, pensions and social services		3	10
3. Fuel and electric power		1	0
4. Rent, rates and expenses			7¼
5. Carriage			4¼
		19	2
6. Direct taxation			4
7. Amounts set aside for obsolescence and renewals and reserves	d. 3¾		
Less: Withdrawals from reserves	3¼		
			½
8. Net payments to debenture and stock holders			5½
		1	0

The cost of the new mills and extensions has turned out to be a good deal in excess of estimates, in addition to which our interest in the South African Pulp and Paper Industries, Limited, has necessitated the provision of £400,000. The group at December 31, 1949, still had commitments of £1,075,000 in respect of new mills, extensions and foreign properties. Provision has also had to be made for the financing of stocks of wood pulp and esparto grass, which since 1939 had been provided entirely by the Government. Arrangements have been made in the current year as a temporary measure to meet these financial requirements by loans from our bankers and the establishment of acceptance credits.

CURRENT YEAR'S PROSPECTS

With regard to the prospects for the current year, I am glad to say that the improvement in the paper trade, which began towards the end of last year, has since been fully maintained. Not only have all the operating mills in the group been working full time, and, in some cases overtime, but our order books are so full as to cause us some embarrassment. In addition, the demand from the export markets has considerably improved, and in some of the countries where licences to import were unobtainable, they are now being granted. The position at the new mill at Chartham has improved, the new Wooburn Green mill is in full operation and the new mill in South Wales will be in operation during the latter part of the year. Should the present satisfactory trade conditions continue, the profits for the current year should be fully up to those the group was earning prior to the year 1949. The maximum prices of controlled paper have been increased by the Board of Trade and the prices of "free" paper have also been advanced, owing to the increases in the cost of production due to the rise in the price of raw materials, including wood pulp and esparto, following the effects of devaluation.

It is my pleasant duty once again to thank our employees, both at home and abroad, for their loyal work and co-operation during the past year.

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

The retiring director, Mr J. R. Illingworth, was re-elected; and the remuneration of the auditors, Messrs Price, Waterhouse and Company, and Messrs Wade, Harrison and Company, having been fixed, the proceedings terminated.

RUBBER PLANTATIONS INVESTMENT TRUST, LIMITED

IMPROVING OUTLOOK

The annual general meeting of this company will be held in London on July 27.

The following is an extract from the statement by the chairman, Mr H. J. Welch, circulated with the report and accounts.

Our gross income of the past year was £102,076, equal to earnings of 4.1 per cent on the issued capital. After deduction of administrative expenses and taxation the net income amounted to £52,688 compared with £56,651 in the preceding year. The directors propose maintaining the dividend at 5 per cent. for 1949, carrying forward £119,008 into the current year and leaving the dividend equalisation reserve of £50,000 intact.

At the end of the year the surplus of current assets over liabilities and provisions, including the proposed dividend, was £23,699; addition of investments at cost £3,114,693, gives an assets total of £3,138,392, covering issued stock of £2,469,384 and the reserves and surplus of £669,008.

As to the prospects for the current year, a welcome return of several rubber-producing companies to the dividend-paying list has been made in recent months, and prices recently and now ruling for rubber and tea point to a welcome further expansion. The full benefit of the recent rise in prices will not be realised by the Trust during 1950, but so far gross dividends received by the Trust for its holdings in tea and rubber companies amount to over 50 per cent above those received for the same period in 1949. It therefore at present appears that the results for this year will be more satisfactory than those of 1949.

AMALGAMATED METAL CORPORATION LIMITED

MR WALTER GARDNER'S STATEMENT

The twenty-first annual general meeting of Amalgamated Metal Corporation Limited will be held at Princes House, 93, Gresham Street, E.C., on August 9th.

The following is an extract from the statement by the chairman:

The profit for the year before taxation has increased from £456,336 to £698,857, but, as United Kingdom taxation has increased from £243,440 to £403,438, the net profit is only increased from £212,896 to £295,419. After paying the increased dividend the balance of undistributed profit for the year is £111,877, compared with £41,766 for 1948.

After a break of nearly eight years the London Metal Exchange was re-opened on November 15, 1949, for dealing in tin. We welcome even this limited return to a free market.

Our organisation is widespread. Through the British Metal Corporation and Henry Gardner and Company it is represented in Australia (Sydney and Perth), in Canada by the British Metal Corporation (Canada) Limited, and Drew Brown Limited (Montreal and Toronto), in South Africa (Johannesburg), India (Calcutta and Bombay), in Malaya by Sandilands, Buttery and Company Limited (Singapore, Penang, Kuala Lumpur), and in Cyprus. The group trades in and markets non-ferrous metals and minerals, rubber and many kinds of produce, timber and other materials. It provides coal-washing plant, ventilation plant and other specialist engineering and metallurgical equipment. It is engaged in a general import and export business and furnishes allied shipping, insurance, secretarial, financial, technical and statistical services. The various branches and associates show satisfactory progress though, naturally, for the most part, it is gradual.

The rubber business of Henry Gardner and Company has continued to be active and satisfactory during the past year.

NEW ACQUISITIONS

During the year the British Metal Corporation acquired the entire share capital of Brandhurst Company Limited, whose main business consists of agencies for the sale of cobalt, radium and chemicals.

Our associated company in Australia, the British Metal Corporation (Australia) Proprietary, Limited, has also expanded its business in the following directions. It has purchased the entire share capital of a company in Sydney named Goodall and Company, whose business consists, amongst other things, of the distribution in Australia of timber-working machinery and machine tools. This distribution covers both goods fabricated in Australia itself and also imported goods. We hope that, through this investment, we may be able to take part, through the distribution of capital goods, in the increasing industrialisation of Australia. Our Australian associated company has also acquired the business of G. N. Thorp and Company, who are engaged in a general import and export business.

Finally, our friends, Consolidated Tin Smelters, and the British Metal Corporation (Australia), have recently purchased outright the business of Sydney Smelting Company, one of the two tin smelters in Australia.

During the year Government control of hardwoods ceased, except in the case of a few special types. This development has increased the turnover of our two timber companies, Forest Hardwoods Limited and Richard H. Keeping Limited.

I am glad to report that the large Huntington Heberlein plant installed for the Consolidated Mining and Smelting Company of Canada by the Sink and Float Corporation of New York came into operation in May, 1949, and is successfully treating up to 10,000 tons daily.

LAPORTE CHEMICALS LIMITED

WIDER RANGE OF MANUFACTURING INTEREST

LARGER SALES TURNOVER BUT PROFIT MARGIN LOWER

MR L. P. O'BRIEN'S REVIEW OF GROUP'S ACTIVITIES

The forty-third annual general meeting of Laporte Chemicals Limited was held on July 10th at Luton.

Mr L. P. O'Brien, the chairman, presided, and in the course of his speech, said:—

The consolidated profit, at £533,644, is up by £38,011, as compared with 12 months ago, but this year we bring in for the first time £39,459 from Hunt Brothers (Castleford) Limited, representing nine months' profits to March 31, 1950. Hunt's accounts cover a 15-month period from January 1, 1949, but as the actual date of acquisition was July 5, 1949, an amount representing six months' pre-acquisition profit has been treated as a capital item and credited to goodwill in the consolidated balance sheet.

Without this addition to our group figures, our profit on a comparable basis with last year would show a decrease of £1,448, which is not unsatisfactory in view of the changes in world trade conditions which have been experienced.

You have heard so much from others about the disappearance of the sellers' market in favour of the buyers' market that I need only confirm that the easy selling days for chemicals are finished in the export markets, and as good as over in the home market. We maintained belief during the past 11 years that one day sterner competitive conditions would prevail and, as we shaped our policy accordingly, we face the future with confidence that our employees will continue to be gainfully employed in producing essential products which are well-nigh indispensable to modern standards of living, backed as they are by good processes and modernised plants.

During recent years we have increased our research staff to cope with the wider programme of investigatory work undertaken by the company. This policy already has been amply justified by the results, and now, as the laboratories built in 1936 are quite inadequate to house the increased number of scientific research workers employed and to be employed over the next few years, we are engaged in building at Luton, at an estimated cost of £50,000, additional laboratory accommodation, also a new experimental plant house where we shall develop new processes and methods before embarking on large-scale production.

Twelve months ago we retained undistributed profits in the group of £115,992. In spite of this reinvestment and those of previous years, we have just held our previous profit level, but not our former profit margin on the increased sales turnover, nor our former rate of profit on the increased total capital invested.

SATISFACTORY TRADING OF HOME COMPANIES

With minor exceptions the home companies showed satisfactory trading profits, and we were particularly gratified that our new subsidiary—Hunt Brothers (Castleford) Limited—came well up to expectations. John Nicholson and Sons Limited, as usual since they joined us, kept well abreast with other companies in the group.

National Titanium Pigments Limited was able to increase output and sales of titanium oxide and titanium pigments; consequently, this subsidiary made a satisfactory profit without increasing selling prices last year. N.T.P. is not likely to expand the present rate of production from the existing plant at Luton, but as the home and overseas demand for this product is increasing and we believe that we can obtain a justifiable share of the future estimated market, N.T.P. is now engaged in building a new, bigger and better designed plant to be known as Battery Works, Stallingborough, North Lincolnshire, which will cost about £1,500,000 over the next few years.

The new N.T.P. site of about 60 acres is on the south bank of the River Humber, between Immingham and Grimsby. We plan to build a jetty at which essential imports of raw materials from overseas can be received in barges loaded ex ships from adjacent ports; also, water-borne coal from Yorkshire coalfields. Rail facilities exist within a short distance of the site, from which an extension can be made into the works. We are advised there is a good labour market to be drawn on from Grimsby, which needs other than the traditional outlet for the knowledge and skill of its menfolk.

The world production of titanium oxide has steadily increased over the last 25 years. The product continues to find uses in new fields of application and N.T.P. feels confident in opening out in a bigger way and of ability to keep abreast in the forward march, both scientifically and economically.

The results of our Australian subsidiary company were adversely affected by the disastrous general strike which occurred in Australia in June, 1949. The current financial year of this subsidiary commenced on July 1, 1949, and as resumption of work did not occur until some weeks after that date, their results will again be affected by short production. Meanwhile, that company has increased and improved its plant and processes.

SELLING PRICES AND PRODUCTION COSTS

Much of the business of the parent company is concerned with the manufacture and sale of hydrogen peroxide, and you may be interested to learn that we have not increased the selling price of this product for over two and a-half years. In the meantime, raw material, electric power, fuel prices, wages, holiday costs, salaries, packages, freight costs, and expenses have increased substantially over that period, but by applying the greater knowledge gained from our researches and investing in improved plant, and on the basis of making and selling more hydrogen peroxide from the Luton plant than ever before, we have held our costs down in spite of the higher amortisation charges we must make on the more costly replacement plant which we have installed, thereby achieving a good trading result without the need to ask our customers to pay higher prices.

New hydrogen peroxide plant purchased by additional capital subscribed two years ago is now coming into successful operation, and the sale of the output will provide a further support to our policy of keeping prices of our hydrogen peroxide and peroxygen compounds down as low as possible.

Unfortunately, we could not repeat that performance so far as prices of some other of our products were concerned—notably, the barium compounds, sulphuric acid, sodium sulphide, and detergents—but we have pursued a moderate price policy.

The buildings, plant, and equipment of the companies in the group have been maintained in a good state of repair, and, in addition, £95,925 has been set aside to meet depreciation of fixed assets.

The report and accounts were adopted, dividends were approved, and the retiring directors were re-elected.

RICHARD THOMAS & BALDWINS LIMITED

ANOTHER GOOD YEAR

The annual general meeting of Richard Thomas & Baldwins Limited will be held on August 3rd in London.

The following is an extract from the circulated statement of the chairman and joint managing director, Mr E. H. Lever:—

The company has had another good year both in respect of output and of trading. The balance of the trading accounts of the group at £6,514,211 shows an increase of £183,000. Extraneous and non-recurring profits were lower by £108,000 but on the other hand larger profits were made on realisation of stocks, following price increases, the improvement in results from this cause being £400,000 against £185,000 in the previous year.

Once again our group bears a heavy charge for United Kingdom taxation, the figure this year being as high as £3,289,000. At a time when so much money is required for modernisation and development this drain on our cash resources is a serious matter.

Although a Government Committee has been set up to report on taxation, its recommendations can, at best, only affect the incidence of this burden and I feel that we can expect little real relief until Government expenditure is drastically reduced. The Profits Tax is a heavy impost and that it should be levied on undistributed profits in these times, as well as on distributed profits, seems inequitable.

The dividend recommended, with the interim dividend already paid, makes 15 per cent. for the year, less income tax. This is the same rate as for the three previous years and is the maximum payable under the provisions of the Iron and Steel Act. It may interest you to know that the 15 per cent. dividend expressed as a percentage of equity capital employed in the Parent Company is 7.75 per cent.

IMPROVEMENT AND MAINTENANCE

We have proceeded steadily with our schemes of modernisation and reorganisation and repairs and maintenance deferred during the war years are being gradually overtaken. During the year our expenditure on Capital Account amounted to approximately £1,750,000.

The effect of the general rise in transport charges which operated as from May 15, 1950, will be to increase the manufacturing cost of finished steel by 10s. a ton. So far as the Steel Industry is concerned it has been decided not to pass on this additional cost to customers by way of an increase in prices.

It is now over three and a half years since our collieries vested in the National Coal Board. Judging by the leisurely pace at which matters are proceeding, it threatens to be several more years before the individual collieries receive the compensation due to them. I am glad to tell you, however, that we are taking active steps to bring about a more rapid settlement.

The Iron and Steel Bill became an Act in November, 1949. The vesting sections of the Act come into operation at the earliest on January 1, 1951, and at the latest on December 31, 1951, unless the Government recognise at this late hour the folly of taking over an industry which is serving the country efficiently and well. In the interests of our workpeople, our customers and stockholders and the country generally, it is my hope that the vesting sections of the Act will never become operative.

I am confident, that, left free from state interference, the iron and steel industry in general, and your company in particular, will continue to prosper.

SPEAR & JACKSON, LIMITED

INCREASED TURNOVER

MR A. K. WILSON'S STATEMENT

The forty-fifth annual general meeting of Spear & Jackson, Limited, was held on July 7th at the staff dining-room, Aetna Works, Savile Street East, Sheffield, Mr D. J. Haggie, the deputy-chairman and managing director, presiding in the absence of the chairman and managing director, Mr A. K. Wilson.

The following is an extract from Mr A. K. Wilson's circulated statement:—

REVIEW OF THE PAST YEAR'S WORKING

The year 1949 has been a memorable one in that, in spite of a falling off in the lumber trade and a consequent fall in the turnover of our Canadian and American subsidiaries, the turnover of the Group as a whole has again exceeded £1,000,000. In spite of difficulties encountered, the turnover of the parent company shows an increase of £100,000 over that of 1948. Research is constantly going on and improvements in methods of production and in the company's products are being sought. By close co-operation with our agents all over the world our products have been kept prominently before our customers overseas, and in spite of difficulties arising from import restrictions, quotas and the like, a large export trade has been maintained. The demand of the home market for our goods has continued as great as ever.

In the latter part of the year, the devaluation of the pound brought substantial orders and very many inquiries from overseas buyers. Whilst every effort is made to absorb new business, the needs and requirements of our old and valued customers are not neglected. Conversely, devaluation has materially affected the costs of production of certain of our products.

THE PROFIT AND LOSS ACCOUNT

Available profits total £126,965, compared with £81,055 for 1948. The appropriation to general reserve, £15,000, is the same as last year, and the sum of £10,000, as against £25,000, is placed to the special reserve against increase in cost of replacement of fixed assets. In addition to the foregoing, appropriations have been made to the following reserves for specific purposes:—

(i) Deferred taxation reserve—benefit from initial allowances—£10,000.

(ii) Stock reserve—£40,000. To minimise any unexpected fall in the level of prices.

(iii) Amount appropriated for the purpose of writing down the value of the investment in associated company—£10,000

DIVIDENDS

The dividend on the preference shares for the year has been paid, requiring a net sum of £2,200. The directors recommend a dividend on the ordinary shares for the year of 15 per cent. (the same as last year), which will absorb a net sum of £13,612.

Balance to be carried forward.—After giving effect to the foregoing appropriations and recommendations, the sum of £26,153 (as against £25,243 at December 31, 1948) remains to be carried forward to next year.

BALANCE SHEETS

In the balance sheet of Spear & Jackson, Limited, it will be noted that current assets at £639,222 compare with £528,546 at December 31, 1948. The liabilities side shows deferred liabilities at £98,205, compared with £85,246 last year, and current liabilities £254,359, compared with £243,025. Included under these headings you will find the reserves for taxation, as follows:—

(*a*) Under deferred liabilities: the reserve for income tax on the profits of the year, which is not due for payment until January 1, 1951, £57,000.

(*b*) Under current liabilities: the reserves against outstanding tax liabilities on the profits of prior years, £111,845, and also the estimated liability to profits tax on the profits of the year, £23,000.

During the past year a number of outstanding matters affecting excess profits tax liabilities have been cleared up, but there are still one or two items of major importance remaining to be settled. Adequate provision against any liability on these items is included in the provision of £111,845 mentioned above. The excess of current assets over current and deferred liabilities at December 31, 1949, is £286,658, compared with £200,275 at December 31, 1948. The consolidated balance sheet shows the position of the Group as a whole.

PENSION SCHEME

The inauguration of a pension scheme for the staff and executive directors of the company has been under consideration for some time and the directors now consider that such a scheme should be started. It will therefore be my pleasure to propose a resolution at the annual general meeting that the directors be authorised to negotiate and carry into effect a scheme on such terms and conditions as they deem appropriate.

GENERAL

During the year under review increasing difficulties have been encountered in the export trade. Many countries have imposed import restrictions under which only certain goods may be imported into their territories, and these must be within the validity of import licences granted for a specific value. This has necessitated very careful supervision of production. In spite of these restrictions and the dearth of shipping space an increased export business has been achieved.

Scarcity of labour still continues to be a source of worry and a limiting factor in production. In particular, the saw trade is short of young men to take up the trade.

FUTURE PROSPECTS

Under prevailing conditions of world trade and increasing competition, it is obviously impossible to make long-term forecasts. However, on the evidence of the first three months of the current year our prospects remain good. Turnover so far has been at least equal to that of 1949, and we look forward to another satisfactory year.

In conclusion, I would like to pay high tribute to the company's management, staff and employees, to whose co-operation is attributable the very high standard of output which has been achieved.

The report and accounts were unanimously adopted.

THE METAL BOX COMPANY LIMITED

The twenty-ninth annual general meeting of The Metal Box Company Limited, was held in London on July 13th. The accounts showed a profit for the year of £820,976 after taxation, against £655,372 the previous year.

The Ordinary Dividend was maintained at 20 per cent.

The Capital and Revenue Reserves as shown by the Consolidated Balance Sheet total £6,390,246 against £5,843,466.

The following are extracts from the review by the chairman, Sir Robert Barlow, which accompanied the statement of accounts:—

The profit this year is the largest the Company has earned. The increase arises (*a*) from the greater amount of business done, which has risen to over £26,000,000 or £4,236,000 more than last year (*b*) from the benefits now accruing from the expenditure of £5,259,000 on buildings and machinery over the last five years and (*c*) from the greater activities overseas.

There is so much ill-informed talk nowadays about profits that it is worth while to spare a moment to think about them. The profits of The Metal Box Company have increased steadily over the years. They have done so because the business itself has grown. The profits would not have become bigger unless the business had. But it is just as true that the business would not have grown bigger unless the profits had.

As I have said, we have spent £5,259,000 in five years on buildings and machinery. Where did this money come from? £2,293,000 of it was from profits earned and retained in the business. And £2,966,000 was fresh capital invested in the Company by the public of the United Kingdom, India and South Africa.

During the same five years we have paid stockholders £1,254,000 as dividends on their investment, and paid the State £3,454,000 as taxation.

The rate of profit which, before taxation, is 7 per cent. on the business done in the United Kingdom, is certainly not exorbitant.

We have endeavoured to maintain good wages and good conditions of employment and believe it to be our first duty.

For the sixth year I have to report that the shortage of tinplate remains as a grave handicap to the Companys activities at home and overseas—and therefore to its customers. Every major wartime restriction on its usage inevitably remains until this shortage is overcome.

Despite statements to the contrary in various quarters, I see no early prospect of any alleviation. Indeed, owing to the increase of world demand, the shortage is becoming more acute—for production in this country is still only 70 per cent of prewar. This brings about very real harm to the canning industry at home and consequently to agriculture.

It is imperative both that production should be increased and that the significance of the injury to the home trade should be appreciated by those responsible for allocations for export.

The report and accounts were adopted. Complete copies are available on request from the secretary, the Metal Box Company Limited, The Langham, Portland Place, London, W.1.

At an extraordinary general meeting held at the conclusion of the annual meeting new articles of association were adopted and resolutions were passed increasing the authorised capital of the Company to £6,700,000 and applying the sum of £1,806,385 from the Premiums on Shares Account in paying up in full 1,806,385 ordinary shares of £1 each to be allotted as fully paid bonus shares to Ordinary Stockholders.

ROYTON TEXTILE CORPORATION LIMITED

SATISFACTORY PROGRESS SINCE FORMATION

CHAIRMAN'S REVIEW

The first annual general meeting of Royton Textile Corporation Limited, was held on July 12, 1950, at the offices of the Corporation, Vine Mill, Royton, Lancs. Colonel J. B. Gartside, D.S.O., M.C., T.D., D.L., J.P., chairman, presided, and in his review which was circulated with the report and accounts said:

The accounts submitted give the result of nine months' trading of the Corporation ended March 31, 1950. It will be appreciated they represent the initial period since our inception.

SOUND FINANCIAL STRUCTURE

I think you will agree, after careful study of the accounts, that the Corporation, by the manner of our formation and acquisition of the properties has been well conceived, and is already established on a sound financial structure, having in the first trading period dealt with the formation expenses, £6,196, and a very considerable balancing charge of £75,000. We are indebted to our professional advisers for their able guidance and advice in the formation of the Corporation.

The accounts as submitted are presented in a simple form, can be considered satisfactory, and I think with the notes thereon require no further comment from me.

The Corporation has been accepted by the Board of Trade as eligible for the re-equipment grant under the Cotton Spinning (Re-equipment Subsidy) Act, 1948. Since our incorporation some £70,000 has been expended in re-equipment, in addition to £124,000 spent in the mills since 1945 prior to their acquisition.

NEW MACHINERY

Contracts have been placed for further conversions and new machinery amounting to approximately £250,000. A major portion of this total expenditure will rank for the Government subsidy.

This expenditure was necessary, and is justified if we are to progress; it will result in a material increase in production of cotton yarns in more varied forms and packages to meet the demand of manufacturers.

Sandy No. 1 Mill has been scrapped, but its production capacity has been replaced by the installation of additional new plant at Sandy No. 2 Mill.

Production during the period shows a satisfactory increase over that of the transferor companies in the same period in the previous year. The labour force has been augmented and production per operative is higher.

GOOD DEMAND FOR PRODUCTS

The products of the Corporation are giving satisfaction, and are in good demand over a well-spread field of manufacture for both home and export markets. Our order book is considerable, and we have reason (apart from political and international potentialities) to face the immediate future with confidence.

The Corporation is in its infancy, and has the lusty desire of all healthy infants to develop, progress and ever seek new fields for its activities, for the betterment of the trade and in its own and the national interest.

TRIBUTE TO EMPLOYEES

I wish to tender on my own behalf and on behalf of all our shareholders our deep appreciation of the splendid and loyal service of the management, staff and employees in the mills of the Corporation since our inception, a most difficult time for all concerned, which has contributed materially to the progress achieved, and to pay tribute to that singleness of purpose which has been so apparent throughout and is so essential to success.

The report and accounts for the nine-month period ended March 31, 1950, were adopted.

A final dividend of 6 per cent. on the 5s. shares was declared, making 10 per cent. for the period, equal to 13⅓ per cent. per annum, less income tax.

Colonel J. B. Gartside and Mr. William M. Holden were re-elected directors.

THE GOLDEN HOPE RUBBER ESTATE LIMITED

The annual general meeting of The Golden Hope Rubber Estate Limited, will be held on July 31, 1950, in London. The following is an abstract of the address of the Chairman, Sir Eric Macfadyen, circulated with the report and accounts:

From the trading and profit and loss account you will see that the output of rubber accounted for is 5,691,807 lb., compared with 5,815,507 lb. last year. The season was not a particularly good one for crop. The net proceeds at £285,328 were, however, better by a matter of £10 in spite of the slightly lower output. The cost of production was £188,157, against £205,278, being some ½d. per lb. cheaper, in spite of the lower crop—a reduction in cost per pound highly creditable to the management in these days. The net profit for the year, after charging £41,243 for taxation in the United Kingdom and Malaya, amounts to £47,210. We have made allocations of £22,022 to cultivation and replacement reserve (partly to offset this year's expenditure of £12,022 charged to that reserve), and of £1,585 to rehabilitation reserve. We also write off £6,560, representing the book cost of approximately 200 acres cut out under the Japanese and which has not been replaced. If you approve the proposed 10 per cent. dividend, we shall carry forward £25,836, against £22,717 brought in.

Our net planted acreage is now 9,747 acres —made up of 6,318 acres of rubber planted in 1927 and earlier, 3,349 acres planted since that year with selections, and 80 acres of oil palms.

THE RUBBER MARKET

Even at the peak of the recent rise in prices, at which no great quantity of rubber was marketed, as producers had been selling forward without reserve on the rising market, rubber was still below its prewar value in relation to commodity markets generally. At prices ranging between 1s. 6d. and 2s. landed London, the East would be prosperous and rubber should be attractive to the user.

COMMODITIES AND THE BALANCE OF TRADE

The importance of rubber in the general economic set-up is now better appreciated in governmental circles. The man in the street, however, is little aware how largely the sterling problem is a problem of overseas trade.

Rubber.—There appears to be every prospect that US absorption of natural rubber may reach 1,500 million lb. this year: if stockpiling calls for another 150 million, imports will amount to, say, 1,650 million lb. If the same proportion of US imports as last year is taken from the British East that will amount to about 825 million lb. On the assumption that these realise an average of only 21 cents (in May the price touched 34 cents) this would represent, say, $173 million.

Tin.—Of tin, in concentrates and metal, the US is unlikely to require to import less than 220 million lb. in 1950. If it takes 110 million lb. from the sterling area, at a price of 75 cents, that will represent $82.5 million.

Cocoa.—A considered estimate of US requirements of cocoa from the sterling area indicates an import of not less than 330 million lb., probably of about $75 million value.

Wool.—Wool was worth to the sterling area some $110 million last year. In 1950 Dominion exports to US may approach 190 million lb. and may fetch about $1 a pound. At say, $180 million, the contribution from this source may this year surpass that of rubber.

Rubber, tin, cocoa and wool by themselves —without reckoning other valuable commodities—may thus be expected to contribute over $500 million to the sterling dollar equation.

Home industries are making a valiant and successful endeavour to improve their exports to the US—the leading items being textiles, spirits, automobiles, machinery, pottery and glass, etc. To all of these devaluation has so far on balance been of assistance. The $200 million or so they realised between them in 1949 may be substantially improved upon in 1950. Taking a sanguine view let us put the value at $250 million. The comparison then between overseas and home is of the order of two to one.

In these days when perforce we must all of us be statisticians and economists I think it is of some importance that this aspect of the make-up of our precarious trade balance should be more widely understood.

TIMOTHY WHITES AND TAYLORS, LIMITED

BUSINESSES WELL MAINTAINED

The 21st ordinary general meeting of Timothy Whites and Taylors, Limited, was held on July 13th in London, Mr Louis Nicholas, J.P., F.C.A., (chairman) presiding.

The following is an extract from the statement by the chairman for the year ended December 31, 1949:

The businesses of the company and its subsidiaries for the year taken as a group, have been well maintained. On the chemists side of our retail businesses there has been an increase in the general trade.

In the household and hardware side there has been a slight fall in turnover, while our wholesale subsidiary and our manufacturing subsidiary have continued to face constantly increasing competition.

The trading profits and sundry income of the company and its subsidiaries for the year were £1,153,711 as compared with £1,183,519. This latter figure covered 53 weeks of trading as against 52 weeks for the year under review.

The net profits, including the dividends received from subsidiaries, were £335,668. This sum has been dealt with, £150,000 being carried to general reserve and the dividend on the ordinary shares maintained at 32½ per cent.

Since January 1, 1950, sales show a small decrease as compared with the corresponding period of last year. Since May 1st last, the percentage allowed to be added by the chemists to the cost of goods supplied by them for National Health prescriptions has been halved. This reduction is being resisted by chemists and the dispute has been referred to arbitration.

The report was adopted.

JEREMIAH AMBLER & SONS LIMITED

(Worsted and Mohair Spinners)

RECORD RESULTS

MAJOR EDWARD BEDDINGTON-BEHRENS' STATEMENT

The fifty-seventh annual general meeting of Jeremiah Ambler and Sons Limited, was held on July 7th, in London, Major E. Beddington - Behrens, the chairman, presiding.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended December 31, 1949, and was taken as read:—

I am again in a happy position, for the sixth year running of my chairmanship, of being able to present shareholders with record results. Profits for the year ending December 31, 1949, after all provisions, except taxation, were £217,868 compared with £198,219 for the previous year. Our turnover increased by 6 per cent., due mainly to increased production from our new mill at Carrickfergus near Belfast. This increased production was obtained with approximately the same labour force as was employed the previous year. The carry forward on profit and loss account is increased from £138,484 to £217,489. This amount is equal to over 7 years' preference and ordinary dividends at the present rates (£30,271). Our liquid position remains satisfactory, current assets of £1,082,141 (including cash and tax reserve certificates of £240,482) exceeding current liabilities of £325,295 by £756,846. During the year we have authorised the issue of £300,000 4½ per cent. debentures of which £150,000 have been issued to finance the re-equipment programme of the group, and as the re-equipment proceeds further issues will be made as required.

A "RESTRAINED" DIVIDEND DISTRIBUTION

As you will see in the summary at the back of the balance sheet, over the last six years the company has distributed £107,161 in dividends on ordinary shares compared with earnings of £854,797 and payments of £505,770 in taxation. In other words, over this period shareholders have received dividends of approximately 12 per cent. of earnings and paid out 59 per cent. of earnings in taxation. Your directors have therefore considered a way of giving some additional distribution to shareholders requiring the minimum depletion of the company's assets, and consequently recommend in addition to the ordinary dividend of 14 per cent. as paid in previous years a bonus of approximately 2½ per cent. in ordinary shares by capitalising the small amount of £7,244 out of the large reserves accumulated. This amount equals exactly one £1 bonus share for every £38 of stock held, and would only involve an increase of £558 in net dividend for a full year at the present rate. Provided no unforeseen adverse circumstances affect your company in future years, your board will endeavour to maintain this small bonus distribution in future, and for that reason are asking you to pass resolutions to increase the ordinary share capital. The dividend of 14 per cent. on the ordinary share capital represents approximately 1¾ per cent. gross on the estimated capital employed in the business and compares with earnings of 73 per cent. This still represents a very "restrained" distribution.

A YEAR OF HIGH ACTIVITY

The period under review was one of high activity in the worsted spinning industry, in common with all other branches of the wool textile industry. We therefore experienced a steady demand for all qualities of our production, our customers feeling it essential to cover their requirements far ahead.

The labour supply remained difficult throughout the year, and at the beginning of the year the machinery in operation was with difficulty maintained at high activity. The location of Midland Mills in the centre of the city made the labour problem more difficult than at other units, and in the earlier part of the year a considerable amount of machinery remained inactive. This, I am glad to say, has now been corrected, partly by obtaining more hands from a distance and partly as the result of internal reorganisation, considerable machinery redeployment and new equipment. This latter together with the institution of an incentive bonus produced higher pay packets within the general wage agreement framework. Reconstruction of the canteen at Midland Mills was finally completed and has proved very satisfactory.

In equipment, the large - scale programme at Britannia Mills of Christopher Waud and Company continued, with the receipt of much of the new equipment long on order. This together with the reconstructed buildings, is making this unit a very efficient concern. You will see from the accounts that there still remains on order with manufacturers an additional amount of machinery to the value of £100,950. This will be installed during the current year at Britannia and Midland Mills. For new equipment very long delivery dates are still required by machinery manufacturers who through Government direction are giving quick delivery for export which unfortunately speeds the modernisation of equipment of our foreign competitors.

SUCCESS OF TWO-SHIFT SCHEME

As I stated in the last two years, production costs are higher than previously and still rising, thus narrowing the margin of profit which can only be maintained by increased production and increased efficiency. Our Ulster subsidiary, with its good activity, made a substantial contribution to the Group's turnover. Shareholders will remember, as I have previously mentioned, we put into practice there our experiment in two-shift operation in worsted spinning. This routine is now satisfactorily accepted and I am glad to record greatly increased production, assisted by the incentive bonus instituted some twelve months ago.

Broadly speaking, it may be expected that the U.S.A. will continue to have the largest influence on our trading fortunes. The ebb and flow of their buying from the rest of the world must continue directly and indirectly to affect the buying of customers from a firm like ours. Despite gloomy forebodings, I anticipate no recession during the coming year in the U.S.A. Our own production is fully sold forward to the end of the year. I am therefore confident of again being able to present you with satisfactory results next year.

In conclusion, I wish to express my appreciation of the great help which your deputy chairman, Lord Barnby, has given to the business. His unique experience of the wool textile industry has been of the utmost value. I also wish to congratulate your managing director, Mr John S. Ambler, and Mr Little, Mr Seager, Mr Hindle and Mr Crowther, directors of the subsidiary companies, as well as the staff and workpeople of the whole group, upon the excellent results achieved.

The report and accounts were unanimously adopted.

HOVIS LIMITED

STEADILY RISING SALES

The fifty-second ordinary general meeting and the adjourned fifty-first ordinary general meeting of Hovis Limited was held on July 7th in London.

Mr J. F. Morton, the chairman, in the course of his statement, said: The accounts are in respect of the year ended March 31, 1949.

Hovis sales were fully maintained during the year and, in spite of difficulties, they are now showing a steady and most promising increase.

I am sure you will pleased with the strength of the group revealed in the consolidated balance-sheet.

The consolidated profit and loss account shows that the profit earned by the group amounted to £428,647, as against £407,698. Taxation has absorbed £220,035, and the net profit remaining amounted to £204,087, as against £176,593 for 1947-48. The brake which taxation applies to development and progress is unquestionably of grave import.

Those of your subsidiary companies which are excluded from control have made marked progress through the year. Vitovis Limited has established itself as a national supplier of the highest grade animal feeding-stuffs. The motor engineering and bodybuilding activities of Locomotors Limited have been extended with excellent results.

Since the date of the accounts a subsidiary company has been formed in the United States—Hovis (America) Inc. It is a most difficult matter to establish a market in the United States, and much has yet to be accomplished before it can be said that a satisfactory business has been created. The national need for dollars in itself will ensure our utmost endeavours in this respect.

The report was adopted.

LUNUVA (CEYLON) TEA AND RUBBER

CRUSHING TAXATION

The forty-third annual general meeting of The Lunuva (Ceylon) Tea and Rubber Estates, Limited, was held on July 13th in London, Mr H. J. Welch (the chairman) presiding.

The following is an extract from his address circulated on June 6th

The profit for the year shows a substantial improvement over that for the previous year. Expenditure on maintenance of the estates at a high standard has been continued and their equipment has been improved and extended. The final dividend is again 10 per cent., making 15 per cent. for the year.

As was mentioned in my address last year, expenditure is being limited to such extent as is possible, consistent with the maintenance of our valuable properties at their optimum level of economic efficiency. The Governments of the United Kingdom and Ceylon take between them, and expend for their own purposes, far too large a proportion of the earnings of industry, which is thus deprived of the means to maintain that efficiency and extension of its activities on the results of which the Governments themselves depend.

Some attention has been directed recently in the press to the decision of a British firm of contractors not to undertake a large contract for the Government in Ceylon on account of the incidence of the crushing double taxation. This was followed by the announcement that the Government of Ceylon were sending a leading taxation official by air to London. We may perhaps now hope that the desultory and leisurely discussions regarding a double taxation convention between the United Kingdom and Ceylon which have been proceeding for some years past will fructify in the near future.

The report was adopted.

MIDDLE WITWATERSRAND (WESTERN AREAS) LIMITED

REVENUE MORE THAN TREBLED

POSITION OF VARIOUS INTERESTS

The seventeenth annual general meeting of Middle Witwatersrand (Western Areas) Limited, was held in the board room, Anglo-vaal House, Johannesburg, on June 29th.

Mr B. L. Bernstein, who presided said, in the course of his speech:—

The revenue for the year was £239,596 as compared with the previous year's figure of £77,542, the major portion of the increase being due to the net profit on the realisation of portion of the company's share investments.

The balance from the previous year of £83,026 added to the net profit for the year £176,615, plus the transfers of £958,750 from share premium account and £3,225 from reserve for contingencies account, made available a total of £1,221,616. £1,000,000 was transferred to general reserve and an amount of £221,608 was carried forward on appropriation account.

At the date of the balance-sheet the book value of investments, excluding shares held in subsidiary companies, was £484,126. The market value of the quoted investments was £1,407,550. Unquoted investments, consisting mainly of our interest in Kennecott-Anglovaal Exploration Company, Limited, at cost, totalled £75,550.

Today the company has approximately £650,000 cash working capital, which sum is adequate to cover the contemplated expenditure on the several operations being conducted by the company.

O.F.S. INTERESTS

Virginia Orange Free State Gold Mining Company, Limited, which was formed to work 5,355 claims in the Virginia area has a debenture capital of £2,000,000, all of which has been issued and a registered capital of £2,562,500, of which £2,250,000 has been issued and £312,500 is held in reserve to meet the conversion rights attaching to the £2,000,000 First Mortgage debentures.

After providing for participants and the offer of 3,777,200 units of stock to shareholders, this company was left with approximately 600,000 units of stock in the Virginia company.

Merriespruit Flotation. Shareholders have already been advised in the Press of the application for a second mining lease to cover approximately 5,830 claims, and the flotation of the Merriespruit (O.F.S.) Gold Mining Company, Limited, which will take over such lease when it has been granted. The financing of the Merriespruit company will closely follow the pattern of the Virginia company. The capital of the Merriespruit company will consist of £2,000,000 in First Mortgage debentures carrying interest at the rate of 3 per cent per annum, commencing only from the date of production, and £2,562,500 in units of stock. The Kennecott Copper Corporation will subscribe firm for £500,000 of the debentures and underwrite the balance of £1,500,000. The debenture stockholders will have the right to convert a quarter of their holding, for a period of five years, into Ordinary units of stock at a premium of 60 per cent. Of the share capital £562,500 will be subscribed firm by the Kennecott Copper Corporation, £500,000 will be subscribed by the vendors from the cash vendor consideration received by them, and £1,187,500 will be subscribed by your company and its participants. The balance of £312,500 will be in reserve to meet the conversion rights of the debenture stockholders. It is expected that, after satisfying all sub-participants, your company will be left with approximately 56 per cent. of the £2,250,000 Ordinary share capital and an offer of units of stock and debentures in the Merriespruit (Orange Free State) Gold Mining Company, Limited, will be made to shareholders in due course.

Virginia Mine. On June 28, 1950, No. 1 Shaft had reached a depth of 935 feet, and No. 2 Shaft, a depth of 725 feet. It is estimated that reef will be intersected in No. 1 Shaft at a depth of 3,750 feet, and at a depth of 3,100 feet in No. 2 Shaft.

Merriespruit Mine. Arrangements are in hand for commencing operations at the Merriespruit Mine, and shaft sinking will commence in the near future. Full advantage will be taken of the organisation and equipment available at the Virginia Mine for the conjoint development of the two mines.

Van Den Heever's Rust Area. Drilling to date has proved the existence of payable Basal Reef in this area, and boreholes VDH1. TV.2, and K.1 have indicated the presence of an additional occurrence of highly payable upper reefs, extending over a distance of some 14,000 feet in a zone above the Basal Reef horizon.

Drilling is in progress to enable an assessment to be made of the potential ore resources of this upper horizon, and is designed to gain further knowledge of the lateral extent of the upper reef occurrences.

Your company now owns the entire mineral rights of the farm Van den Heever's Rust.

Gelukspan and Zomersveld. Since the close of the financial year, your company has exercised its option to purchase the mineral rights of the farms Zomersveld No. 395, and Gelukspan No. 394. These farms form portion of a block of ground which is the subject of an agreement between your company and New Consolidated Goldfields Limited, for the exploration of a joint mining area.

STILFONTEIN-HARTEBEESTFONTEIN AREA

At the Stilfontein Gold Mining Company, two vertical shafts are being sunk, and good progress is being made with the equipment of the mine.

Intensive drilling, to the south, in the remaining area beyond the boundaries of the Stilfontein Gold Mining Company, is being continued. At present six boreholes are in progress, and the results up to date provide encouragement for the prospects of the establishment of at least one additional mine in this area.

Five boreholes, in which the Vaal Reef was intersected, all disclosed payable values at workable depths. It is encouraging that these boreholes cover a stretch of approximately five miles, southwards from the boundary of the Stilfontein gold mine.

OTHER INTERESTS

At New Klerksdorp Gold Estates, Limited, in which your company retains the controlling interest, the tonnage crushed for the year amounted to 94,500 tons, and the working profit was £15,384, equal to 3s. 3.1d. per ton.

The payable ore reserve as at December 31, 1949, was estimated to amount to 686,000 tons, having an average value of 2.65 dwt. over a stoping width of 74.8 in.

For the first five months of the current financial year 43,200 tons have been crushed, the working profit for this period being £11,644.

The present crushing rate is about 9,000 tons per month.

Your company has acquired an option to purchase a portion of the Klerksdorp Town Lands, approximately 4,556 morgen in extent, and prospecting work has been commenced.

Since the close of the financial year Mr H. F. Oppenheimer resigned from the board. We desire to express our appreciation of the valuable services rendered to the company by Mr Oppenheimer during his tenure of office.

THE PROBLEM OF FINANCE

Before concluding I wish to refer briefly to the problem of financing mines in the Orange Free State with particular reference to our two mines in the Sand River area. As you are aware, we have adopted the Virginia pattern of capitalisation for the Merriespruit mine. The salient feature of this capitalisation is that more than half the funds required to bring the mine to production is provided by a debenture issue, thereby enhancing the value of the share capital. The effect of this is to keep within reasonable limits the amount to be raised from shareholders by way of share capital, a feature which we consider of importance in the light of existing financial conditions. The policy of capitalising Virginia and Merriespruit in this manner arises from two maior considerations

In the first place we are in this manner able to ensure at the very outset the capital funds required to bring our mine to production without having to resort to further capital issues and having to rely on time being propitious at some future date for a successful offer of rights to shareholders. In the second place we have considered it important to raise as much as possible of the capital funds required from sources outside the sterling area whose funds would not otherwise be available for South African investments. The effect of this is not only to relieve existing financial markets of the need to provide considerable capital sums, but also to provide hard currency for the South African economy. These factors have influenced us in departing from what might be termed the traditional pattern of financing gold mines and we believe this policy to be in the best interests of shareholders.

WALKER CAIN LIMITED

STRONG POSITION

The twenty-eighth ordinary annual general meeting of Walker Cain Limited was held on July 11th in London, The Rt. Hon. Lord Brocket (the chairman) presiding.

The chairman, in the course of his speech, said:

No doubt you will have studied the accounts very carefully, and in doing so will have noticed a certain disparity in the figures of the profit and loss accounts when compared with those of the period ended March 31, 1949. The corresponding figures shown represent trading periods of 21 months for 11 subsidiary companies, two subsidiaries 19 months, our principal subsidiary, Peter Walker (Warrington) Limited, 18 months, and of this company, 15 months.

In my remarks last year I referred to the reduction in the Beer Duty made in April 1949, and its effect on future [illegible]

fact that we had to bear 3s. per barrel, and said that this and the rising cost of materials and all other expenses made the outlook less promising. That has proved to be the position, coupled with a general decline in output over the whole country. Admittedly beer is too dear, and the duty should be further reduced to enable it to be sold at a price commensurate with the available spending power. Whilst we are disappointed that there was no relief in duty in the last budget, we at least gained partially one of our objectives—an improvement in the quality. All our beers are now increased three degrees in gravity, which brings us halfway towards our prewar strength. Though it is too early to say what the effect will be on output, the improved strength is much appreciated by our customers.

If you will refer to the consolidated profit and loss account you will see the net profit is £567,365, after all charges, including taxation, and a further provision of £44,000 for deferred repairs. With the balances brought forward from last year, we have available £1,063,819. The total dividend for the year is 16 per cent.—a reduction of 2 per cent. on the average yearly rate we paid for the 15 months to March 31, 1949. When we take into account the recession in trade and the large increases in the cost of materials, duty and other expenses, and in particular those occasioned by the introduction of the Catering Wages Act, I am sure you will be entirely satisfied with the results of the year's working. The consolidated balance-sheet reveals a strong liquid position.

The report was adopted.

J. LYONS AND COMPANY LIMITED

The fifty-sixth annual general meeting of J. Lyons and Company Limited was held on July 11th in London, Mr Harry Salmon presiding.

The following are extracts from the chairman's statement circulated with the report.

The differences revealed by the comparison of this year's figures with those of last year are not in any way abnormal in present circumstances. The figures show that the company had need of further capital, and we obtained, towards the close of the year, the sanction of the Capital Issues Committee for an issue of £1,000,000 in debenture stock. By the end of the year, negotiations were concluded for placing this with a consortium of insurance companies, and the issue has since then been completed in the form of debenture stock secured by a charge on our premises at Cadby Hall. The stock bears interest at 4 per cent. and is redeemable by half-yearly payments of capital and interest combined over a period of 25 years.

The net profit for the year is £578,063 which shows an increase of £11,729 over last year's figure of £566,234. Dividends on preference and preferred ordinary stocks for the year have absorbed £270,578. We are recommending the payment of final dividends on the ordinary, "A" ordinary and proportional profit capital at the same rates as last year, which, with the interim dividends paid in December last, will take £229,714. Out of the amount brought forward in the profit and loss account at the beginning of the year, we have transferred £250,000 to reserve for contingencies. The unallocated balance of the net profit is £77,771 and the total amount now carried forward in the profit and loss account is £80,299.

During the year two new ordinary directors have been appointed: Mr Douglas Gluckstein and Mr Kenneth Gluckstein. They, like all of us, have been brought up in the business and by their experience, gained in a long apprenticeship, and their ability and zeal in the company's interest, have earned their seats on the board.

The costs and charges which industry has to bear are still rising. The increased petrol tax and the new railway freight charges which have recently been imposed will, together, add well over £100,000 a year to the direct cost of distributing our products; and this is apart from the increase they must cause in the cost of the commodities and the equipment we buy. It is, to say the least, surprising that these extra charges should be imposed on industry at a time when those who impose them are constantly saying that distribution costs are already too high.

We endeavour to work for a profit and we make no apology for it; if we did not succeed in that endeavour we should have to go out of business. The present level of taxation makes it almost impossible to provide for replacement of capital, and this must, in the long run, not only prevent expansion but interfere with current production.

Indirect taxation accounts for about one-half of the total taxation of the country, and most of this, in one form or another, enters into the prices charged to the customer. An example of this is purchase tax, recently further extended so as to embrace commercial vehicles. Hitherto, this tax, in theory at least, has been levied on consumer goods; but, as it is charged on many of the items of equipment we need, we, in fact, have to pay it on the tools of our trade. It already adds very substantially each year to the cost of capital items, and it will now add still more, all of which must be reflected in the prices at which we sell our products. It cannot be questioned that the high level of Government expenditure makes a high level of taxation inevitable; the obvious remedy which we hope will soon find acceptance, and which must be applied, is to reduce expenditure to a level the country can afford.

As an illustration of the effect of the continuing rise in costs, I may mention that, since the end of the war, approximately one-third of our plant and machinery has been replaced at a cost averaging over two-and-a-half times the prewar figure. The comparative figures given in the balance sheet show how great is the increase in the amount of capital required in the business as a result of high costs and high taxation. This year fixed assets are up by nearly £640,000; stock is up by over £570,000, sundry debtors by about £413,000, while cash resources, including tax reserve certificates, are £650,000 down. Against this there is an increase in sundry creditors of over £700,000. You will see from the note appearing in the accounts that, in addition, we have entered into contracts for capital expenditure amounting to £1,104,000. The policy of conserving our resources, which we have always followed, has enabled us to provide very substantial sums for our capital requirements, but if the rise in costs does not soon stop, and if there is not soon some reduction in the level of taxation, that must become increasingly difficult.

During the year, we have succeeded, in general, in maintaining the volume of business both at home and abroad where we have earned much needed dollars for the country. In consequence, we have been able to produce results which we think you will agree are satisfactory. Their achievement has meant a year of hard effort on the part of all our staff, and I should like to thank them on your behalf and ours for their loyal and efficient service.

Addressing the meeting the chairman said:

I do not think I need add very much to the statement which accompanied the accounts.

Since the last annual meeting some of the restrictions which have hampered us for so long have been removed, including that which limited meal prices and the number of courses which could be served in catering establishments. We always held the view that the effect of this restriction would be far different from its intention, and it is interesting to note that at the Trocadero, the removal of it has meant that, while 15 per cent. of our customers are spending more than previously, 20 per cent. are spending less. The greater freedom of choice which we can now give has been welcomed both by our home customers and those from overseas.

Unfortunately, there has not yet been any realistic modification of the Wages Regulations which are so unsuitable for a trade such as catering. They can be said to be crippling it, at a time when it should be encouraged because of its importance in the expansion of the tourist trade which is so valuable to the country's economy. This is, we hope, slowly coming to be recognised, for a commission is now enquiring into the operation and effect of the regulations, and before long some at least of the necessary changes may be made.

One of the greatest difficulties we still have to meet arises from the continuance of the system of bulk buying—a system which certainly cannot be justified on economic or commercial grounds. It is responsible for the poor quality of so much of the raw material we are able to obtain, because it leads to bulk allocations which preclude the use of our full skill and experience in buying. Liberty of choice and the stimulus of competition should be restored to the commercial buyer for he knows the varying tastes and needs of the public and will provide for them. That would give the public the opportunity, of which it has been deprived for too long, of choosing the quality and type of food it wants. It is certain that the opportunity would be welcomed.

For such relief as we have had we are thankful; though we feel that the policy is too timid and the process too slow. We hope that this small beginning will soon lead to the complete freedom which alone can give full scope to initiative and enterprise.

The report and accounts were adopted.

HUDSON'S BAY COMPANY

SIR PATRICK ASHLEY COOPER'S REVIEW

The 281st General Court of the Governor and Company of Adventurers of England trading into Hudson's Bay was held on July 7th in London, Sir Patrick Ashley Cooper, the Governor, who presided.

The following is an extract from his circulated statement: In most fields of economic activity, Canada's prosperity reached new and previously unequalled heights in 1949. It is generally felt in Canada that the post-war boom has ended, and that a period of readjustment, from which more difficult trading conditions may result, lies ahead. With the prospect of Marshall aid coming to an end in 1952, the question of a solution to Canada's balance of payments problems becomes increasingly urgent.

The Hudson's Bay Company was formed originally to trade in furs but, from the outset, this object implied, in addition to the marketing of the furs, the rendering of a service to the community from which they were obtained. It is from the development of this service that your company has grown and, in some places, with the expansion into towns and great cities of what were once mere trading posts, the original object has long since receded and its place been taken by the provision of a great store such as that at Winnipeg.

The marketing of the fur collection is the responsibility of the fur sales department. We continue to have great faith in the ability of London, our oldest outlet, reopened in 1946, to retain and improve its international position as a fur market. Fur prices are, of course, liable to fluctuate widely and suddenly, and 1949 was on the whole a year of heavy declines.

The report was adopted.

Statistical Summary

EXCHEQUER RETURNS

For the 8 days ended July 8, 1950, total ordinary revenue was £52,631,000 against ordinary expenditure of £46,976,000 and issues to sinking funds £624,000. Thus, including sinking fund allocations of £3,148,000 the surplus accrued since April 1st is £46,053,000 compared with £1,767,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	Receipts into the Exchequer (£ thousand) April 1, 1949 to July 9, 1949	April 1, 1950 to July 8, 1950	9 Days ended July 9, 1949	8 Days ended July 8, 1950
	£'000				
ORDINARY REVENUE					
Income Tax	1,580,000	203,069	200,945	17,371	15,973
Sur-Tax	120,000	24,200	24,600	1,600	1,500
Estate, etc., Duties	195,000	49,800	54,050	5,800	3,450
Stamps	50,000	14,000	13,515	1,300	1,300
Profits Tax	270,000	56,060	49,370	6,900	4,950
E.P.T.		16,300	3,700	200	...
Other Inland Rev.	500	70	50	...	...
Special Contributn.	4,500	9,200	1,670	700	100
Total Inland Rev.	2028000	372,699	347,900	33,871	27,273
Customs	870,650	220,243	234,496	18,189	19,065
Excise	713,150	162,100	173,100	6,100	4,900
Total Customs and Excise	1583800	382,343	407,596	24,289	23,965
Motor Duties	56,000	5,805	5,994	523	760
Surplus War Stores	35,000	27,901	10,446	18	34
Surplus Receipts from Trading	85,000	4,045	25,974	...	...
P.O. (Net Receipts)	13,000	2,240	2,450	...	...
Wireless Licences	27,000	...	...	...	...
Sundry Receipts		5,370	1,432	3,103	43
Miscell. Receipts (inc. Crown Lands)	70,000	18,808	19,593	675	556
Total Ord. Rev.	3897800	819,210	821,385	62,479	52,631
SELF-BALANCING					
[illegible]	172,150	39,300	42,700	2,050	2,400
[illegible]			2,771	309	113
[illegible]					2,144
[illegible]		[illegible] Exchequer			

Expenditure	Estimate, 1950-51	April 1, 1949 to July 9, 1949	April 1, 1950 to July 8, 1950	9 Days ended July 9, 1949	8 Days ended July 8, 1950
	£'000				
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	490,000	115,242	112,157	8,960	5,418
Payments to N. Ireland	36,000	8,974	9,464	1,153	1,281
Other Cons. Fund Services	11,000	4,681	3,356	3,146	2,377
Total	537,000	128,897	124,977	13,259	9,076
Supply Services	2918069	685,762	647,208	47,450	37,900
Total Ord. Expd.	3455069	814,659	772,185	60,709	46,976
Sinking Funds	...	2,784	3,148	317	624
Total (excl. Self-Bal. Expd.)	3455069	817,443	775,333	61,026	47,600
SELF-BALANCING					
Post Office	172,150	39,300	42,700	2,050	2,400
Income Tax on E.P.T. Refunds	5,700	2,094	2,771	309	113
Total	3632919	858,837	820,804	63,385	50,113

After decreasing Exchequer balances by £206,073 to £3,845,007, the other operations for the week increased the gross National Debt by £306,407,462 to £26,178 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1921	10
Tithe Act, 1936, S. 3	275
	285

NET ISSUES (£ thousand)

Interest outside Permanent Debt charge	3,961
Post Office and Telegraph (Money) Act, 1948	450
E.P.T. Refunds	137
Export Guarantees Act, 1949, s. 3(2)	50
Housing (Scotland) Act, 1944, s. 4(2) and Housing (Financial Provisions) (Scotland) Act, 1946, s. 13(2)	573
Local Authorities Loans Act, 1945, s. 3(1)	4,000
New Towns Act, 1946	328
Coal Industry Nationalization Act, 1946, s. 34(1)	2,000
Finance Acts, 1946 and 1947, Postwar Credits	432
Exchange Equalization Account	300,000

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	298,392	Nat. Savings Certs.	700
Tax Reserve Certs.	8,089	2½% Def. Bonds	190
Other Debt:—		3% Def. Bonds	515
Internal	8,200	3% Terminable Annuities	1,369
Treasury Deposit Receipts	25,000	Other Debt:—	
		External	1,283
		Ways and Means Advances	29,215
	339,681		33,272

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
July 9	2210·0	2255·2	345·2	...	1253·0	6063·5
1950						
April 15	2920·0	1958·0	410·8	...	458·5	5747·3
" 22	2920·0	1959·2	447·6	...	455·0	5781·8
" 29	2930·0	1917·9	436·3	...	455·0	5739·2
May 6	2960·0	1872·9	420·0	4·8	430·0	5687·7
" 13	3000·0	1865·4	416·2	...	410·0	5691·6
" 20	3020·0	1839·4	437·9	...	410·0	5707·3
" 27	3050·0	1812·0	439·1	4·0	400·0	5705·1
June 3	3070·0	1838·2	431·2	...	390·0	5729·4
" 10	3080·0	1765·2	413·2	...	380·0	5638·4
" 17	3090·0	1784·8	411·9	2·0	370·0	5638·7
" 24	3100·0	1769·7	421·4	4·0	350·0	5645·1
" 30	4856·9		404·2	12·5	350·0	5623·6
July 8	3120·0	2034·9	387·4	...	375·0	5917·3

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
July 8	170·0	299·1	170·0	10 5·26	42
1950					
April 6	240·0	301·7	240·0	10 3·11	73
" 14	230·0	301·8	230·0	10 2·90	67
" 21	250·0	306·4	230·0	10 2·82	65
" 28	240·0	337·1	240·0	10 2·84	60
May 5	250·0	337·6	250·0	10 4·30	3
" 12	240·0	313·0	240·0	10 3·03	68
" 19	250·0	312·5	250·0	10 3·13	73
" 26	240·0	293·5	240·0	10 3·47	77
June 2	240·0	343·5	240·0	10 2·64	67
" 9	240·0	317·8	240·0	10 3·08	67
" 16	240·0	299·6	240·0	10 3·33	75
" 23	240·0	315·4	240·0	10 3·06	68
" 30	240·0	302·4	240·0	10 3·21	73
July 7	240·0	306·4	240·0	10 3·19	72

On July 7th applications for 91 day bills to be paid from July 10th to July 15th were accepted dated Monday to Saturday as to about 72 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million are being offered for July 14th. For the week ending July 15th the banks will be asked for Treasury deposits to a maximum of £30 million at 182 days.

NATIONAL SAVINGS

(£ thousand)

	Week Ended July 2, 1949	Week Ended July 1, 1950	Total, Apr. 1 to July 1, 1950
Savings Certificates:—			
Receipts	2,000	1,800	22,550
Repayments	2,850	2,700	33,400
Net Savings	*Dr. 850*	*Dr. 900*	*Dr10,850*
Defence Bonds:—			
Receipts	630	340	4,575
Repayments	581	723	14,263
Net Savings	49	*Dr. 383*	*Dr. 9,688*
P.O. and Trustee Savings Banks:—			
Receipts	10,914	11,495	161,541
Repayments	14,750	16,341	170,477
Net Savings	*Dr3,836*	*Dr3,846*	*Dr. 8,936*
Total Net Savings	*Dr4,637*	*Dr5,029*	*Dr29,474*
Interest on certificates repaid	573	589	7,175
Interest accrued	3,366	2,406	31,135
Change in total remaining			

BANK OF ENGLAND RETURNS

JULY 12, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1,308,435,111	Other Govt. Securities	1338,271,455
In Bankg. Department	41,921,712	Other Secs.	703,644
		Coin (other than gold)	9,801
		Amt. of Fid. Issue	1350,000,000
		Gold Coin and Bullion (at 248s per oz. fine)	356,823
	1350,356,823		1350,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	553,371,441
Rest.	3,670,567	Other Secs.:—	42,776,702
Public Deps.:—	247,295,114	*Discounts and Advances*	*18,235,232*
*Public Accts.**	*18,554,952*	*Securities*	*24,541,470*
H.M. Treas. Special Acct.	*228,740,162*		
Other Deps.:—	379,164,548		
Bankers	*282,915,250*	Notes	41,921,712
Other Accts.	*96,249,298*	Coin	6,613,374
	644,683,229		644,683,229

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1949 July 13	1950 June 28	1950 July 5	1950 July 12
Issue Dept.:—				
Notes in circulation	1288·8	1293·9	1302·6	1308·4
Notes in banking department	61·5	56·5	47·8	41·9
Government debt and securities*	1349·2	1349·4	1349·2	1349·3
Other securities	0·8	0·6	0·8	0·7
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/4*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	8·7	11·9	13·4	18·6
Treasury Special Account	27·8	209·0	217·9	228·7
Bankers	289·3	292·1	292·4	282·9
Others	89·0	96·6	97·1	96·2
Total	414·8	609·5	620·8	626·5
Securities:—				
Government	332·7	513·8	537·6	553·4
Discounts, etc.	11·6	15·4	23·1	18·2
Other	22·6	35·4	34·0	24·5
Total	366·9	564·6	584·7	596·1
Banking dept. res.	66·1	63·0	54·3	48·5
	%	%	%	%
"Proportion"	15·9	10·3	8·7	7·7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,300 million to £1,350 million on June 27, 1950.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

	July 12, 1949	June 27, 1950	July 11, 1950
Cereals and meat	140·5	151·0	150·8
Other foods	147·3	156·0	156·0
Textiles	177·9	230·9	230·6
Minerals	237·4	281·9	282·8
Miscellaneous	147·1	186·1	170·2
Complete Index	165·3	189·5	190·7
1913=100	*227·5*	*260·7*	*262·4*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 173s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
July 6	63¼	72⅜	180 15	116 [illegible]
" 7	63¼	72⅜	180 0	115 14
" 8	Markets closed		181 10	115 [illegible]
" 10	63¼	72⅜	181 9	115 [illegible]
" 11	63¼	72⅜	181 8	[illegible]
" 12	63¼	72⅜	[illegible]	[illegible]

THE HONGKONG AND SHANGHAI BANKING CORPORATION

Incorporated in the Colony of Hong Kong

The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. of 1929 of the Colony

CAPITAL ISSUED AND FULLY PAID UP - - $20,000,000
RESERVE FUNDS STERLING - - £6,000,000
RESERVE LIABILITY OF MEMBERS - - $20,000,000

Head Office : HONG KONG

Chairman and Chief Manager : HONOURABLE SIR ARTHUR MORSE, C.B.E.
London Office : 9, Gracechurch Street, E.C.3.
London Managers : S. A. GRAY, A. M. DUNCAN WALLACE, H. A. MARBY

BRANCHES

BURMA: Rangoon
CEYLON: Colombo
CHINA: *Amoy, *Canton, *Chefoo, *Dairen, *Foochow, *Hankow, *Harbin, *Mukden, *Nanking, Peking, Shanghai, Swatow, Tientsin, Tsingtao
DJAWA (JAVA): Djakarta, Surabaya
EUROPE: Hamburg, Lyons
HONG KONG: Hong Kong, Kowloon, Mongkok
INDIA: Bombay, Calcutta
INDO-CHINA: Haiphong, Saigon
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Priorities for Containment

THE news from the Korean front is [illegible]. Although a handful of American soldiers have continued to fight with air support but without adequate artillery or anti-tank weapons, to slow down the Communist armoured columns, the retreat has continued. The Communists are now across the Kum River and are threatening the American advance positions at Taejon. There appears to be confidence in both Tokyo and Washington that a sufficient bridgehead can be maintained to make the mounting of a counter-offensive possible, but the margin is narrow between the time needed to bring in men and material and the space that can still be safely "sold" to secure it.

Yet in spite of the bad news, the Korean incident cannot be called discouraging in the wider context of western policy. On the contrary, it seems that the Soviet leaders have succeeded once again in doing the one thing necessary to ensure the defeat of their own tactics of infiltration and disintegration. Just as the Prague coup ensured the passage of Marshall aid, the Korean aggression can turn the policy of containment from a diplomatist's blueprint into cold military reality. The truth is that, for the last year, the foreign policy and the defensive strategy of the western world have become increasingly out of step. As Mr Menzies put it in his speech on Tuesday night:

> It is all too true that from time to time we have a foreign policy of one kind and a defence policy of another, forgetting that a powerful foreign policy begets obligations and that a realistic defence policy makes you fit to perform them.

Such has been the weakness of western policy. In diplomacy, there is general agreement that a stop must be put to Communist expansion. In defence, however, the conclusion appears to have been that the west can have as much military strength as it can "afford," whether or not that level bears any relation to the strength needed to keep Communism in check. Korea has shattered these pretensions. The western powers cannot live any longer in a cloud-cuckoo land of containment without weapons and defence by instalments.

In view of all the wild talk and the public alarm, it is important to emphasise that the Communist aggression on Korea in no way invalidates the policy that the western nations have been pursuing. On the contrary, that policy is confirmed, and its chances of success—that is, of avoiding the third world war—have been greatly enhanced. The attack on Korea was a tactical surprise, but it was exactly the sort of thing that the policy of containment expected to have to face; it was always clear that the Russians would probe into every weak spot in the long line between the Communist and the free worlds. But, on the other hand, the net effect of Korea is to remove two of the basic doubts about western policy. To those who wondered whether the United States really would come to the assistance of any victim of aggression, the answer is now on the record. And the other great question-mark, whether the west had enough organised force to remove any possibility of a quick victory for Communist aggression, is also, by all apparent signs, to be removed.

It is natural that news stories of tanks advancing and pictures of refugees should cause alarm and foreboding and a wave of gloomy conviction that another world war is imminent and inevitable. But on a cool analysis, the fact that the Korean incident has happened increases the chances of avoiding a world-wide war. A month ago there were two main reasons for fearing that total war might break out. The first was madness in the Kremlin and that still remains. The second was miscalculation in the Kremlin, and the chances of that are surely now greatly reduced. For the west the lesson is not to change policy, but to pursue the former policy with more vigour —and with more confidence that it will succeed in preventing war.

Another of the false first impressions of the Korean fighting that needs correcting is that the Far East is the main seat of danger. There may be other aggressions on the borders of China—or, indeed, in the Middle East. But the place where the issue will be determined—whether it be by cold war or by hot—is in Europe. It is here that the two systems lie close together and where mortal blows can be exchanged. It is here that no space can be sold even for precious time. So long as there is any risk of a rapid Russian occupation of the western continent, western diplomacy is hampered from one end of the world to the other. The very first priority of a policy of peace through strength is to create an international army in being in Europe strong enough to deter aggression. The second priority is to have similar forces within reach of the other weak spots in the chain. The third is to create a mobile reserve of the free nations, which could be rapidly moved wherever it was needed. The fourth is to have the plans, the designs and the orders ready, so that, if it is necessary, industry can be very rapidly mobilised. The fifth is to make sure that the allied countries are working to an agreed and understood programme. If all these things can be done, there will be no world war. These necessities were apparent before the Korean incident. They are, in fact, inherent in any idea of containment. What Korea has done is to throw a blinding light on the gap between western needs and western performance. What it may and should do is to give the impetus necessary to persuade democratic governments that defence must be accepted on such a scale in times, if not of peace, at least of non-war.

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The programme is a formidable one. The urgency of it cannot be over-emphasised. But the magnitude necessary can easily be exaggerated. Over and over again it must be repeated that the job is not to fight and win a war—when the sky is the limit—but to prevent one—in which time is of the essence. "Too little and too late" is perhaps dangerously familiar; there is a risk now of planning to produce too much too late. Enormous programmes take longer to set on foot than more moderate ones; to make the plans too big might provide very little more protection in the next three vital years—and far more than will be needed thereafter. The task is to catch up with a Soviet and Soviet-controlled armament programme which is several years ahead of the west in time, but almost certainly not very large in total size, relatively to the resources of the western countries. It is a contest in time, not in amount, and the vital question to ask of western rearmament plans is not "how much?" but "when?"

If this argument is accepted, it has certain quite clear consequences for British defence policy. The first task is to mould the 360,000-odd men in the British army into a larger number of front-line mobile formations than has hitherto been achieved. At the same time the argument that the gravity of the situation makes it necessary to increase the period of national service in Britain should be resisted. Conscription is designed to create large reserves over a long period, so that a trained army can be quickly mobilised in the event of total war. To call up more conscripts now would merely complicate the problems of the regular army without, at least for a time, materially adding to its fighting power. On the other hand, if the Korea aggression is the precursor of further local acts of aggression, the necessity to maintain a policy of "defence by riposte" may make it necessary to call up some of the existing army and air force reserves.

If mobile front-line forces are to have their full effect, a radical transformation is needed in their equipment and fire power. The spectacle of American troops in Korea without adequate tanks or anti-tank guns and without the right kind of air support would, in view of recent propaganda about advances in technological magic, be ludicrous if it were not so tragic. But it is only a practical illustration of the dilemma between long-term and short-term preparedness. The pace of technical advance in the design of both weapons and aircraft is now so rapid that it is tempting to keep on improving prototypes rather than plunge into mass production. The fighting in Korea shows how essential it is to have up-to-date weapons actually in the hands of trained troops.

In choice of weapons, two lessons are suggested by Korea. The first is greatly to increase the fire power of both artillery and infantry. Too large a part of the British army is still using weapons which were only just adequate in 1945. The improved weapons must now speedily move from the drawing board or out of stock and into the hands of those who may have to fire them. The best designs that exist today should be put into production; there will be time to improve on them later. The second urgent need is for the creation of strong tactical air forces to support the mobile formations of the Army. It is obvious that, so far as Britain is concerned, the requirements of air defence at home and the needs of Western Union make heavy calls on the production of fighters. This production may therefore have to be greatly expanded, and the programme for the production of medium bombers and fighter bombers accelerated by a year or more. It is upon weapons which will contribute to the strengthening of defence against local aggression that all energies should be concentrated in this period not of war but of containment.

If these are the present necessities of realistic defence —and it is difficult to see how the western world can do with less—it is clear that more money must be spent upon armaments. Of all expenditure this is the type most likely to compete immediately with civilian requirements. To secure the weapons it may be necessary to reduce sharply the number of new cars, refrigerators, television sets and household fittings made available to the public. President Truman is ready to face both necessities—the provision of finance and the curtailing of civilian economy. He has proposed increased expenditure of the order of $10 billion and has asked to divert materials to war purposes, to expand taxes, to limit credit and to cut back unessential expenditure and production. He has, in fact, moved with as much courage and spirit on the home front as in his original determination to resist aggression. The British community both here and in the Commonwealth must be prepared for an equivalent effort, and must be ready to confront the consequences. They cannot be other than sombre, for if room has to be made in a fully stretched economy for several hundreds of millions more of defence expenditure, then some other form of expenditure—governmental or private—will have to be reduced. This presents an awkward choice; but the one unforgivable thing would be to allow it to be decided by the blind lottery of inflation.

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A decision reached among the most effective military partners of the western world to put their defences into effective order would be a great deal gained, but it would not be everything. The struggle against Communism is not a fight that each nation can carry out separately. The principle of a fusing of command and of resources has been accepted and the framework of co-ordination exists —in the Atlantic Council, in Western Union, in the defence arrangements of the Commonwealth. The habit of co-operation has, one may hope, also survived from the last war to make effective the efforts of such organisations as the Standing Group of the United States, Britain and France, which co-ordinates the military activities of the three nations from Washington. There is, therefore, no need at this stage to elaborate more machinery for producing a single western effort. What appears necessary is to make urgent and decisive use of the machinery that is already there. To the uninformed public, for instance, it seems curious that the defence problems of Korea, Hongkong, Indo-China and Malaya—all of them different facets of the same reality of Communist pressure—should still apparently be dealt with piecemeal by separate ministries of defence. It may be, for instance, that it is better to send marines from California to Pusan and leave units of the British regular army in Hongkong. The logistics of the situation may demand such an arrangement. Yet the evidence that is available suggests that the decision was not reached on a combined basis and that the really lavish machinery of western military co-ordination was simply ignored.

The issue is, in fact, political, not military. If at this stage and with Korea to spur them on, the governments of the west decide to pool their resources, to make their plans jointly, to revive the partnership of the last war, and to subordinate everything to an effective policy of containment, the resources and the machinery for such an effort exist. But resources and machinery cannot of themselves dictate policy. They can be used or not as the governments decide. The supreme need is for a quality of statesmanship in all the western nations equal to the courage that Mr Truman and Mr Acheson have already shown, so that the free world may derive the utmost benefit from the impetus towards unity and strength that the Communist aggression in Korea has given them.

Hindu and Moslem

IT is now just over three months since Mr Liaquat Ali Khan accepted Mr Nehru's invitation to come to Delhi and attempt a settlement of the communal problem in Bengal. The Delhi Agreement on Minorities which the two Prime Ministers drew up in April has been working better than some pessimists had feared it might. Indeed, many people in both Pakistan and India have been pleasantly surprised. To have expected complete harmony would, in the circumstances, have been naive; but the Agreement removed the immediate danger of war, and that in itself was a very considerable success. At the moment, in fact, the two countries are perhaps further from coming to blows than at any time since partition in 1947; in March, as Mr Nehru admitted, they were "on the brink" of open war. There remain, however, several fundamental questions for India and Pakistan to settle if they are to live out the future in friendship, and if, as they should, they are to present a co-ordinated front to the pressures of Communism. Besides the minorities, there are still the serious disputes over refugee property, over devaluation and trade, over the canal waters of the Punjab—and, of course, over Kashmir. Events in Korea have drawn public statements from both Prime Ministers that they must sink their differences. And they are due to meet again this week in order to do so.

It was disappointing that, at the time the Minorities Agreement was negotiated, so little came of the intimate and friendly exchange of views on Kashmir and other problems, or of the trade talks subsequently held in Karachi. It has been even more disappointing since that, in spite of a relaxation of the barriers to trade, the limited barter agreement which did come out of the Karachi talks has not been fully implemented. Little more than a third of the jute contracted for has reached the Indian mills, and by no means all the jute purchased before the breakdown in Bengal trade has been released. Attempts to extend materially the present restricted scope of Indo-Pakistani trade have also so far failed—as they are bound to do until the exchange rate difficulty is settled. It is true that certain valuable goods traffic in fruit, fish and vegetables for Calcutta has restarted; but what is needed is to get vital commerce moving again in coal, raw cotton, textiles and wheat—as well as in jute.

Meanwhile, the Bengal Minorities Agreement continues to operate, its machinery now at last fully in being. And, although the first impetus has been exhausted, it is to be hoped that the Agreement will long remain in force; if it lapsed at this stage the results would be disastrous. By the end of its first and most crucial two months, from mid-April to mid-June, the Agreement had succeeded in completely stopping the net flow of Hindus from East (Pakistani) to West (Indian) Bengal. The flow of Moslems in the reverse direction was not stopped, but it was very considerably reduced. To judge by Pakistani statistics, whereas in the second half of April, 104,825 Hindus moved out of Pakistan, 65,257 came in, leaving a net exodus of 39,568; in the first half of June, 83,762 Hindus left and 84,999 came in, making a net intake of 1,237. Figures for Moslem movement (in Bengal only) showed that in the first equivalent period 34,967 entered Pakistan and 5,370 left, giving a net intake of 29,597, while in the second period, 30,676 entered and 20,356 left, making a net intake of 10,320—or only

a third of what it had been. Since then, there has been a slight though not important setback in these trends.

Even if the Agreement is a long way from having persuaded more than a small proportion of the refugees to return to their homes, part of its success can nevertheless be measured in the number of Hindus and Moslems moving against their respective refugee currents. Most of these people undoubtedly consist of former refugees who have gone back temporarily to try to salvage some of their property, a question on which the Agreement has obtained a considerable, if no more than local, success. Part of the provision in the Minorities Agreement applying to Bengal is that "rights of ownership in, or occupancy of, the immovable property of a migrant shall not be disturbed. If, during his absence, such property is occupied by another person, it shall be returned to him, provided that he comes back by the 31st December, 1950." It is usually the man with lost property who remains bitter and spreads the most bitterness in his new home. On the whole the property of the Hindus has amounted to more than that of the Moslems, many of whom are labourers. And the Pakistan Government is to be congratulated on having done what it can through trust committees to restore Hindu middle-class property without attempting to bargain about the Moslem position in West Bengal.

On the Indian side, in spite of the best intentions, the situation has caused some anxiety in Delhi owing to the intransigent attitude of opinion in West Bengal. When Mr Nehru originally staked his political future on achieving a settlement with Pakistan over the minorities, there were at first many in India who doubted the possibility of any success. But by the time the two Bengali ministers, Mr Mookerjee and Mr Neogy, came to press their resignations from the cabinet, it was they and not Mr Nehru who were flying in the face of public opinion in India as a whole. There can now be no doubt that the leading Indian ministers have acted loyally and courageously in the cause of peace.

West Bengal stands out as the main source of danger to the Agreement. Even now, the tone of its press—apart from *The Statesman*—is ugly and bitter, in spite of warnings from Delhi, of promises of good behaviour by the Calcutta editors, and of the efforts of the Joint Indo-Pakistan newspaper editors conference. Bengal used to be the leading and ruling province of nineteenth-century viceregal India. Today, West Bengal is an unhappy rump of former greatness over which the central government in Delhi naturally hesitates to attempt too tight a control. Unfortunately, this hesitation, based though it partly is on regard for the constitution, could yet mean that mischief makers in West Bengal might once more bring all India to the brink of the abyss. The truth is that many West Bengalis do not want the Agreement to work; they talk less of war than they did, but they do not know what they want instead, except perhaps to see the rest of India suffer for Bengal's misery. They are not even in a mood to accept a new lead. Desperately overcrowded—2 million Hindus have come and little over 1 million Moslems have left since January—cynical, hot tempered, arrogant, disliked by others and in despair, West Bengal has so far seen the Agreement work in spite of itself.

Elsewhere, although much calmer and more realistic, the general run of public opinion in both Pakistan and India is still distrustful of the other. In India, there is a deep-rooted conviction that Pakistan never keeps its word; hitches in the present Agreement are quoted as further proof. In Pakistan plenty of people are waiting to see whether the Hindu Mahasabha will succeed in swinging Congress against the cabinet and Mr Nehru's policy; they are almost certainly waiting in vain—although Mr Nehru could not lightly face the resignations of another two key Ministers. On the other hand, visits of public men to opposite sides have unquestionably improved the atmosphere in both countries and restored perspective. Law and order have been reasserted and, while there are still minor incidents, robberies and murders, there is little talk at present of "barbarism and atrocities" and no major riots.

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The present moment is one of renewed opportunity. Both Mr Nehru and Mr Liaquat Ali Khan have been abroad during the past few weeks, and have been able, as Mr Nehru has said himself, to see their own problems from the outside. Everyone interested in drawing Pakistan and India together will expect them, in their present meeting, to take up where they left off at the beginning of the hot weather. The Minorities Agreement, like a monsoon, has broken some of the tension which had been built up. But it is by no means enough, even in its own sphere. If nothing further is done to help the minorities to live where they are, they will move. And although machinery now exists to help them to do so, their movement will still cause endless misery and stir up much dangerous resentment. They ought to be given enough reason to stay where they are.

Perhaps India and Pakistan, like oil and water, will never really mix. There is, however, a new feeling in India that, if they cannot act as brothers, then they should handle their common relationship like two unrelated states whose fundamental interests move together. If they could forget the family feud, they might come to a working arrangement as strangers. In Pakistan likewise, the acute trouble in Bengal has produced a new understanding of the risks and horrors of fratricidal war. The good will generated by the Minorities Agreement is already evaporating nevertheless, and if the two countries are not to drift back into a state verging on hostilities a new catalyst must be found, and quickly. This might be an external force like the danger in Korea; or, more likely, the success of Sir Owen Dixon's negotiations on Kashmir during the next few weeks. It might even be Pakistan's acceptance of a new rate for its rupee next month on the advice of the International Monetary Fund. But, whatever it is, neither side can afford to fail to find it.

Kashmir is still perhaps the biggest single issue dividing India and Pakistan, and a satisfactory settlement there would have an electrifying effect. Yet, although a severe test of statesmanship, at the ministerial level, it is not so urgent as the problem of the minorities; nor does it affect the everyday life of the man in the street. A week-end of rioting could still put hundreds of thousands of hapless human beings to flight again with incalculable results. If last April's work is to run no risk of being undone, Mr Nehru and Mr Liaquat Ali Khan, together with their ministers and officials, must renew contact successfully. The generation which once worked together under the British—and fought together against them—probably has a better chance of reaching a settlement than has the next. Time is not necessarily on the side of peace.

Savile Row

SAVILE ROW is an uninteresting little street sandwiched between Bond Street and Regent Street. "Savile Row" is a description recognised all over the world as applying to men's clothes that not only contain good materials and workmanship, but contain also some special virtue, some air of distinction and dignity which stamps the work of London's first-rate tailors. The heirs to this tradition are a mere handful of firms, fifty at most, and none of them is very big. But this small aristocracy of craftsmanship wields an influence out of all proportion to its size; the standards it sets and the demand it creates at home keep alive all the retail bespoke tailors' shops up and down the country, while its prestige value abroad enables British tailors exporting goods of every type and quality to bask in its reflected glory.

Only a few of the first-class tailors are now in Savile Row itself, for, when the name of this little street became a household word for fine tailoring, cloth merchants, appreciating its publicity value, began to push the tailors out. The tailoring firms, who have no more liking for high rents than they have for publicity, continue to flourish quietly in the old Georgian houses of the surrounding streets, aloof and non-committal behind their discreet name-boards and screened windows. Rarely does the name of the firm give a clue to the name of the tailor inside, and when it does it is likely to be a generation removed, for new establishments are rare. More commonly, the firm's name is the only relic of a man who built up a business on strapped trousers and frocked coats and sold it to the present proprietor's father. In spite of a strong tendency towards succession among tailors, as among customers, the tendency to conserve old names for old businesses is even stronger.

The chief stock-in-trade of a good-class tailor is his connection with several hundred customers, not necessarily in London or even in England, who will seek him out from time to time to renew their wardrobes, occasionally introduce acquaintances to his shop, and in due course bring their sons in to be dressed. The essence of his service is to be permanently and dependably the same—available year in and year out to produce good clothes with the minimum of trouble. Any change which disturbs this comfortable continuity is unwelcome and the old name is at one with the solid furniture and formal avoidance of display in assuring the customer that his tailor is a reliable institution—yesterday, today and for ever.

*

But if this trade is, as it claims, an institution with traditions and standards to consider as well as narrowly commercial advantages, it will have to take confidence to plan for its future craftsmen. Almost the whole of a well-made suit is sewn by hand, by journeymen tailors sitting cross-legged on the "board" or table, and all master tailors and cutters learn their trade by being apprenticed to an experienced tailor and watching him mould garments by alternate pressing and stitching to an outline which he holds in his mind's eye. "Rock of eye" is the tailor's name for this sense of good line, and all successful tailors must cultivate it by a laborious apprenticeship. Fully trained tailors specialise in cutting if they have a preference for the "front of the shop" and a weekly wage, or if they have a family business to inherit. Otherwise they become journeymen tailors, of whom the majority are "outworkers" renting a room or a single "sitting" in a side street of Mayfair or Soho and taking work from two or three firms. Only the most skilful tailors get work from the best firms that pay the highest prices, but these can at present earn up to fifteen pounds a week on a full week's work. Others, with less skill in coats, specialise on trousers and waistcoats, which they make up with a small team of helpers, and if they can get a plentiful supply of good-class work, they earn almost as much as coatmakers.

The history of outworking, and of the London Time Log on which its piece-rates are based, is long and stormy. The system worked successfully in the past because tailors were plentiful, their work was cheap, and their tools were few and simple; so long as seasonal rushes of work could be obtained satisfactorily from outworkers, it did not pay master tailors to house and supervise more than skeleton staffs in expensive Mayfair premises. Moreover, before the first war the market for

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working tailors was constantly replenished by the immigration of Irish and continental craftsmen and of Swedish tailors anxious to learn London styling ; underemployment, bad conditions and poor earnings persisted long after free immigration ended. At the present time a fair proportion of London's finest craftsmen are these same immigrants, or their sons.

The trade union cry of " workshop accommodation and direct employment " for the whole tailoring trade has never received whole-hearted support from the most successful journeymen with good connections ; a substantial minority, especially when work is plentiful, enjoy their independence, go racing one day and work into the small hours the next, and discount bad working conditions because they have never known any others. But a move to end outworking is now apparent among the master tailors themselves. In the last few years good craftsmen have become so scarce that firms have begun to take workrooms and offer good conditions and constant employment. But, as in so many skilled trades, it is difficult to attract a sufficient number of apprentices. Much of the work is still done in conditions which seem shabby and cramped compared with those of a modern factory, and the long ill-paid apprenticeship and the need for night school lessons are further deterrents. Unless training and recruitment are taken in hand with more imagination and foresight as investments for the future, the genius of Savile Row tailoring will flag just when it needs to put its best foot forward in search of new markets.

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Almost for the first time the best tailors are having to concern themselves about customers. These are still plentiful, but the proportion of English clients is falling steadily. These have always been, in the main, people with taste as well as means, for neither a West End address nor a high price is an infallible proof of good tailoring. Indeed, one of the curious facts about the leading London tailors is that their suits sold before the war at 14 or 15 guineas when 12 or even 13 guineas was a common price for a suit of markedly inferior cut and quality. The corresponding price today is 35-40 guineas (of which a fifth is purchase tax), but several times as many tailors, with no pretensions to being in the top rank, find customers at 30-35 guineas—a puzzling contrast, this, with the steep prices women pay for the big names of *haute couture*.

There are in theory many potential new customers for the first-class tailor—people who would be better dressed in the long run if they would substitute two good suits for three mediocre ones. But since few laymen can judge clothes objectively—or at least have confidence in their ability to do so—old habits prevail, while the man with half a mind for a Savile Row suit must often be deterred by the lack of introductions to these exclusive-looking houses. The problem of how to widen their clientele without losing dignity is one that most good tailors cannot bear to consider, let alone to solve. Meanwhile, the order-books are kept full by greatly increased foreign custom. Some firms are making more suits for the United States than for England ; some have particular connections with European capitals ; some specialise in riding habits for customers all over the world. Customers in Europe and America are measured and fitted by a firm's traveller who may make one or even two visits a year to cities where the firm has customers. Final adjustments in the United States are usually made by English tailors employed there for the purpose. European countries have customs agreements enabling coats without their top collars to be taken in and out duty free for fitting. No first-class tailor, however, needs many fittings. Other foreign customers are those visiting or passing through London, for whom prodigies of speed are now performed to enable them to take the goods home under the Personal Export Scheme, and who often repeat orders by post for years afterwards from remote parts of the world. " Send me another dark blue suit. I am two inches fatter round the waist " is the kind of order that causes many misgivings in London, but is always met ; the paper patterns, which are never destroyed, are disinterred from the storeroom ; often some *aide-mémoire* is referred to ; and the cutter goes to work to interpret what those extra " two inches round the waist " really mean in terms of the man he remembers.

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Competent estimates agree that something over one-third of the total product of the first-class London tailor is exported—far more than before the war. Does the future of this trade lie in exports ? The master tailors themselves are emphatically convinced that it does not ; they regard the fall in the home market as disastrous and the boom in exports as a temporary makeweight. They blame purchase tax for the ruin of their English custom and pin their faith to a return to prewar conditions when it is removed. But this somewhat facile diagnosis ignores more fundamental factors—the lower real incomes of the upper classes as a whole and the changing social pattern which results in so many of the postwar rich having no tradition of dressing well. Purchase tax now makes a 32 guinea suit cost 40 guineas and no doubt its removal would help to sell some more suits, but it is hard to believe that between these prices the elasticity of demand of existing customers can be very great. On the other hand, the possibility of building up a successful export trade without a basis in a sound home market is not yet seriously considered ; the dangers of a slump in the United States, of tariff barriers and quotas suddenly cutting off some patiently cultivated market, of costs at home and price levels abroad moving unfavourably against each other, are all grave drawbacks to such a proposal.

The hand tailoring industry is an interesting case-study precisely because it is in many ways typical of the situation in so many of the British luxury trades, each complaining bitterly about an impoverished home market, each unwilling to accept the fact that its future bread and butter must largely come from exports. The habit of mind which has long regarded exports as an " overspill " from production for the home market dies hard. Although in the last few years the proportion of this overspill has grown considerably, owing to a seller's market abroad, yet as that seller's market returns to normal the pressure to remove purchase tax and free the home market increases. The desire is understandable to relinquish risky, newly won contacts abroad and to turn comfortably back to a predominantly British custom. But it seems more than likely, that for Savile Row at least, the home market as it was known before the war would be found—even without purchase tax—to have shrunk to an uncomfortably small size.

NOTES OF THE WEEK

Diplomatic Blackmail

Pandit Nehru, in his evident and admirable desire for peace in Asia, has contrived to confuse two issues—the Communist attack upon South Korea on the one hand and, on the other, the impasse in the Security Council produced by the Soviet Government's refusal to appear there unless the Peking Government is admitted as the representative of China. In his letter to Mr Stalin on July 13th Mr Nehru proposed that a " speedy, peaceful settlement " of the Korean issue could be achieved by bringing Communist China into the Security Council and then, either inside or outside the Council, settling the Korean issue by agreement between the powers. The plain inference of his proposal was that the Russians should " buy " China's place in the United Nations by calling off an aggression which they had certainly armed and, in all probability, instigated.

Mr Stalin's response to this suggestion of a dubious political deal was, in effect, to accept the offer of Communist China's admission while making no commitment about ending aggression in Korea. The " Korean question," he said, should be referred to the Security Council " with the obligatory participation of the representatives of the five Great Powers, including the People's Government of China." For the rest, he was silent. Having published the correspondence—without asking permission—to the embarrassment of the Indian Government, he has allowed Pandit Nehru's initiative to make its own impact on the troubled mind and conscience of the world.

It is important that the confusion created by the Indian attempt at mediation should be quickly dispelled. The British Government has long held that it is vital for the functioning of the United Nations to secure the admission of Communist China. But this issue has absolutely nothing to do with the Korean incident, in which North Korea attacked its southern neighbour in open aggression and then disregarded the Security Council's call for a cease fire and a withdrawal of forces. This, and this only, is the issue at present before the United Nations, and one kind of intervention only is called for from the Russians—to compel their puppets to withdraw to the 38th parallel which they should never have crossed. If, as a result of encouraging what they call " civil war," the Russians can secure political advantages in other totally unrelated fields, the invitation to use the pressure of force will be overwhelming. The question, " What will you give me if I stop twisting your arm ? " has a place in the vocabulary of thugs, but not in the proceedings of the United Nations.

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China and the Council

It is doubly unfortunate that the issue of China's representation on the Security Council should have become linked in any way with the Korean incident. Whereas the western world has succeeded in reaching an admirable and unforced unanimity on the issue of North Korea's aggression, there is not—and, indeed, cannot be—the same certainty on the question of China's place in the United Nations. In the first place, the British and American governments have not seen eye to eye upon the issue. In the second, the claim of Peking to speak for China is widely accepted as being more reasonable than that of the Nationalists.

It is therefore important to remember at this juncture that, if the Soviet Union had pursued other tactics, Communist China would almost certainly have been a member of the Security Council by now. When the vote on Chinese representation was taken on January 13th, three nations—the USSR, India and Jugoslavia—voted for the Peking Government, six nations—the United States, France, Nationalist China, Egypt, Ecuador and Cuba voted against and two—Britain and Norway—abstained. The instant Soviet reaction was not a friendly canvass of other members to induce a change of view but a total boycott. The Russian delegates walked out and have not returned since.

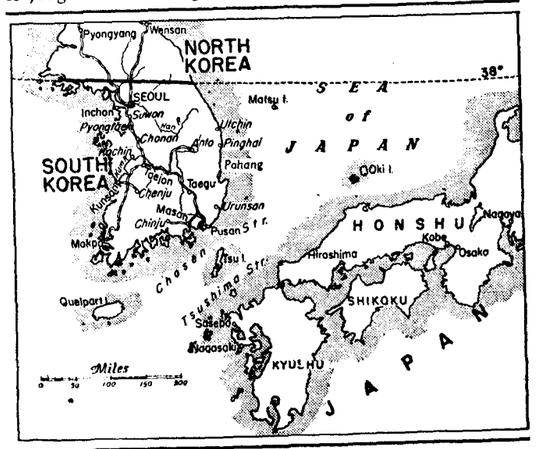
It was left to the British—the " capitalist hyenas "—to undertake the diplomacy which the Russians scorned. The British delegation set to work to convince the other members that the change was desirable. Any hopes of convincing France were, however, undone by Russia's entirely gratuitous recognition of the Ho Chi-minh regime in Indo-China. Any softening of American opinion was similarly discouraged by Communist seizures of American consular property in China. Nevertheless, the British could feel that progress had been made during the early summer and a position was reached in which the Americans allowed it to be known that they would not use their veto to keep Communist China out of the Security Council if a majority was secured for the motion.

The British effort was, naturally, totally undone by Communist aggression in Korea ; and the unbridled Russian attacks on Mr Trygve Lie will not make it easier for the process in due course to be resumed.

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The Two Bridgeheads

The general military picture in Korea has not changed decisively in the last week and the retreat of the United Nations forces has continued. Two events of the campaign, however, deserve comment. One is the first sign of strategic mobility and counter-attack on the American side. A strong force has been landed from the sea—unopposed—and secured a bridgehead at the small port of Pohang on the east coast. What effect this initiative through a small port of limited capacity may have on the campaign is difficult to judge. But it is significant that the Korean Communists



were unable to call on naval forces or air power to harry an operation of this kind. Indeed, reports suggest that the Communist air forces are suffering heavy losses in the air and on the ground ; if these are accurate, it will be interesting to see whether reserves of pilots and machines will be made available from outside Northern Korea.

The other factor is not so favourable to the defending side. Within the whole southern bridgehead, stretching from Taejon and Pohang in the north down to the southern coast, there are many reports of serious activity among the Com-

manist guerrillas. Ever since the beginning of the campaign, North Koreans, disguised as refugees, have passed through the lines and attacked the defenders from the rear. The latest reports, however, speak of guerrilla attacks launched far behind the line. The impossibility of distinguishing one kind of Korean from another makes it exceedingly difficult to deal with this new menace, an important part of "civil war" tactics.

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Defence and Debate

The Government has wisely acceded to the demand for a debate on defence before the House rises for the summer recess at the end of next week. The session will not be the secret one for which Mr Churchill and some Tory members have pressed, which in the interests of security as well as publicity is just as well. The press is not under the same restraints as in wartime to refrain from publishing any information which its political correspondents might glean, and the discretion of some members might prove to be less than absolute. It is doubtful, however, how much the Government will be prepared to tell the country in open debate about the state of Britain's defences at home and abroad. It has hitherto had a bad record for unnecessary secrecy and vagueness on this subject; but if it wishes to strengthen the nerves and heighten the response of the British public, a fairly frank picture must be presented, not only of the external dangers but of the gaps and deficiencies in the defence system itself.

Whatever line the Government takes next week, a proper debate will be an improvement on the method which has been practised during the past ten days by Tory back benchers of cross-questioning Ministers at question time about separate aspects of the defence system. Ministers have been frequently hampered in their replies, particularly to supplementary questions, by their anxiety to keep within the limits of security. The outcome of the questioning must have been to add a good deal to public concern and very little to public knowledge. Indeed Mr Churchill's angry remark on Wednesday to Mr Shinwell that the country has been "shamefully let down" could much better have been reserved until the Minister was in a position to make a proper reply.

The Conservatives are clearly determined to press the defence issue with all their strength, partly from a desire to ensure that all possible precautions are in fact being taken, and partly because they believe, and are trying to make the country believe too, that a Conservative Government is the only possible custodian of the defences in a time of crisis. There can be no doubt that they plan to make it a major issue at the general election, whenever it is held. The Korean crisis appears likely to have the effect of delaying rather than accelerating an election.

Meanwhile on the Labour back benches a handful of the survivors of the foreign policy "rebels" have come forward with a motion in which emphasis is placed on the need for mediation and the cessation of hostilities in Korea. No mention is made of a Communist withdrawal to the 38th parallel as a condition of mediation, but stress is laid on the need for a United States withdrawal from Formosa and of the admission of Communist China to the Security Council. It is one of those shrewdly drawn motions which, taken bit by bit, might be called unexceptionable, but which in timing and in emphasis, and in particular in the absence of any reference to the withdrawal of the North Korean forces, amount in fact to a criticism of the Government's policy. Mr Attlee certainly found it sufficiently exasperating to ask the members concerned to withdraw it; but a number of them, including Mr Driberg, who is a member of the Labour Party Executive, have held to their position. In many ways a forthright opposition to the Government's policy would be healthier than this type of sniping from behind cover.

Untried Weapons

Mr Hugh Gaitskell's statement on British employment policy, at the plenary session of the Economic and Social Council, marks—to a reasonably optimistic eye—a certain advance in realism. Mr Gaitskell recognised, even if only by implication, that none of the measures in the armoury of full employment policy is relevant to an unemployment problem arising from a decline in overseas demand and a corresponding incapacity to import, which is more than the British Government spokesmen have generally been willing to admit hitherto. Moreover, his prefatory warning against complacency referred not merely to balance-of-payments difficulties but to the older and deeper-rooted problem of the home-produced depression.

But complacency need not, as has been too often demonstrated in other spheres, consist only in an unfounded belief that one will not have to use one's weapons, but in an unfounded confidence in their efficacy when used. Mr Gaitskell listed some of the anti-depression devices ready to the Government's hand: tax remissions, reductions in social insurance contributions, the liquidation of postwar credits, on the consumption side, and on the investment side an expansion of the housing programme and of other public works. On these two comments need to be made. In the first place, a mere decline from "brimful employment"—98.4 per cent at work, as at present—to the "full employment" of 97 per cent envisaged, for example, in Lord Beveridge's "Full Employment in a Free Society," would probably, in the present state of public opinion, result in political pressure on the government to bring the entire battery at once to bear, restoring and enhancing the inflationary pressure which has bedevilled the British economy for the last five years. It is notoriously unwise to use sledgehammers to crack nuts, particularly when, as in this case, the nut is better left uncracked.

Secondly, and more importantly, there is as yet no experimental proof that the various devices listed by Mr Gaitskell will in fact suffice to ensure permanent full employment, even in a closed economy. All of them, in greater or less degree, are devices to keep the inflation going and to create enough artificial demand to employ the nation's resources in those places and occupations where they happen to be. In short, they are devices to make the pattern of demand conform to the existing pattern of supply. This can, no doubt, be done for quite a time, but only at the cost of transferring a few more initiatives from private hands to those of the state and adding a few more subsidies to the taxpayer's burden.

One can say with reasonable certainty that it should be possible to flatten out somewhat the curves of depression and to avoid the enormous positive mistakes that turned depression into catastrophe twenty years ago. But it is difficult to believe that a full employment policy can be permanently efficacious unless it includes some provisions for shifting resources from where they are less to where they are more in real demand—and it is provisions of this sort that are still conspicuously lacking. Until there has been much more thought on these lines it would be unwise to regard the untried weapons of the Keynesian armoury as a fairy-tale sword and buckler whose owner has only to put them on to vanquish whatever dragons may lie in his path.

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The Indifferent Steward

The British Government, in its capacity as a planning agency and as the arbiter of the import and export programme, has shown itself to be an extremely indifferent guardian of the interests of the press and of a public which buys more newspapers per head of population than any other nation. At the beginning of 1950 the government decided that it was not possible to allocate dollars to buy Canadian

newsprint (despite the fact that it had managed to do so in the previous three years and despite the fact that the balance of payments between Canada and the sterling area was nearing equilibrium). On this basis the Newsprint Supply Company calculated that it was possible to permit seven-page papers (that is, an alternation of six and eight pages for the penny nationals) over the period of the election and six-page papers after July 2nd, since it could partially counterbalance the loss of Canadian supplies by purchase elsewhere and by increased home production. In the House of Commons last week Mr Harold Wilson implied that the newspapers had been carelessly over-optimistic. But according to a detailed statement issued on Monday by the Newsprint Supply Company it appears that the government itself was largely responsible for the sudden deterioration in supplies by making an equally optimistic deal to increase exports of British newsprint to Australia (where the newspapers are already back to prewar sizes). The problem was, however, accentuated by a sudden drying up of the other non-Canadian sources of newsprint, owing to increased American demand. The stocks in Britain now stand at only a little above half what is considered to be the safe level and there is no certainty that six-page papers can be maintained.

Faced with the prospect of an imminent newsprint famine the Board of Trade on May 9th relented to the extent of permitting 25,000 tons from Canada (or 50 per cent of the previous level of imports) for the second half of 1950, but by then the Canadian mills were sold out and no more than 10,000 tons could be secured. Moreover the Canadian mills reasonably insisted that if they were going to do business with Britain again they must know the total tonnage that Britain was prepared to import in 1951, which in any case could not, under existing contracts, exceed 75,000 tons. The government was at first only prepared to authorise the purchase of half this amount for the first half next year. However, it has belatedly realised that next year's production must depend on the level of timber fellings during this summer and autumn. After much friction it has therefore authorised the purchase of 75,000 tons for 1951.

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The record of the Board of Trade on newsprint in the past few years makes it very difficult to acquit the government of the charge that it has either been inspired by gross malice towards the press or else that it has shown extraordinary incompetence. As Mr Wilson has himself admitted, the demands of the press on newsprint make it essential to have a steady and regular supply, whereas the government's handling of the Canadian contracts has shown that it regards newsprint as an item which can be juggled with at will. The government has constantly expressed its concern about the standards of the press, but there are quite enough ex-journalists in its counsels for it to be well aware that standards cannot be maintained and raised if it is impossible to train and deploy a constant stream of new recruits—recruits who are once again being reluctantly turned away from the doors of every newspaper office in the country. Once again, it is precisely in foresight and planning, in the ability to make a programme and stick to it, that the controlled economy seems to fall most sadly behind private enterprise.

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The Menzies Mission

The goodwill and understanding that have characterised Mr Menzies's visit to London have quickly driven to ground rumours circulating beforehand of political misunderstandings between Liberal Australia and Labour Britain, and of clashes over increased Australian demands for dollars from the sterling pool. The Korean war may be partly responsible. If Communist pressure is to increase in Asia, Australia is an indispensable base for the free world and a natural link between the United States and British strength in Europe and Africa. Much of the impetus behind Australia's enormous immigration programme springs from the determination to provide Australia with the population and the economic strength to deter aggression. The capital needs which this programme entails—of which housing is only the most pressing example—go beyond the capacity of the sterling area. The hydro-electric schemes, in particular, require dollar imports. There is thus every reason, from the point of view of Commonwealth defence, for London to welcome and agree with plans for Australian expansion, even at a certain extra dollar cost.

But the success achieved by Mr Menzies also turns on the reasonableness of his case. It is true that Australia is technically a dollar "user," but this is in large measure because many raw materials—minerals, wool, meat—which could be sold for dollars are in fact supplied in return for sterling and the dollar problem of the sterling area as a whole is eased in this way. The result has been a steady growth in Australia's sterling balances which are now in the neighbourhood of £400 million.

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Observers in Trouble Spots

Three lessons about the technique of "civil war" are now being learnt by those whose business it is to estimate future developments in the international field. The first is that if a personality or organ of the Cominform accuses the British and Americans of planning aggression in an area, the chances are that plans for "civil war" to break out in that area are well advanced. The second is that the measures taken to build up public opinion in the Communist sphere are an important source of intelligence about future intentions. It is curious, for example, that the persistent East European propaganda accusing the west of preparing an atomic war is never used to encourage air raid precautions or civil defence in the countries where the war fear is whipped up. The third lesson is that an international team of observers at the trouble spot can play a most important role both in checking aggressive acts and in guiding public opinion about the situation in which they take place.

The United Nations Special Commission in the Balkans has this week very properly drawn the attention of the Secretary General to the trend of Communist propaganda against Greece and Jugoslavia. They have singled out in particular an outrageous article in the Cominform journal by Zachariades, the Greek Communist leader. This contains allegations that a "Belgrade-Athens axis" for aggression is being formed and that Jugoslavia is being supplied with large quantities of American arms. It contains material, too, that would be understood by every Communist to be an order to begin extensive sabotage in both countries.

The Secretary General would do a great service if he were to propose to Uno members that commissions of international observers, like that which is still watching the frontiers in Greece, should be placed in all areas where the technique of "civil war" and aggression by proxy is likely to occur. The list of areas is easily drawn up. With such teams out in the field, and with the international press in close touch with them, the United Nations could wield the weapon of publicity that has proved so effective in the last month. If Mr Trygve Lie feels that he cannot sponsor such a proposal, it could perhaps be made the business of one of the "middle powers."

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Town *versus* Country in Federal Germany

The attempt made by Dr Adenauer and his Minister of Economics, Dr Erhard, to carry out their long-heralded intention to abolish the subsidy on bread grain and fertilisers as from July 1st has brought about a crisis inside the Bonn

coalition. What is more, it threatens to disturb that peace in the labour world that has been so remarkable a feature of postwar Germany. The government has been attacked from two fronts: from a farm bloc that is exerting more and more pressure for protection, and from a trade union federation that is also trying to determine the course of German economic life in its own interests. As a result, the *Bundestag* voted last week for the subsidies to be retained in defiance of the government. Trade union anger had been roused by the action of the bakers who, ignoring the price control, immediately raised the price of bread to retain their profit margin. The bakers themselves had to face an increase of 22 per cent in the crop of wheat, and of 17 per cent for rye.

The rights and wrongs of the case are comparatively easy to assess. Dr Adenauer has handled the matter ineptly, but has the best economic arguments on his side; for the objections to removal of the bread grain subsidy are fundamentally due to the Germans' illusion that they can avoid the impoverishment caused by the war, and have every right to live better than ever. Its maintenance has roused the indignation of the American authorities who, in every country receiving Marshall aid, object to subsidies and deficit financing. They point out that 70 per cent of the bread the German public now eats is made of white flour—largely from imported, subsidised, dollar wheat—whereas before the war more than half the bread eaten in Germany was rye. Public protests, led by the trade union federation, have now been roused by the suggestion that a cheap, mixed loaf might now be substituted for white bread. To a country that lived for decades on hidden inflation, followed by American aid, it means little when the Finance Minister points out that, however much he would like to subsidise the loaf, the money is not there to do it.

Dr Erhard can justly claim that, under the policy of freedom from controls at home and liberalised trade abroad, the cost of living has dropped very considerably. In March, when the cost of living index was 174, the index of hourly wages and salaries showed a rise to 155. Since March, the cost of living has dropped to 157 (1938 = 100). The prospect of a further fall, however, is now endangered. Hopes of a drop in American food prices are now certain to be dashed; and, at home, Dr Erhard is faced with growing opposition from the organised farm bloc. This has now presented a demand that the price of fertilisers shall be maintained, that imports of fruit and vegetables shall be prohibited, and the import of all other foods greatly reduced. In the latest trade negotiations with eastern Europe, Frankfurt has been forced by the farmers to refuse the full quantities of pork and other foodstuffs offered by the Poles and Bulgarians. It would be dangerous if this attitude were allowed to dictate Bonn's policy and two irreconcilable fronts were formed in town and countryside.

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Another Colonial Constitution

The negotiations that have preceded the introduction of a new constitution for Sierra Leone have followed the same lines as the discussions over Nigeria's proposed new constitution. The inevitable consequence of the artificial boundaries of the African colonies is that they comprise races of very different outlook and culture and at very different stages of development. Now that the colonies are attaining a considerable measure of responsible government, the more backward elements in them are alarmed lest they should be swamped by the more vigorous advanced elements. They therefore rely on their greater numbers to preserve their influence, while the more progressive minority retorts by claiming at least equal representation on the basis of quality.

In Nigeria, the comparatively backward Moslem north is claiming half the seats in the proposed new central legislature, on the basis of its large population. In Sierra Leone, whose present constitution dates from 1924, the "colony"—which means Freetown and its neighbourhood—objected to the proposal to give the "protectorate"—which means the rest of the country—twice as many seats in the revised legislative council as were to be allotted to itself. It claimed equal representation, in spite of its far smaller population, because of its undoubtedly more advanced state. The controversy has still not been settled, and proposals for a joint committee of both parties to discuss it amicably came to nothing. The Governor and the Secretary of State have therefore decided to impose the constitution in the hope that the differences may fade away once it is in force. A literacy qualification for membership of the Legislative Council may dispel some of the "colony's" fears, for it should lead to more educated members to represent the protectorate, which otherwise might be exclusively represented by the chiefs. It would certainly be foolish for the colony not to attempt to make the new constitution work, for in effect it brings Sierra Leone into line with the other West African colonies. It will have an unofficial majority in its Legislative Council, and, through the participation of four of these unofficial members in the Executive Council, a direct say in all major matters of policy.

The reference section of the Colonial Office's information department is to be congratulated on producing "Notes on Colonial Constitutional Changes 1940-50," which is an excellent summary of the new constitutions and their background. It is to be hoped that the section will keep it as up to date as possible.

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The Future of Groundnuts

The British taxpayer, who has advanced some £35 million to the East African groundnut scheme, will not derive much comfort from Mr Webb's speech in this week's debate on the Overseas Food Corporation. Once again the harvest of groundnuts—in so far as any have been planted—has not been up to expectations, and the yields of sunflower, both at Kongwa and Urambo, have been very disappointing. Once again land clearing operations are falling behind the estimates. In fact, the only heartening conclusion to be draw from Mr Webb's survey, which he emphasised was an interim report, is that it was honest. The days of false estimates and of hiding the facts are evidently over.

But the future of the groundnut scheme is still uncertain. The shift of emphasis from its importance in the production of fats to its importance in colonial development was very apparent in this week's debate, and the Opposition once more put forward a plea that in consequence responsibility for the scheme should be transferred from the Ministry of Food to the Colonial Office. *The Economist* has always taken the view that the Colonial Office ought to have been in charge of the scheme from the outset. But it ought to be pointed out that in itself a transfer would solve nothing. All the colonial development by-products of the scheme which were enumerated in the debate—the health service, the schools, the training schemes, the transport facilities—cannot be maintained without a sound economic basis. If that basis cannot be provided by the production of groundnuts or sunflowers, what is to take its place? Neither the change in the membership of the board of the Overseas Food Corporation nor, if it takes place, a transfer of departmental responsibility should be used as an excuse for refusing to tackle this crucial question.

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The Status of South-West Africa

The International Court of Justice, to which the United Nations had referred the South African Government's proposal to incorporate South-West Africa as part of the Union, gave its advisory opinion last week. It reached four main conclusions. First, by a majority of eight votes to six, it decided that the Charter of the United Nations imposes no obligation on the Union Government to place the territory under trusteeship. Secondly, it decided unanimously that the territory is still under mandate, and thirdly, by twelve votes to two, that the Union is still bound by the obligations imposed by the mandate, in particular the obligation to submit reports on its administration of the territory. Fourthly, the court decided, also unanimously, that the Union cannot modify the status of South-West Africa without the consent of the United Nations.

The Union Government had already declared that it was not bound by the opinion of the international court. If it therefore ignores the court's findings and persists in flouting the wishes of the United Nations, what happens next—and in particular what should be the attitude of Great Britain? It did not associate itself with the General Assembly in condemning the Union for refusing to submit reports to the Trusteeship Council, because the legal position was not then clear. Now that the international court has given its opinion, this equivocal attitude can hardly be maintained much longer. Whatever the exact legal status of South-West Africa, and whatever the validity of the United Nations' assumption of the supervisory functions of the League of Nations, it is quite clear that the Union Government has no authority in the territory except that which derives from the mandate. It would be quite indefensible therefore for South Africa to invoke the mandate in order to justify the incorporation of South-West Africa and at the same time to disregard the obligations of the mandate by refusing to submit reports.

If Dr Malan follows this course, and is in consequence stigmatised as an aggressor by the United Nations, Great Britain will be in an unenviable position. But both on moral grounds, and in its own interests in Africa, it cannot associate itself with a country whose native policy has become a symbol of oppression. If Dr Malan forces the matter to an issue—and it is to be hoped that he will not—the British Government must not hesitate in taking its stand against him.

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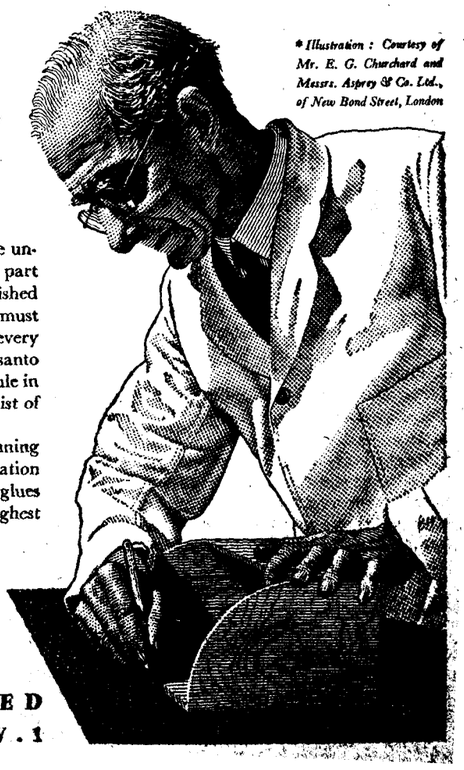
Educational Politics

In the debate on education in the House of Commons last Monday, the Opposition attacked and Mr Tomlinson defended the minimum age limit of 16 at which children may sit for the new General Certificate of Education. The most serious aspect of this controversy has been the unwillingness of the Minister to produce at any time a considered and convincing defence of his policy. There are, indeed, certain advantages which may be reaped from the imposition of a minimum age limit. But the opponents of the age limit, who include many distinguished and experienced educationists, have given their opinion that the damage to the level of scholarship in the schools will be much greater than the uncertain advantages to general education. Mr. Tomlinson has never attempted to answer this view and he failed to do so in this week's debate. The schools are now in process of adjusting their syllabus to the new examination and to the age limit. It may well be that the effects will be less evil than some people suppose. But the fact remains that a decision was made for the wrong reasons. By administrative act the Minister has broken into the schools' most sacred ark—their independence from interference in academic matters—and he should be prepared to defend his action more convincingly.

The truth is that the reasons for instituting the age limit were political, not educational. The age limit of 16 was fixed in order to rule out from taking the examination all children at secondary modern schools who leave at 15, and thus to avoid any invidious comparisons between their attainments and those of grammar school children. But

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whatever satisfaction the original decision may have given to the National Union of Teachers, it must have suffered a severe reverse when Mr Tomlinson stated on Monday that he hoped that the secondary modern schools would in future tempt their pupils to stay on to 16 and to take papers in the General Certificate of Education in subjects never dreamed of in the old school certificate. He has thus broken down the artificial defence set up by the 16-year age limit to protect the reputation of the secondary modern schools before it has even been tested.

* * *

Red Teachers

In the same debate Mr Brooke and Mr G. Thomas raised the question of the policy to be adopted towards Communist teachers. This is a question of which more is likely to be heard in the future and it deserves a thorough airing in public debate. Hitherto most local authorities have turned a blind eye on the Communist affiliations of their teachers provided their school work was unaffected. But as the true character of Communism becomes more widely recognised this attitude becomes harder and harder to maintain. Mr Brooke and Mr Thomas cited Communist influence among the teachers in training colleges. It is probably as strong in the schools themselves. In making appointments what policy should local authorities adopt?

There can be no doubt that the influence of Communist teachers over their pupils can be very powerful. Except in the secret recesses of Government, from which they are already barred, there are few places where Communists can achieve a greater and more enduring effect, and most parents would strongly resent putting their children within this circle of influence, if they were aware of the facts. Yet for a local authority or any other employer to take account of political sympathies in deciding on a candidate's fitness for a job is deeply repugnant to most English people, and could lead to great abuse of power. The problem seems as difficult to solve as all the other problems raised by the existence in a democratic society of a body of men and women who are prepared to use the facilities which it offers in order to achieve its overthrow.

* * *

Perón's Inflation

The unprecedented prospect that Uruguay may supply Britain with half as much meat as Argentina in the next twelve months should provide plenty of food for thought in Buenos Aires. While Argentina's current exportable surplus is partly reduced by the severe drought of last December and January, the long-term causes go deeper; they are to be sought in the wasteful and uneconomic policy of self-sufficiency which President Perón has pursued ever since he came to power. One of its results has been an intense inflation, which, at the end of the fourth year of Perón's presidency, is now the outstanding feature of Argentine internal economy.

Sporadic efforts by Señor Miranda's successors to stem the rising tide have proved singularly ineffective. In particular, attempts to limit government spending, the main factor in the problem, have been frustrated again and again by arguments of political expediency. A tentative effort last year, for instance, to cut expenditure on the armed forces was very quickly dropped.

In May this year currency circulation had risen to 10,379 million pesos, or more than two and a half times the figure at the end of 1946. Deposits held by banks for the account of the Central Bank were nearly twice those of 1946, at 21,084 million; while bank loans and advances rediscounted by the Central Bank rose to 18,502 million, or nearly five times the 1946 figure. Measures taken last year to restrict bank credits have merely proved inflationary, since they have been applied to private industry only and have resulted in a switch of funds from industrial production to government enterprises. Conservative private estimates of the rise in the cost of living now suggest that with 1939 as 100, the equivalent in January, 1950, was 374, compared with 292 in 1949, 222 in 1948 and 151 in 1946. The figure today is probably over 400.

It is true that the Argentine worker, compared with the middle class, is better off than ever before. But this improvement has been achieved by wage increases which have so far just kept a jump ahead of the inflation—a process which cannot be kept up indefinitely if Argentine exports are to pay their way. Already many essential consumer goods are growing scarcer and, with the virtual absence of imported non-essentials, more and more expensive. If now, in order to reverse engines and send men back to the land from which they should never have been lured away, extensive government credits are going to be handed out to the farmers under Perón's "new economic policy," then the inflation will certainly grow worse.

Shorter Note

In an action in the King's Bench Division last week it was held that the Statutory Order made by the Minister of Labour under the Wage Councils Act, 1945, dealing with holidays with pay in the wholesale mantle and costume trade was not *ultra vires*, although it did in effect impose some retrospective liability on an employer to make holiday with pay allowances based on periods of individual employment extending back over a period before the Order came into force.

Preserving the Aristocracy

There are . . . amongst us not a small number of socialists, communists, quasi philanthropists, and persons whose lives are passed in devising schemes for promoting the public welfare, who practically believe that some kind of legislation can alter the great natural relations which exist between man and the external world, and they continually demand changes in the law to make all men equally respectable, comfortable, and happy. They are instructed that legislation keeps up the aristocracy, and they in turn require that the democracy shall be sustained. . . . Though great industry and great talents and moral worth all conspire to establish and maintain the superiority of individuals or of classes, and so create something corresponding to an aristocracy in every society —such an aristocracy being as marked and distinct in republican America as in monarchical England—yet it is perfectly plain that without wealth there can be no aristocracy. An aristocracy supplicating for employment or begging for bread is a moral contradiction. Unless Parliament can find means to keep the aristocracy relatively wealthy, or proceed on the plan of paying, pensioning and feeding it as it feeds the army and navy, it is beyond the power of Parliament to preserve the aristocracy. . . . It may select a House of Lords from the natural aristocracy of society, placing in it those who are most eminent in learning, in theology, in law, in arms, in politics, in science, in trade—and those who have acquired or possess great property; but it cannot, merely by its will, insure for a House of Lords either respect or power—and if wealth be fast accumulating beyond the House of Lords—if public opinion become somewhat hostile to the sort of learning and talents and heroism heretofore honoured by elevation to the peerage, its fiat cannot preserve for such an assembly the power it may have had in the constitution.

The Economist
July 20, 1850



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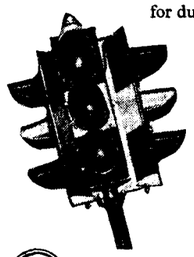
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Books and Publications

Groundwork for Victory

The Second World War: Vol. III. The Grand Alliance. By Winston S. Churchill, O.M. *Cassell.* 818 pages. 25s.

The year 1939 was the crisis of peace, 1940 the crisis of defensive war; 1941, in comparison, was an indecisive year. And yet, if indecisive, how crowded it was with events! It began with victory in East Africa and the great crisis in the Balkans and Middle East—the arrival of Rommel in Libya, the German invasion of Yugoslavia and Greece, the disastrous loss of Crete, the revolt of Rashid Ali in Iraq, the Anglo-French war in Syria, the Anglo-Russian occupation of Persia. The summer saw the German attack on Russia; the winter the Japanese attack on America. All the time there were feverish and spectacular comings and goings, diplomacy and manœuvre: Hitler pushing Franco, Mr Churchill pushing the Jugoslavs and Turks, Hess dropping out of the sky in Scotland, Matsuoka gyrating round Europe, and Prime Minister and President secretly meeting on the Atlantic sea.

By the end of the year, though the military frontiers had not been decisively altered—Germany and Britain had both consolidated their position in the areas under their control—the immediate position for Britain was worse than ever. The Germans were deep in Russia, the Japanese supreme in the Pacific, Rommel invincible in Africa. A series of colossal naval disasters had destroyed or immobilised, in a few weeks, more than a third of the British battleships and battle-cruisers and the entire American Pacific Fleet. But potentially and politically Britain had won, through its perseverance, through Hitler's blunders and Mr Churchill's patient diplomacy, a guarantee of ultimate though still remote victory. It was no longer isolated: it was the centre of a great coalition of powers, a new Grand Alliance.

All the stages of this great change are illuminated by Mr Churchill's new and copiously documented volume. On the outbreak of the Russian war he has interesting observations, generally of a dry character, and his account of the Japanese attack adds little to the Hopkins papers. Most interesting is the controversial question of the Balkan campaign. Mr Churchill's policy was clear. The western flank of Egypt, up to El Agheila, must at all costs be secured: there was no question of sacrificing this to any other need, however urgent. A mass of manœuvre must be concentrated in Egypt, to enable intervention in Greece if desired; and successful intervention in Greece was dependent on a Balkan coalition of Turkey, Jugoslavia and Greece. In fact, the Balkan coalition crumbled in the making; the prospect of positive success disappeared; and there remained a question of the relative disadvantage of leaving Greece to its fate when half-committed or of continuing to share its misfortune. The latter policy was accepted. It delayed the German attack on Russia by five weeks, but its real justification lay not in this uncalculated result but in the world of intangibles where certainty is impossible, even after the fact. The loss of Crete and of El Agheila was in an entirely different category. Crete was in fact a Pyrrhic victory for the Germans: their seaborne invasion was a total failure and their ultimate success ruined their only airborne division. El Agheila was an unqualified British defeat, largely owing to General Wavell's miscalculation of Rommel's armoured strength and capacity.

The whole question of Mr Churchill's relations with the late Lord Wavell is most interesting, and the evidence, being contemporary documents, seems conclusive. Wavell seems to have been consistently wrong: he refused to believe in an imminent German attack on Greece and doubted the prospect of an attack on Crete. He immobilised troops in Kenya and protested that an East African campaign before the rains was impossible; when overruled he found victory easy. He completely miscalculated Rommel's strength and so lost the vital Western flank. Mr. Churchill's treatment of Lord Wavell in this narrative is always generous, but the documents support the view on which he ultimately relieved him of his command —that he was "tired out."

Mr Churchill was never tired out. Once again the most astonishing feature in this history is his gigantic range, his incredible vitality, intervening everywhere with an amazing grasp of strategic detail, explaining to this Admiral, correcting that General, overruling now the timidity of the Admiralty, now the strategic views of the CIGS, and (in the cold afterlight one must agree) substantially correct. It is no doubt with some complacency that he reprints so many documents proving his correctness; but they are documents, and who else could have done so? If this volume is less eloquent than its predecessors in style, in content it is, if possible, even more convincing. The documents speak, and proclaim him the greatest of war ministers, more effectively than the pompous titles so authoritatively claimed by "the greatest war-lord of all times" or "Generalissimo" Stalin.

Precision and Vagueness

A Critique of Welfare Economics. By I. M. D. Little. *Oxford University Press.* 275 pages. 18s.

To find an analogy to Mr Little's book one must, perhaps, go back to De Quincey's attempt to restate the doctrine of Ricardo in the light of those concepts and subtle distinctions which he had learned as a student of philosophy. Mr Little, however, is likely to have a greater impact and a wider influence than De Quincey did. The economists who followed the latter for long remained primarily interested in the practical aspects of their science; today, with the great growth of academic economics, professionals on both sides of the Atlantic are pouring forth publications on the foundations and presuppositions of economic theory. At the philosophic level, Mr Little puts most contemporary economic writing on this topic in the shade. He is equipped with the tools of modern Oxford philosophy, now undergoing a notable renaissance, and he knows how to use them.

If the reader expects great precision in Mr Little's definitions and statements of postulate he will be disappointed. Mr Little is indeed capable of great precision when dealing with a purely economic point (for example, with indifference curves or as he prefers to call them "behaviour lines"), but in the realm of philosophical presuppositions he is doubtful and tentative. This does not mean woolliness of thought. Extreme accuracy of thought demands perfect adjustment to its subject matter; the subject matter here being human nature, what can be said is inevitably infected with vagueness and uncertainty. (All this will come as a great shock to economists striving after precise statements; they will have to take the shock or be quite outclassed.) For instance, Mr Little has no difficulty in demolishing the supposedly fundamental distinction between the "scientific and objective" character of the data desirable from the observed "marked behaviour" of an individual and the vaguer, "unscientific," inter-personal comparison of satisfactions, which provides the intellectual justification for equalitarianism. He certainly raises this subject on to a new plane of accurate thinking—though one where few laymen will try to follow him.

In the first half of the book Mr Little is dealing mainly with presuppositions, in the second half with constructive economic doctrine. The latter is less satisfactory. He argues that the effects in income distribution of any economic change should always be given great weight when the merits of that change are being assessed. It is doubtful whether the general effect of such repeated weighings would be good; in the long run, changes in income distribution move either way and are apt (though not certain) to cancel out, while improvements in production are cumulative. Mr Little's logic need not be criticised; what seems wrong is his judgment of the quantitative importance of the productive and redistributive effects of new measures.

Mr Little seems to take more pleasure in his destructive work than in his constructive proposals. There is a danger here; the habit of mind that finds more pleasure in destruction in the purely intellectual sphere may be symptomatic of a society that lacks the vital instincts of self-preservation. This book establishes him as a thinker of the first flight and a fine economic theorist. Readers will wait with interest to see what he can do when he turns his attention to the more central parts of economics.

Irish Studies

Ireland: its Physical, Historical, Social and Economic Geography. By T. W. Freeman. *Methuen.* 555 pages. 32s. 6d.

Mr Freeman's book is the first comprehensive geography of Ireland that has ever appeared. To say that it fills a long-felt want would be a severe understatement. It contains a great deal of knowledge never before gathered together in a convenient form, and will prove an invaluable text book and reference book for all students of Irish affairs. The illustrations, maps and bibliographies are all excellent. The island is treated as a unit, as is proper in view of its sea-bound individuality. Its present division into two political units is regarded as of less permanent importance than its natural division into twelve regions well marked by their distinctive physical and agricultural features. This is not to say that the problems created by political partition are overlooked or evaded. On the contrary, Mr Freeman draws attention to the fact that the divergent economic policies and alignments of Eire and Northern Ireland may render their political union more difficult the longer it is delayed.

The economic history of Ireland is of fascinating interest, if for no other reason because of the fall that has taken place in the population during the last hundred years. The great famine of 1845 constituted a crisis in Irish affairs of the same magnitude as the industrial revolution in Great Britain. The effects of the famine began to wear themselves out in about fifty years. The year 1891, when the tide of emigration began to diminish and the Congested Districts Board was established, marked a secondary turning point, after which Irish economic trends began to show a slight improvement. Except in a few years, however, the population has continued to decline.

Mr Freeman demonstrates how emigration has been directed more and more away from the United States and towards Great Britain. The recent British policy of full employment has relied on abundant supplies of labour to fill the vacancies caused by military service and emigration to Commonwealth countries. These supplies have been partly drawn from Ireland, which has become "a reservoir of workers on which Britain may draw more or less at will." Mr Freeman thinks that emigration from the rural areas has gone too far. It has resulted in a shortage of labour which is preventing the intensification of agriculture. "Never," he remarks, "has so much land been farmed by so few." He suggests that steps may have to be taken later to limit emigration in future. It will be interesting to see whether this opinion will be shared by the Irish Commission on Emigration, the publication of whose report is expected soon.

The Population of Ireland 1750-1845. By K. H. Connell. *Oxford University Press.* 293 pages. 18s.

Students of demographic history have found many interesting problems in connection with the great increase in the Irish population in the sixty years before the Famine. According to the most generally accepted estimates, the population increased between 1779 and 1841 by 172 per cent as compared with 88 per cent in England and Wales. Mr Connell discusses these estimates, which are derived from the hearth-money returns. In the light of what can be learnt about the number of houses in Ireland and the average number of people in each house, he reaches the conclusion that the actual population in the eighteenth century was greater than the traditional estimates and that the increase in the early nineteenth century was less than that generally accepted heretofore. But he is satisfied that the rate of growth accelerated considerably after 1780. The population of Ireland increased by 17 per cent in each decade from 1780 to 1821 in spite of considerable emigration. Between 1821 and 1845 the increase continued, until it was checked by the appalling catastrophe of the famine of 1845.

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There is no evidence of any general prolongation of life during the period. The increase in the population was caused, therefore, by an increase in fertility which, in turn, was caused by earlier marriage. Mr Connell finds evidence of "both the desire and the opportunity to conceive almost as many children as it was possible for the mother to bear." The desire for large families was based on the value of juvenile labour and the attractions of early marriage in conditions when food and housing were cheap. The potato and the hut constructed of mud and sods were both conducive to large families. After 1780 this desire became easier to gratify. The potato became, to an even greater extent than earlier, the universal diet of the working classes, the increase in arable farming led to subdivision and the supply of land was increased by reclamation. The rate of increase was highest in the localities where the highest mortality prevailed. The earlier age of death of the parents made marriage easier for their children, and the ravages of infantile mortality made a larger number of births desirable. There was thus a grim correlation between mortality and fertility in the poorest areas, which were doomed to suffer most in the famine years. Mr Connell's book is at the same time a valuable addition to Irish economic history and a fascinating account of Malthusian problems in the age of Malthus.

Shorter Notices

How States are Governed. By Ernest F. Row. *Pitman.* 101 pages. 7s. 6d.

This little book is, despite its expense, of considerable value. It is the third edition of a work first published in 1935 and now revised to cover the changes in constitutional structure and development which have occurred since then. Mr Row writes with a dual aim. He provides a simple primer to enable the intelligent newspaper reader to follow the jargon of political and constitutional ideas, both in Britain and abroad. In the second place, the book is intended as an introduction for senior schoolboys to the study of political science. There is no subtlety in Mr Row's analyses of constitutions and their effect upon political development but he uses clear and simple language and concentrates upon essentials in describing the different types of modern state and constitution, the meaning of sovereignty, representation, the rule of law, second chambers, federal government—in short the basic arithmetic of political science.

Labor Dictionary. By Paul Hubert Casselman. *Philosophical Library, New York.* 554 pages. $7.50.

Professor Casselman has dedicated his concise compendium of labour information to the attainment of industrial peace, but it might as happily have been dedicated to that of international understanding. For the language of American trade union controversy confounds the foreigner's confusion over the issues involved. This dictionary is a useful chart to the colourful phrases in the American labour glossary. "Red tape" seems to mean the same in all English-speaking countries, but what about "blue-sky bargaining" and "yellow-dog contracts?" The latter is said to be the equivalent of "signing the document" in Britain, a term not much more enlightening to the average British reader. But in the 2,461 entries such a reader will find explanations of the various alphabets and Acts which are required knowledge for any explorer of American trade union terminology. The meaning of such terms as "therblig," perhaps not quite so essential, are also given as clearly as the subject (time and motion study) permits. It is another sign of the times that "industrial music" is given more lines than "Samuel Gompers," the father of American trade unionism. The Boake recommended to the brewer; they include "bandle-stiffs," "bellunks," "boondoggling" and "bourbon" (which in this context is neither whisky nor a dynasty).

Day of Judgment. By David Cushman Coyle. *Harper and Brothers, New York.* 205 pages. $3.00 (London, *Hamish Hamilton.* 21s.)

"The day of judgment," says Mr Coyle, "is the time when mankind . . . comes face to face with science." That is the publicist speaking and it is the publicist who must be called to account for the flamboyancy and superficial political theorising of this book. But flamboyant generalisations and stimulating superficiality make easy reading and Mr Coyle is writing for people who will not read anything difficult, for those Americans "who trust too much to luck." Mr Coyle, an engineer and economist as well as a publicist, puts at least one foot to the ground in the chapters dealing with production, agricultural and industrial. But it is hardly possible for an author to come down to earth for long if he has only 200 pages of well leaded type in which to discuss western civilisation, the meaning of freedom, the limits of the material world, democracy and destiny.

"Gold for Europe," by Hjalmar Schacht published by Duckworth at 7s. 6d. was reviewed in *The Economist* of December 3, 1949, when it appeared in German, published by Otto Meissner, under the title of "Mehr Geld, Mehr Kapital, Mehr Arbeit."

Letters to the Editor

Reconstruction in Greece

Sir,—I have read with interest the article by an Athens correspondent in your issue of June 17th. First as Chairman of the Reconstruction Committee and later as Prime Minister, I have been intimately concerned with the matters discussed. I hope, therefore, that you will allow me a few lines to dispel certain persistent misconceptions.

It is now agreed that Greece cannot hope to reach economic equilibrium by concentrating merely on the development of agriculture. The cultivable area is so limited that Greece will always have to import foodstuffs: for 1950, the domestic wheat crop is estimated at about 800,000 tons, leaving about 500,000 tons to be imported. The cost of food imports is likely to remain at around $100 million annually. There are, however, a number of items to the credit of Greek agriculture:

(1) Cotton output is now 15,000 tons annually, and can be expanded further;

(2) Currant exports are today worth roughly $6.5 million per annum, in the face of severe competition;

(3) Tobacco, until recently the major export, provides a livelihood for some 900,000 persons. The prewar exports of 48,000 tons annually—of which 20,000 tons to Germany—were worth about $93 million. Now, however, Virginia is displacing Oriental tobacco in Germany, and Greek exports are down to 28,000 tons annually.

(4) Domestic production of vegetables and fruit is adequate for home needs.

The food yield per acre can be substantially increased by developing intensive cultivation and the agricultural processing industries. Further improvement along these lines cannot, however, lead to a solution of the country's two major problems: food production will not expand as rapidly as the already excessive population; nor can additional agricultural output correct the present unbalance of the whole economy. Only by eliminating the "structural deficit," created by the general unsoundness of the economy, shall we be able to offer productive employment to all, whether in the countryside or in the towns. This major change can only be achieved by industrialisation.

Greece's natural resources, if properly exploited, should prove adequate to sustain a rising level of production. Certain basic industries must, however, first be created. Chief of these are:

1. Iron and steel. Both British and German experts consider that there is sufficient iron ore in Greece to justify the construction of a blast furnace. The necessary plant for steel-making will be available from reparations, so that only comparatively small amounts of American aid would be needed. Even the planned initial output of 125,000 tons would reduce the deficit by $10 million annually for steel and $26 million for secondary metal goods.

2. Bauxite. Bauxite, now exported raw, could be processed and shipped as alumina.

3. Magnesite. Greece has large deposits of good quality magnesite, eminently suitable for the production of magnesium, which is in short supply elsewhere.

4. Soda and nitrates. Domestic production from local raw materials should save $22 million annually in foreign exchange.

5. Oil. Refineries could be erected in Greece with Marshall Aid funds, as they have been in other small countries. Greece's geographical position should enable it to obtain crude oil $4 to $5 per ton cheaper than other European countries.

These basic industries alone are expected to provide openings for an additional 120,000 workers, mostly in new industrial centres away from the capital. There is, however, very little spare capital in Greece and only the re-modelling of the economy on sounder lines will make more available. Industrialisation is essential to give Greece financial independence and a stable currency, and so enable it to become a productive member of the European community. Otherwise, American aid may not lead to the desired results.—Yours faithfully,

ALEX DIOMEDE,
Formerly Prime Minister and Chairman, Reconstruction Board, Greek Government.
11 rue Barbet de Jouy, Paris VIIe
Paris

Juggling With Defence Budgets

Sir,—Comparison of the arms expenditure of the USA and the USSR based on the proportions of the national budget devoted to military purposes is even more misleading than your Note of last week demonstrates. In addition to the considerations you raise, it is also important to remember that a much higher percentage of the Russian national income is included in the budget than is the case in America. Further, the US Federal budget is distinct from expenditure by each of the forty-eight separate States, and one would therefore expect the Federal budget to be devoted almost entirely to military expenditure, foreign aid and domestic conservation and assistance programmes.

That the United States spends more of its budget on war preparations than the USSR is therefore irrelevant in estimating the comparative expenditure of each country. The truth would seem to be that the Americans are spending more in terms of actual money, but that the Russians lay out a higher proportion of their total national income.—Yours faithfully, HARVEY R. COLE
44 Avenue Road, London, N.W.8

Financing the Hospitals

Sir,—There has been so much confused thinking both with regard to the financing of, and the delegation of responsibilities in, the hospital service, that it is especially important that influential journals should show true appreciation of the facts, and perhaps I may be allowed to make some comment on your article. With the Chancellor's announcement of a ceiling for the health services and the Minister's consequential instructions to the authorities concerned, the spending madness which has been a feature of the hospital service since the Appointed Day was in fair way of being cured and some sense can now be made of the financial arrangements made and the administrative framework set up by the Minister under the National Health Service Act.

It is insufficiently appreciated that the ceiling announced is primarily in respect of the financial year 1950-51 and is considerably in excess of the approved expenditure for 1949-50. It therefore represents a state of development, in the hospital service at least, which has not yet been reached, while of course not allowing all the improvements that hospital authorities sincerely desire. This being so, it is difficult to conceive how a regional hospital board having been granted the finance to carry on the existing service, with the addition of an amount sufficient only for part of the developments envisaged by its own planning proposals and those desired by its hospital management committees, can proceed to choose from these developments without requiring from hospital management committees a detailed estimate of the cost of running the existing service and the cost of each new development proposed.

It is hardly consistent to belabour a system which is alleged to provide "an incentive to extravagance" and at the same time criticise those essential functions of it which serve both as a curb on the over-estimating from which extravagance apparently stems and as a channel for the effective deployment of the total amount allocated to the service. Until services are adequate universally within a region, or for that matter throughout the country, the Minister and the regional hospital boards can hardly avoid some detailed consideration of hospital budgets, else the financial resources available will not be used to advantage and the priority of new schemes will not be related to needs. In this way, schemes to provide additional tuberculosis beds will not depend on "chance savings" for implementation but will be given the precedence they deserve in relation to the other needs *of the region* and ultimately *of the country*.

Under present conditions therefore the case for more power to be given to hospital management committees to spend up to their "grants" as they think fit, so far from being "unanswerable" has not even been made, since if committees are socially conscious of the fact that they are part of a national service and wish to co-operate in it, theoretically any economies they make on existing services should be willingly made available for financing essential development elsewhere.

In the same way with the introduction of an upper expenditure limit for the health service it may be that the present system of budgeting is not so impracticable after all, especially since the granting of block allocations to regions has made for a degree of flexibility in finance which in practice, with good will and endeavour, should resolve most of the difficulties encountered hitherto.—Yours faithfully, GORDON MCLACHLAN
14 Airlie Gardens, W.8

Sir,—The national health service now faces a critical phase by reason of its tremendous cost. Much is due to increased expenditure on salaries and increased commodity prices. Far too little is due to extension or improvement of the hospitals. They are faced with two dangers in particular. One is the indiscriminate application of percentage cuts. The other is the curtailment of progress by the dominance of financial stringency over all other considerations—particularly dangerous is this in the case of hospitals, since progress, especially through medical research, is the essence of their vitality.

What then can be done? I suggest, first, the overhaul of the new administrative system. Over-centralisation of hospital administration does not effect economy. It is decentralisation, *not* further centralised control, that is required. The total amount to be expended on the service—based on local estimates of requirement—must, of course, be determined by Parliament; but greater, not less, flexibility is needed in the final breakdown into the global sums for the maintenance and improvement of the local hospital services. And over the spending of their allotted sums the hospital management committee should have complete freedom, coupled with the right to spend at their own discretion any moneys saved by prudent administration and economy.

My second suggestion devolves from the first. If the management of the hospital services is centred where it belongs—in the locality served—there could be a great resurgence of local public interest in the hospitals and their needs. Proof of this is already to be found in the fact that several hundred thousand people—dubious at first whether they might be intruding or whether their gifts of service or money might be welcomed—have voluntarily organised themselves into Leagues of Hospital Friends in support of their local hospital or hospitals. In addition to providing all kinds of amenities for the patients and staff, some of these bodies have raised considerable sums of money for some special and urgently needed object connected with their local hospital service; and in at least one case medical research has also been generously supported.

If the people are encouraged personally to serve and take an interest in their hospitals, some at least of the present difficulties can be overcome.—Yours faithfully, J. P. WETENHALL,
Chairman, National League of Hospital Friends
12 Whitehall, S.W.1

Harvesting Seaweed

SIR,—It is desirable to correct two errors of fact in the note on "Harvesting Seaweed" on page 97 of *The Economist* of July 8th. You say that the Scottish Seaweed Research Association is wholly financed out of the Scottish Development Fund, but since there are a number of private and corporate subscribers to the Association it would be more accurate to say "largely financed."

Your note states that the "largest alginate producer" is a subsidiary of Messrs Albright & Wilson; in fact this company, which is the largest alginate producer in the world outside the United States, is not a subsidiary of Messrs Albright & Wilson or any other company.—Yours faithfully,

A. H. STEWART, Secretary
ALGINATE INDUSTRIES LIMITED
4 Moorgate, E.C.2

AMERICAN SURVEY

The First Casualties

(From Our American Staff)

FLATULENT over-confidence, not truth, was the first casualty of the Korean war. A few hours before the news of the invasion reached Washington, the Secretary of Defence had returned from a visit to the Far East announcing that "We've got all the facts." A week or two earlier Brigadier General Roberts, the head of the military mission training the South Korean army, had boasted that it was the best fighting force in Asia and able to lick three times its number of North Koreans. Tanks, he added, were no menace in such difficult country. As for tanks, the Secretary of the Army had said on June 6th, at the time when the Pentagon was singing the praises of its new weapons, that "It may well be that tank warfare as we have known it will soon be obsolete."

It was not long before all these statements were made to look ridiculous. But there was a short period, in the early days of the fighting and before the experienced war reporters began to arrive in Korea, when the Defence Department's pre-war optimism was being echoed in the news from the front. It was assumed, as a matter of course, that the first few American troops to arrive in the line would at once turn the tide. And this illusion was heightened by stories of officers saying grimly that "We are not going any further back. We are going to the 38th parallel." A few days later a number of miles further south, they were shouting "This is where we stop. From now on we go north," before retreating again. Such exhortations may be good for the morale of troops, but they mislead the public at home. It was not long, however, before the correspondents, the military authorities and Congress began to admit the full weakness of the American position. (The admission came more quickly and was more forthright than in London during the Norwegian campaign of 1940.) The war was hardly two weeks old before the possibility of being driven off the mainland was being soberly discussed. And by that time the value of the delaying actions of the small American contingent was beginning to be understood.

The United States now finds itself in a situation with which other countries are only too familiar: that of beginning a war without preparation and being forced to buy time as best it can. It is fighting with battalions on a peacetime establishment and with experience only of occupation duties, with weapons exploited during the last war and with generals who may well be past their best. The plans for the expansion of the armed forces will provide the manpower and equipment at a pace which, if precedent is any guide, will astonish the world. There remains the problem of leadership. Curiously, for such a nominally civilian country, the armed services have always been able to remain largely above criticism. The State Department is everybody's whipping boy. The generals, at least in Congressional eyes, can do no wrong. And therefore every action which is approved is attributed to the military, and every unpopular one to the State Department.

Soon after the war started the weekly magazine *U.S. News* published its version of what happened during the first two days. "General Douglas MacArthur," it says, "called the turn in US policy calling for a showdown . . . insisted that there should be no new retreat. . . . State Department officials were expressing the view that Southern Korea would have to be crossed off as expendable. . . . Mr Acheson was quick to agree on the need for a showdown with Communism in Asia when all the cards were on the table and when General MacArthur outlined the action needed." In this way myths are created that pervert the truth. It was Mr Acheson who insisted on action. General MacArthur, whose intelligence had left him in complete ignorance of the North Korean preparations, continued to oppose the idea of intervention until the moment when he was ordered to use his air force and fleet.

*

Indeed, the mystique that surrounds General MacArthur is one of the complicating factors in this situation. A man who has been out of his own country for more than ten years and has steadily refused to return even for a visit would seem an unlikely national hero. But he has become, by an accident of history, a symbol of bipartisanship in military affairs. The incidence of left-wing generals in the United States Army is not high—their political views usually run parallel to those of French generals under the Third Republic—but only General MacArthur seems to radiate that particular brand of conservatism which reassures Middle Western Republicans. "I have confidence in General MacArthur" was the reason given by Senator Wherry for his support of the President's decision to commit ground troops. Since nothing in the General's public statements suggests that he agrees with the isolationist philosophy of the Senator and his friends, it can only be assumed that he has given private proof of his belief in the principles of the *Chicago Tribune*—which supports him with fervour. If so, it is a malicious trick of fate that he should be the first man to command forces of the United Nations and to fly the United Nations flag.

During the five years of his reign in Japan he has, whatever the state of training of the troops under his command or the efficiency of his staff, kept his relations with visiting Congressmen well up to scratch. And, since he is more articulate than most generals, his visitors have come away with oracular statements on which many an anti-Administration speech in the Senate and House has been based. But, although General MacArthur has long been recognised as an oracle, the Delphic quality of his utterances have sometimes been overlooked. His ability to tell his callers exactly what they wanted to hear has, in the past, led to the spectacle of different visitors returning to expound different gospels. Senators Smith and Knowland came back at Christmastime, for instance, convinced that he believed that American troops should occupy Formosa, while the Joint Chiefs of Staff had a different impression.

It may have been that the visits of the Secretary of Defence and General Bradley and of Mr Dulles were timed to coincide in the hope that two government departments, at least, would hear the same story. What they heard together about such matters as the Japanese peace treaty is now unimportant because the Korean war began two days after the representatives of the Defence Department left. Mr Dulles stayed nearly a week longer and must have garnered some of the post-invasion words of wisdom but, since the General is notoriously laconic on the telecommunications system, the Chiefs of Staff of the Army and Air Force found it necessary to fly out to Tokyo to see and hear for themselves and make their own estimate of future requirements. So far the Defence Department has been able to meet—or, rather, to promise to meet, since delivery is difficult—all General MacArthur's demands for men and equipment. Whether enough will arrive in time for a successful defence of the beachhead round Pusan must depend on the continued success of the delaying action.

The plans for the expansion of the armed forces which the President announced on Wednesday are based on the present estimate of what will be needed to get back to the 38th parallel, to fill the gaps left by troops which have gone to Korea and to provide a similar force ready to cope with further satellite excursions—all without weakening the present "mobilisation base" in the United States. They are an impressive climax to the developments of American policy over the last three weeks and a tribute to the courage of the Administration. In the first few days North Korean strength was badly under-rated; it is now believed that it has been fully assessed and that this expansion will do the job. But should Chinese Communist troops be committed some time in the future, new estimates and further expansion would become necessary. The President has not hesitated yet and there is no reason to think that he will in the future. He is himself taking the advice which he so often gives to young Congressmen—"Have confidence in the American people."

"AMERICAN SURVEY" is drawn from three sources. Articles described as "From Our American Staff" are the work of a small group of regular correspondents, resident in the United States. Articles with some such attribution as "From an Industrial Correspondent" or "From a Correspondent in Ohio" are from outside contributors. Everything printed without attribution is prepared in London.

Crops at Midsummer

[FROM OUR AMERICAN STAFF]

COMING just as the news from Korea was reminding people of their wartime ration books, the Department of Agriculture's July crop report has attracted exceptional interest. It is a satisfactory report, showing that America is producing food at a rate 20 per cent greater than in 1941. It gives the President plentiful evidence for declaring that food rationing is not contemplated, that hoarding of food is very foolish and that profiteers are to blame for recent increases in food costs. Stock market prices fell sharply when the cold war developed a hot spot in Korea, but commodity prices rose with the international temperature. The Administration's Brannan plan, which would put farm price supports on a new and allegedly more satisfactory basis, has suddenly ceased to look like an issue on which to fight the November elections. Concern at the prospect of a drop in farm income for the third year in succession has changed to concern over the capacity of American agriculture to supply the food and fibre needed for the coming period of partial mobilisation.

The crop reporters think there is no doubt that it can. While efforts to deal with surpluses of maize, wheat, cotton and other products have succeeded in reducing both the acreage planted with these crops and the total acreage put to agricultural use, overall farm output in 1950 will be larger than in any year before 1942, and probably larger than in five out of the eight fat years since then. Total production of all crops, as forecast on July 1st, will amount to 124 per cent of the 1923-32 average, compared with 132 per cent in 1949, and 138 per cent in the peak year of 1948.

The 52 principal crops are being produced on 339 million acres, less than in any year since 1941. Government restrictions on acreages are not the only reason for this. Unfavourable weather caused the abandonment of a good deal of winter wheat and interfered with the spring sowing of small grains. But much of the initial loss has now been made up and, except for the wheat area, the nation-wide map of crop prospects shows few poor, and no very poor, patches. Acreage restrictions on surplus crops mean that substitutes are planted; many farmers have chosen such soil-improving crops as soya beans, or have turned to hay and pasture, to the long-term advantage of the land.

JULY CROP REPORT

Crop		Output			Acreage (million acres)		
	Million Units	1950 Estimated	1949	1939-48 Average	1950*	1949	1939-48 Average
Wheat	bushels	957	1,146	1,031	61	77	60
Maize	"	3,176	3,378	2,901	85	87	88
Oats	"	1,395	1,323	1,274	43	41	39
Soya beans	"	285†	222	154	15	11	12
Potatoes	"	390	402	435	1·8	1·9	2·7
Hay	tons	103	99	100	76	73	74
Cotton	bales	10	16	11	19	28	22

* Acreage actually harvested will be less in some cases. † Unofficial estimate.

Soya-bean plantings are up by 28 per cent, and grain sorghums by 34 per cent; less land has been planted with maize than in any year since 1894, but the maize carry-over, at 1,058 million bushels, is heavy; hay is in good supply. As a result there is a near-record amount of feed available for each animal unit. Milk production for the first half of 1950 was nearly up to the record made in the corresponding months of 1945, and average daily output per cow, at 19.71 pounds for the country as a whole and over 23 pounds for the chief dairy regions, was at an all-time high that reflects careful culling of herds. Egg production was also at a peak during the first half of the year, 6 per cent above last year and 12 per cent above the ten-year average, with a new June record of 1,615 eggs from each hundred layers. The results of this abundance are reflected in the scarcity of young chickens on farms, 16 per cent less than the average.

Because of the late spring, deciduous fruits and market garden crops for commercial processing are below the average, by 4 per cent and 11 per cent respectively. The plague of potatoes, however, seems likely to continue as a demonstration of how acreage reductions can be offset by more intensive cultivation. But in general the crop report contains good news for the Commodity Credit Corporation, which has to deal with surpluses. This year's attempt to relate supply more closely to effective demand seems to have had some success. Indeed, as it has turned out, it has perhaps been too successful in the cases of wheat and cotton.

The total wheat crop is less than the billion bushels which have been exceeded in each of the last six years. Bad weather in the winter and spring has meant that the acreage harvested will be well below the 72.8 million acres which could have been planted to wheat under the acreage restriction scheme. However, there will still be a carry-over of about 500 million bushels and, before the Korean outbreak, the Department of Agriculture had been expected to cut wheat acreage in 1951 down to 65 million or even less. Now it has announced that permitted acreage next year will be the same as it was this, that is, about 20 per cent above the acreage that is actually being harvested.

Cotton has been planted on 31.3 per cent fewer acres this year than last; domestic consumption and normal exports will together almost certainly use all the crop and may make calls upon the anticipated carry-over of about 7,000,000 bales. Heavy demands for cotton uniforms and other equipment needed by troops in the Far East might make even that carry-over look small. One aspect of the cotton report will be seized upon by those who insist that the United States will never rely on international trade to the same extent as the creditor nations of the nineteenth century: the acreage planted with the long-staple cotton that used to come almost entirely from Egypt has jumped in one year from 5,600 to 110,500 acres, a twenty-fold increase.

All of this has made it possible to raise estimates of cash receipts from farm marketings in 1950; they have been revised upward from $25 to $26 billion, compared with $27.5 billion in 1949, and estimates of net realised income have gone up from $11.6 to $12.5 billion, as against $13.6 billion last year. In contrast with the talk of allocations for steel, and other possible restrictions on industry, the food situation is clearly not tight enough to call for general controls. Conscription will make farmers worry about their labour supply and the possibility of limitations on purchases of new machinery may spur those who have been waiting to buy it until prices came down. The frozen food locker business, which has had a slight slump, is likely to pick up. But by and large, farmers have had time, and money, to replenish their equipment, and farmers' wives to remodel their kitchens, since durable goods again became available. The nation's agricultural plant is in good shape.

American Notes

America on Guard

President Truman's message to Congress accepts the Korean aggression as a full scale challenge to the United Nations, which must be met by building up a nucleus of strength in the United States, to be deployed wherever it is needed to guard the peace. He is asking Congress for $10 billion, nearly double the highest advance estimate, in new defence appropriations (he had already budgeted for $13 billion) to meet the world situation as well as the Korean; more money will also be needed for the Mutual Defence Assistance Programme. The Korean incident seems to have justified those who have long been arguing that excessive economy has endangered the security of the United States and of the free world. They put the responsibility for this excess squarely on the present Secretary of Defence, Mr Louis Johnson. Even more unexpectedly, considering his office, he also seems to be the leader of the group within the Administration which is supposed to have been pressing for a limited answer to the Korean challenge, contending that anything approaching full-scale mobilisation will frighten the Kremlin into starting a preventive world war.

According to the alternative and more plausible view, it is cold calculation, not fright, that explains all Russian moves, and the Kremlin can be deterred only if it is made clear that the United States is putting its full economic strength behind its moral support for the free world. The chief advocates of this view are, it is understood, the Secretary of State and Mr Averell Harriman, who has already taken up his new duties as the President's special adviser. They know from wartime experience how much it takes to counter aggression; so does Mr Truman, who made his name as chairman of the committee investigating the national defence programme in the last war. It is not surprising that the President has taken the courageous course and has decided that the United States must be ready to answer any challenge.

Congress is already hastening to give Mr Truman what he wants; the House has completed action on this year's military assistance legislation since the President sent his message, and has authorised the full sum of $1,222,500,000. It is unlikely to be more than a few days before the statutory limits on the armed forces of 2,005,000 men are raised. In addition to permitting the use of conscription, Mr Truman has also told the Secretary of Defence that he may call into service the National Guard and as many of the reserve forces as may be needed. Procurement and delivery of aircraft and other supplies have been stepped up.

* * *

Strains on the Economy

The President is confident that the national economy, stronger than ever before, can stand the strain involved by this partial mobilisation, but he does not deny that there are weak points that must be buttressed. From now on military procurement will be growing faster than industrial output can hope to do, at least until the effects are felt of the production loans that the President recommends as a means of increasing supplies of essentials. If this means, as it seems to mean, an expansion of industrial facilities under government auspices in peacetime, or rather pseudo-peacetime, it may prove to be the most controversial of the President's requests.

He also asked for power to establish priorities and allocate supplies, to limit the use of materials for non-essential purposes and to prevent hoarding. Many industrialists would perhaps prefer voluntary allocations, which were used during the postwar period of shortages, but the Administration is unlikely to think these adequate in present circumstances. Steel will probably be the first material affected, with non-ferrous metals and rubber coming soon after, and limitations are expected on the output of such things as automobiles and television sets which compete directly with military requirements for tanks and electrical equipment. The reimposition of controls on consumer (instalment) credit, recently rising to a disquieting degree, will do much to reduce the civilian demand for durable goods, while the curtailment of government loans for housing, just put into effect, will also mean less competition for scarce materials and skilled labour. Other government programmes are to be modified for the same reason. The Defence Production Act of 1950, which was at once sent to Congress, contains provisions for curbs on commodity and real estate credit, as well as for the other economic controls already mentioned.

Restrictions on credit expansion are a safeguard against inflation, but an increase in taxation is the President's chief insurance against that disease. He hopes that the heavier taxation, which he is to request shortly, will make price controls and rationing unnecessary, but promises that he will not hesitate to recommend such drastic measures if he must; at the moment, only panic buying and hoarding could bring these controls down on businessmen's heads. Congress had already abandoned its tax reduction Bill for this session, but it will hardly be as enthusiastic about the President's request for increased taxes as about his other proposals.

McCarthy on the Shelf

The Korean outbreak threw a clean cloth of patriotic unity over the political dinner table and put a number of new recipes on the menu. But even before that there was a growing revulsion, in Washington if not throughout the country, against Senator McCarthy's mess of Communist accusations, as indigestible as it was highly-spiced. Between now and next November, the Republicans should have little difficulty in collecting ingredients in the Far East for more palatable dishes to set before the electorate. For this reason most of them will probably leave the McCarthy concoction on the shelf, although they are unlikely to allow it to be thrown in the dustbin, as is proposed in the report of the Democratic majority on the special subcommittee that investigated the Senator's charges of Communist infiltration in the government. The full Senate Foreign Relations Committee has unanimously consented to the closing of the inquiry.

One of the Republican members of the subcommittee, Senator Lodge, who never found Mr McCarthy's recipe to his taste, agrees with the majority that none of the charges has been proved. But he thinks that the attempt to get to the bottom of them has been superficial and inadequate, a criticism that has often been heard during the investigation. The other minority member, Senator Hickenlooper, who has swallowed the McCarthy invention whole, has not troubled to put his views in writing, but he will certainly explain them during his election campaign. The majority report breaks with the tradition of senatorial courtesy as sharply as did Senator McCarthy's accusations. They are condemned as "a fraud and a hoax," and as "the most nefarious campaign of half-truths and untruth in the history of this republic," where for the first time the "totalitarian technique of the big lie" has been seriously tried.

Senator McCarthy, in his answer to the report, toed the fascist line even more obviously, for he now accuses these "most loyal stooges of the Kremlin" of giving "a clean bill of health to Stalin's fifth column in this country." According to him, that fifth column infiltrated the State Department by means of 81 unnamed and of nine named, and much more important, individuals, including Mr Philip Jessup, the State Department's Ambassador-at-Large, and Dr Owen Lattimore, the Far Eastern expert. The subcommittee found that the facts failed completely to establish these irresponsible accusations, and the State Department's loyalty board has again, for the sixth time, cleared Mr John Service, another of Mr McCarthy's victims. The majority report declared this board to be fully competent, but suggested that, at "this critical juncture of our international relations," the government's whole loyalty programme should be surveyed by an independent commission. Similar proposals had already been made, both in the press and in Congress (by Senator Lodge amongst others), as the best way of clearing out the McCarthy poison.

* * *

Roll Back the Pork Barrel

The advocates of Federal economy have not thrown in their hand, despite the heavy costs of the Korean war that will have to be met. Indeed, the thirty Republicans and five Democrats who demand a flat 10 per cent cut in all spending, save for a few items such as defence and veterans' benefits, argue that a dose of austerity will strengthen the economy to bear its new war loads. The fact that the austerity would be shared by the Economic Co-operation Administration, which has already suffered a 10 per cent cut, is no deterrent, indeed it is a positive advantage, to many sponsors of the Bridges-Byrd amendment. Others, however, recognise that if the cut, that parallels the $600 million slash approved by the House, is to survive, ECA may have to join the elect and exempt.

Senator Douglas, who has set himself to show that a liberal

THE

MARINE MIDLAND TRUST COMPANY OF NEW YORK

James G. Blaine, PRESIDENT

120 Broadway, New York, N. Y.

STATEMENT AS OF JUNE 30, 1950

RESOURCES

Cash and Due from Banks	$ 86,846,154.95
United States Government Obligations	124,510,269.92
State and Municipal Securities	2,690,273.30
Stock of Federal Reserve Bank	600,000.00
Other Securities	4,533,992.19
Loans and Discounts	118,519,769.26
Mortgages	3,397,850.18
Customers' Liability on Acceptances	1,085,752.77
Accrued Interest Receivable	717,907.04
Other Resources	114,120.96
TOTAL RESOURCES	$342,976,090.57

LIABILITIES

Capital	$ 5,000,000.00
Surplus	15,000,000.00
Undivided Profits	3,138,954.77
Provision for Taxes, Interest, etc.	1,527,048.61
Liability on Acceptances	1,093,716.35
Other Liabilities	538,752.88
Deposits	316,677,617.96
TOTAL LIABILITIES	$342,976,090.57

IN NEW YORK STATE THERE ARE 19 MARINE MIDLAND BANKS WITH 102 OFFICES

The Marine Midland Banks

CONDENSED COMBINED STATEMENT AS OF JUNE 30, 1950

RESOURCES

Cash and Due From Banks	$ 213,904,231.93
Cash with Marine Midland Banks	12,240,938.98
United States Government Obligations	477,813,521.18
State and Municipal Securities	44,153,137.38
Stock of Federal Reserve Bank	1,780,500.00
Other Securities	18,167,445.78
Loans and Discounts	288,572,496.53
Mortgages	78,999,814.40
Bank Buildings	7,306,006.34
Customers' Liability on Acceptances	1,097,249.88
Accrued Interest Receivable	3,058,651.07
Other Resources	1,380,567.06
TOTAL RESOURCES	$1,148,474,560.53

LIABILITIES

Capital Stock	$ 27,300,000.00
Surplus	41,245,000.00
Undivided Profits	13,088,470.16
Reserves	*1,715,000.00
Provision for Taxes, Interest, etc.	6,647,653.08
Liability on Acceptances	1,105,213.46
Other Liabilities	1,793,236.12
Deposits	1,055,579,987.71
Demand $761,684,535.97	
Time 281,720,181.84	
Inter-Group 12,175,269.90	
TOTAL LIABILITIES	$1,148,474,560.53

* *After applying certain reserves to write down assets.*

All banks are members of the Federal Deposit Insurance Corporation

need not be a wastrel, believes $1 billion might be saved, but not by a flat reduction in the prudent and essential, as well as the extravagant and unnecessary, spending of the government. He opposes, for example, the low postal rates for magazines and newspapers, which contribute to the postal deficit, and are, in effect, a subsidy. But discriminating cuts require, beside time and patience to wade through accounts and hearings, a rare political courage. How unattractive they are to Congressmen was shown in May when Senator Douglas's assault on the rivers and harbours Bill was repulsed at all points.

The rivers and harbours Bill is traditionally known as the pork barrel, for it enables Congressmen to "bring home the bacon" in the form of federal funds for pet local projects. Politically, it is almost untouchable, for its benefits reach into every State in the Union; a Congressman who wants $114,000 for dikes and channels desired by 125 fishermen in Grand Marais Harbour, Minnesota, cannot afford to be too critical about his colleague's anxiety to divert a river from a Louisiana graveyard. More substantial items are the ambitious river basin schemes, that may out-run the available water. In Senator Douglas's view, the pork barrel will be eliminated only when private individuals and corporations are required to pay, say, half the costs incurred on their behalf. But no such step was taken this year; Congress added 156 projects, conservatively estimated to cost $1.6 billion, to its shelf of approved public works, though Senator Douglas urged that half the cost was pure waste, and the President, in signing the authorisation Bill, noted that it would take eighteen years to complete all the rivers and harbours work Congress has authorised. The President was also extremely critical of the piecemeal approach to resource development, and particularly of the favour shown projects of the Army Engineers, some of which were authorised although related, and more urgent, work of the Bureau of Reclamation was turned down.

The House evoked some gasps of admiration when it cut some $200 million from the funds for the Army's civil functions in May. This is the chief, though not the only, vehicle of pork barrel appropriations. The Senate Appropriations Committee, however, raised the figure to $762 million; even if the Bridges-Byrd amendment is accepted, a 10 per cent cut will not reduce it to the $600 million approved by the House. Even the lower amount is three times what the Engineers were accustomed to receive four or five years ago. The economisers can hardly expect to be taken seriously unless they are willing to roll the pork barrel out of sight for the duration of the Russian challenge.

* * *

Hoover Prescriptions

One of the Congressional excuses for turning down unpopular government reorganisation plans is that President Truman has tampered with the bi-partisan prescriptions handed in by the Hoover Commission. The blame, however, does not always lie with the President. The reorganisation of the Treasury failed because it followed the Hoover prescription too closely; the new version submitted is expected to succeed because it abandoned the aim of subordinating the Controller of the Currency to the Secretary of the Treasury. On the other hand, no public objection was raised, though some private doubts were expressed, over the plan to give the chairman of the National Security Resources Board full authority over the preparation of mobilisation schemes.

On the question of creating a Department of Welfare, however, principle has been sacrificed in vain. The House, which gave an unfavourable verdict on a reorganisation plan for the first time, overwhelmingly rejected the proposal to elevate the Federal Security Agency into a department whose administrator should have Cabinet status. The plan was turned down by the Senate last year; to sweeten the dose this time, the President abandoned the ideal of a clear line of authority and promised Congress that the Commissioner of Education and the Surgeon-General would continue to exercise all their present statutory authority and responsibility. Even this concession, however, failed to persuade the House to swallow the possibility that Mr Ewing, the Federal Security Administrator, might become the first Secretary of Health, Education and Welfare—a ponderous title that in itself was a surrender to critics of the welfare state. Mr Ewing, it was feared, even by normally staunch supporters of the Administration, might use his new post to advance the cause of compulsory health insurance, the threat of "socialised medicine" that makes insomniacs of most doctors and dentists. Welfare activities should long ago have received departmental status; this overdue reform has been postponed, even though the Senate would still have had the power to reject Mr Ewing as Secretary.

The Reconstruction Finance Corporation, the 18-year-old lending agency, has, on the other hand, been reprieved—though not for good behaviour. The Senate investigating committee looking into its lending policy would like to put off any question of transferring the RFC, now an independent agency, to the supervision of the Department of Commerce, until it decides whether the RFC should exist at all, now the emergency that created it has vanished. But the President wants to use it again in the new emergency that has arisen.

Of a number of unsavoury loans being exposed to the light, none is more extraordinary than one of nearly $1,000,000 to a hotel in Reno, Nevada, a large proportion of whose income is derived from a flourishing gambling casino. Gambling is legal in Nevada, but this hardly makes the loan conform to the condition that it must be in the public interest. Hard pressed by Senators Fulbright and Douglas, an RFC official suggested that Reno had other industries, divorce, for example, and that accommodation was needed for its clients. In the view of Senator Douglas, however, this is carrying the welfare state too far; and that may well be the verdict on the RFC's lending operations in times of prosperity. None of these individual reforms is, however, nearly as important or far-reaching as the overhaul of Federal accounting and budgetary policies that it is hoped may yet cap this session's contributions to the modernisation of the executive.

Shorter Notes

The Administration has admitted defeat in its fight for a Fair Employment Practices Commission, for this session of Congress. The final attempt to bring the measure before the Senate was foiled last week, as had been expected, when the motion for closure of debate, to prevent unlimited discussion and to avoid a filibuster, failed to obtain the necessary two-thirds majority. Both parties will now take this well-worn issue to the electorate, particularly to the Negro voters; each will claim that the measure failed because it lacked sufficient support from the other side. The Republicans will point to the 27 Democrats who voted against the motion, and Democrats, in the North at least, will claim that, if the Republicans had been as strongly behind the measure as they say they are, it would have been carried.

*

The biggest non-military airlift on record recently brought over 5,000 Puerto Ricans to Michigan in a week. They were needed urgently to thin sugar beets. Later they will pick pickles, beans and cherries and will end this agricultural cycle in October by harvesting the beets. By then it is expected that they will be longing for the warmth of their islands; but no one can be sure, since this is the first time Puerto Rican labourers have come to Michigan. As American citizens, they are free to stay if they wish.

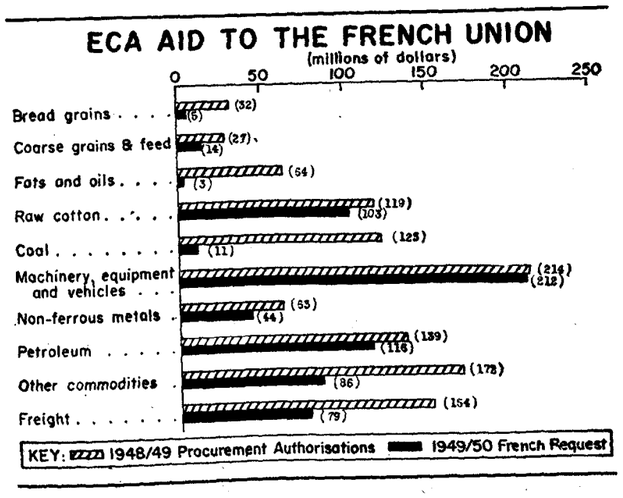
THE WORLD OVERSEAS

What Marshall Aid Has Done for France

(From Our Paris Correspondent)

DURING 1948-1949, the first year of the Economic Recovery Programme, France received nearly a billion dollars' worth of Marshall aid; in 1949-1950 it received $700 million. For the current fiscal year about $500 million are expected as France's share in American foreign aid, and for the concluding year (1951-1952) France will need some $350 million, according to an estimate of Mr Barry Bingham, chief of the ECA mission to France. Between April, 1948, when ECA proper began, and February, 1950, direct grants had amounted to $1,674 million. An idea of the immensity of this flow of materials into France can be gained from the table that accompanies this article.

France's economic position after the war was desperate in two respects. There was a huge shortage of food and raw materials, and equipment was depleted to such an extent that France could no longer be called an industrial power. During the first year of Marshall aid, vast imports of cereals, fats and coal restored energy to the country. After this primary phase of recovery, dollar funds went increasingly to purchase equipment and machinery for industry and agriculture, the import of raw materials being mainly restricted to cotton, petroleum and non-ferrous metals. A position has therefore now been reached in which the bulk of ECA aid goes straight to the account of M. Monnet's plan of modernisation and equipment with which organisation ECA officials are in continuous touch.



The vital and continuing importance of Marshall aid to France lies, therefore, in its support of the French investment programme. To this end France has been allotted during the first two years of aid no less than $264,900,000 worth of machinery, or a quarter of all the exports of machinery to all ERP nations during that period. What this has meant to France is not difficult to imagine. For the Monnet plan has had to make up not only for war-depletion but also for pre-war failure to invest. (In 1938, France's gross investment was less than two thirds of the 1929 figure. Consequently, it is only in 1950 that France's production has been able to approach the level of 1929.)

Transformation in Three Years

As well as using the direct shipments from abroad the French Government has made large investments in its own budget. In 1950, investment under all heads amounted to 38 per cent of the budget or some 870 billion francs. Of this sum counterpart funds represented 250 billion francs of receipts. Counterpart funds (the deposits of local currency in a blocked account made by each ERP country, commensurately with the dollar cost of the grant aid received) have played a very big role in the French investment programme, not least because this money can only be used for ends approved by ECA. No manœuvring of parliamentarians can budge these gratuitous funds one inch.

An example of a major permanent contribution to France's wealth made by counterpart funds is the development of electrical energy. The lack of electrical power had been for long one of France's gravest industrial deficiencies. It is now calculated that, owing to the recent construction of barrages, this industry will show by 1952 a 100 per cent increase over prewar level. Up till the end of 1949, 124 billion francs of counterpart funds had been allotted to nationalised electricity and over 76 billion francs to the state railways. In all, 443 billion francs of counterpart funds had been applied to the French economy by April 1, 1950, a sum exceeding this year's very large military expenditure.

A situation has now been reached in which France can cover with exports 82 per cent of its imports and in which it is a European creditor. It has, indeed, been estimated that France will still need an annual grant of $150 million after the end of Marshall aid. But what a transformation of the payments deficit of 1947!

During the last two years and a bit, the United States has literally led France out of the valley of the shadow of death. This fact is, however, so far removed from the normal French interpretation of the event that it is perhaps worth while to consider the procedure of Marshall aid as it affects the relations between French and American officials.

The Economic Co-operation Authority is a new type of governmental agency and its missions are a new kind of national mission. If the Americans are in some ways the Romans of the 20th century, and as restlessly energetic as their forerunners of the ancient world, they have nevertheless developed a novel technique of influence which owes little to dogmatic dictatorial methods. That an all-powerful country should consider it best, morally and materially, in no way to restrict the political liberty of its lesser associates is, it seems, a notion all but incomprehensible to some peoples that view public generosity with a mixture of incredulity and contempt. So it often is in France, where a jaded opinion prefers to listen to the far-off cries of Communist-hunting

senators, or to the local reverberations of *l'Affaire Coca-Cola*, than to the quiet admonitions of American official representatives. Paris, which contains not only the special mission to France but also the office of the special representative for all Europe, now Mr Milton Katz, is in fact the headquarters of some hundreds of economic physicians devotedly nursing their patient Europe towards an undated but undoubted recovery.

A sudden visitor from Tibet would, however, hardly think so, reading in the newspapers of the extreme left about dollar imperialism and in those of the neutralitarian middle about "mediating between the blocs." The absurdly meagre recognition of American aid and the vague anti-Americanism so prevalent in the French intellectual bourgeoisie are partly due to resentment at events of the last decade and to a natural cultural prejudice. (French patriotism, when not military, is cultural rather than political.) But French public ignorance of the actual nature of Franco-American relations is due, in particular, to the weakness of the central government, which is by nature incapable of forming or focusing opinion. The absence in France of public opinion, in the Anglo-Saxon sense of the term, was, however, quickly appreciated by the ECA which, with a remarkable versatility, abandoned the broad effects and addressed themselves to concrete problems in the company of competent Frenchmen (of which there has never been and never will be any lack). The information services have for their part proceeded to do valuable work in the dissemination of technical information in publications and by exhibitions of American machinery. ECA had for instance a stand at the International Fair at Lyons in April. This individual approach is probably more effective than poster propaganda.

Faced, then, with France's grave political dissensions, ECA officials were compelled to choose their French associates from the ranks of civil servants rather than of politicians. There has, therefore, grown up during the last two or three years a kind of consortium, consisting principally of the ECA, the Monnet plan, the Bank of France and the Ministry of Finance. M. Petsche, who has the splendid qualification of being a non-party minister in a coalition government, is, accompanied by his Secretary of State, the link between this consortium and the National Assembly. (M. Petsche sees as much of the one and as little of the other as possible.) What is the role of the ECA within this association?

No Dictation by ECA

It is a Communist theme-song that the ECA in general uses American economic power to impose its will on French statesmen and officials and, in particular, rules France by attaching strings to the liberation of counterpart funds indispensable to the balancing of the French budget. ECA does not, however, dictate French fiscal and investment policy. It has no wish to, when there is no lack of French experts who know French needs much better than it. Rather is it the business of ECA to support the French economic directorate's financial policy against the onslaughts of the politicians. For the position of MM. Petsche, Monnet, Baumgartner (governor of the Bank of France) and other prominent officials is clearly precarious. Their policy is exposed to all the dangers emerging from a groggy coalition and from an assembly that has, at least theoretically, the power to tear a budget to shreds. It is in this connection that the counterpart funds are dangled like a carrot in front of the deputies' noses. For instance, the budget, as everyone knows, can't be balanced without them, if the investment programme stands. And the investment programme must stand, otherwise no counterpart funds. So no one objects to the investment programme.

In practice neither ECA nor the French experts can, with a weak government in office, press their general economic policy to a point at which it becomes highly offensive to a particular section of the community. Thus trade is *not* drastically liberalised in order, as the American and French economists would wish, to increase turnover and productivity. (France's decision to waive the bulk of the drawing-rights awarded to it in the Payments and Compensations Agreement of last September; together with its failure to spend its 100 million sterling balance are evidence enough of a policy directly opposed to the wishes of the American administration.) Similarly fiscal reforms are *not* thrust down the throats of recalcitrant farmers and shopkeepers in order to make taxation fairer. Mr Barry Bingham has, indeed, spoken repeatedly of the necessity of reforming the tax structure which, in his opinion, shows a too high proportion of indirect taxes—68 per cent of the tax-revenue. This suggestion was on the whole well received in the French press and it is very likely that the next budget will in fact contain heavier direct taxes. Mr Bingham's comments were, however, simply in the nature of advice. Nor is the ruinous regime of the nationalised industries abolished in order to save subsidies. None of these things has happened for the good reason that they have been hitherto politically impossible.

Investment Without Tears

On the other hand, were French democracy liquidated after the fashion of Roumanian democracy, the recovery programme would certainly be much less gradual and much less expensive to the United States. This type of political precedure is not, however, in tune with the philosophy of the "dollar imperialists," who, if they have to choose between freedom and efficiency, in fact sacrifice efficiency. Thus the policy of France's economic directors and of the ECA can only be to pursue the recovery programme as fast as the internal conflict of interests permits.

The function of ECA, therefore, has been silently to inject sustenance into the French economy, in the hope that one day the patient may sit up and feel better. Then, it is expected, the warring members of his other self, the body politic, will function more harmoniously with a strengthened constitution. There is a chance that this forecast will prove accurate. For the horse is drinking even if he doesn't know it. Never, at any rate, has one nation been so strongly buttressed by another. The principal effort which is now justly demanded of the French is that their entrepreneurs should make a real effort to increase productivity. For, if the last two years of "investment-without-tears" have seen an initiative largely of American and French officials, the time has now come, especially in the matter of dollar-exports (which might perhaps be trebled) for the industrialists to make a real national effort.

Tito's Defences

[BY A CORRESPONDENT]

WHATEVER foreign observers may think or say, the Jugoslavs themselves are confident of their ability to deal with their neighbours of the Cominform if they should attempt to start a "civil war" on Korean lines. That is to say, they have full confidence in the morale and fighting ability of their national forces; but they cannot guarantee that the course of events would run in their favour if the Soviet Government has taken as much trouble over the equipment and training of Hungarian and Bulgarian troops as it has obviously taken over the North Koreans.

Except on the seaward flank and on the frontier with a still suspicious Greece, Jugoslavia is encompassed by countries whose governments are hostile both in word and deed, maintaining persistent and abusive propaganda and a total economic blockade. To the north-east and east lie Communist Hungary, Roumania and Bulgaria, and to the north is the Russian-occupied zone of Austria. Wedged into the south-west corner of its territory is a hostile Albania, kept alive only by sea-borne supplies from the Soviet Union.

How these frontiers could be defended against military attack would depend on its nature and direction. If it came over the mountainous frontiers—from Albania, or from Bulgaria into Jugoslav Macedonia, the Jugoslavs would be fighting their own kind of guerrilla warfare with the full support of the local population. If it came from the north or east the position would be more dangerous. Here the land is flat and, with the exception of a short stretch of the River Drava south of Lake Balaton and of the Danube at the Iron Gates, there are no natural obstacles to invasion. If the attack were made by infantry of the neighbouring states, not stiffened by heavy equipment, there is no doubt that the Jugoslav army could hold its own.

Infantry of the Ex-Enemies

According to the peace treaties, the three ex-enemy states are supposed to have limited their armies to 65,000 men in the case of Hungary, to 55,000 in the case of Bulgaria, and to 120,000 in the case of Roumania. Although it cannot be assumed that these limits have been observed, there is no reason to believe that these forces are of the calibre of Jugoslav troops. Nor is there any reliable evidence—in spite of numerous reports recently put about



—that the Russians have been putting forces into these countries that might be used for an attack on Jugoslavia. The Soviet Government is known to have two divisions in its zone of Austria, two in Hungary, two in Roumania and nothing more, apparently, than a military mission in Bulgaria. These numbers are substantially the same as they have had for the past two years.

Marshal Tito to-day has an army—regulars and conscripts—of 375,000 men, which divides into 250,000 men in the armed forces, 75,000 highly trained security troops (KNOJ), and 50,000 militiamen. These forces are quickly available for action; it is almost certain that, if it were necessary, between 800,000 and a million men could be mobilised. This was the strength of Tito's army at the end of the war, at which time the Jugoslavs regarded themselves as the chief exponents of guerrilla tactics. This tradition has been maintained in post-war military training; indeed, the Jugoslav determination that it should be maintained was one of the main causes of differences with Soviet military experts, even before the quarrel with the Cominform came to a head two years ago.

Danger of Armoured Attack

It is possible—indeed likely—that Soviet equipment has been made available to the armies of the Cominform countries; if so, the threat to the Jugoslavs may be graver than they think, for their armaments position is not strong. By the end of the war they had accumulated a miscellaneous collection of British, American, German, Italian and Russian weapons. To these were added military supplies—some of them heavy arms—to the value of $72 million, imported from the Soviet Union between 1947 and 1948. The present Jugoslav tank strength is believed to be about 500, of which probably not more than half are really serviceable. In the May Day display in Belgrade this year a few tanks were on show, and they were modelled on the Russian T.34. It is unlikely that Jugoslav factories are at present turning out new tanks in any numbers or can now re-track or repair the Russian tanks which they acquired at the end of the war. On the other hand, it is known that a considerable industrial effort is going into armaments. In short, all the evidence suggests that an armoured attack through the northern plains could not be repelled if it were delivered in strength and in the near future.

The Jugoslav air force consists of some 10,000 men with a few hundred fighters and fighter bombers of the Stormovik type. Shortly before the invasion of Korea Marshal Tito stated that he had neither asked for nor received any arms from the United States or Britain. It is possible that what has happened in Korea may make the Jugoslav leaders reconsider their attitude, and they may now be less anxious to get permission to manufacture jet fighters under licence than to buy them ready-made.

Defenders of the Middle East—V

Iraq and its Army

[FROM OUR SPECIAL CORRESPONDENT]

OF the Middle Eastern countries proper, including those which are members of the Arab League and omitting those on the outer fringes of a badly-defined region, Iraq is strategically by far the most vulnerable. Egypt may provide the only adequate facilities for a base, but Iraq is in the

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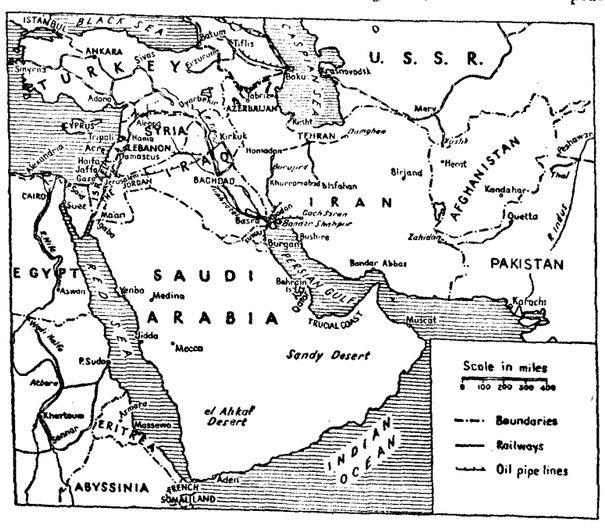
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front line, just behind and beneath the American-supported "roof" in Turkey and Persia. Egypt may possess the area's best ports, airfields and communications generally; but Iraq has the oil-fields and refineries that are an obvious and early target in a world war. Furthermore it covers the direct and immensely vulnerable route to the equally important oil regions of the Persian Gulf. Its powers of defence are therefore a matter of vital concern to the west.

Links With Britain

Against aggression from outside Iraq has virtually no defence. Unless credits and equipment are supplied by an ally or protecting power, the size and general efficiency of any small country's armed forces must depend, in the last resort, on the state of its economy and its natural resources. Iraq is an extremely poor country (despite its great potentialities) and in no condition to maintain a large and properly equipped army. It is tied technically to Britain by the still current treaty signed in 1930; the revised Treaty of Portsmouth, negotiated in 1948, was never ratified. The British Military Mission was withdrawn in 1948 and Britain has no say in the organisation or training of the Iraqi Army; it also makes no contribution to its equipment, except so far as this is of standard British Army pattern sold to the Iraqi Government through normal commercial channels.



The armed forces of Iraq have been built up solely for purposes of internal security; they are large and good enough to enable Iraq at least to hold its own against aggression by any of the other Arab countries or against a rising by the turbulent Kurdish minority; but they could not withstand an attack by a large Power. They could not even fulfil the important role of "holding," or even seriously delaying, a Russian advance through the northern mountains for sufficient time to allow an airborne army to be flown in from, say, Egypt's Canal Zone. The Iraqi Army is a little under 30,000 strong. It is composed of three not quite complete divisions. The first division is stationed in the hilly country to the north of Iraq and is essentially equipped and trained for mountain warfare; its main task is to keep watch over the Kurds and prevent any trouble from that quarter. The second division is based in the plains between Baghdad and Basra. Both are fitted out as a balanced force of all arms, mainly with reasonably modern British small arms and automatic weapons. The remaining third is split up into small units which are scattered all over the country. Some are artillery, others are mechanised—and these are the elite of the army. But the Iraqi Army has no tanks and, indeed, no armour at all. It suffers from a lack of what might be termed "realistic" training and the men have learned to use their arms mostly in barrack squares.

It is generally believed that the four or five brigades of Iraqi troops sent into Palestine were a complete failure. That is not actually the case. Owing to political differences within the Arab League and the abysmal failure of what passed on the Arab side for a higher command, the Iraqi troops did hardly any fighting at all. Their appearance, indeed, was the most workmanlike and soldierly among all the Arab units, with the possible exception of the Arab Legion. During the months they were either inside Palestine or in camp in Jordan their morale was at its lowest ebb; this was due first, to the failure of their generals and politicians to provide them with any fighting and the consequent opportunity for loot, and secondly to the fact they received no pay, owing to a more than usually acute economic crisis in Baghdad. That has now been rectified and, within the strict limits of Iraq's slender resources, the army is being reorganised and re-equipped. In the budget for 1949 a sum of £6,250,000 out of a total expenditure of £26 million has been allocated to the defence forces. That, however, does not go very far towards providing modern armour—with tanks at £50,000 each.

For its size, and taking into consideration the limited scale of its armaments, the Iraqi Army is reasonably good. The scheme of basic training introduced by the British Military Mission, although not being fully continued by an Iraqi training staff, was sound and practical. The Iraqi is a good fighting-man. Although he has no experience of modern warfare, there have been plenty of clashes with the Kurds to give him at least a minor "battle inoculation," and to ensure that selected units would form a valuable auxiliary to an allied army going into action in the foothills of the Taurus Mountains. But, as in almost all the Middle East, xenophobia is rampant and there would only be very few Iraqi officers who would welcome a return of a British Mission; not many more are in favour of an alliance with Syria.

In fact—and it is a most curious fact—the tide of opinion in the army today flows towards participation in the Arab League's collective security pact under the leadership of Egypt, however much that might be opposed by the country's political leaders. This trend is probably due to inadequate and second-hand knowledge of the Egyptian Army, and it might well be dissipated by the constant irritations that such co-operation would produce. It does, however, add to the difficulties in the path of a government which has, as nearly as possible, broken with Egypt. The Iraqi is extremely independent, and Egypt's clumsy attempts to dominate the Arab League and domineer over its members have nowhere been more strongly opposed than in Iraq. There, in particular, King Farouk's efforts to prevent a Iraqi-Syrian union aroused widespread resentment—even amongst Iraqis who did not particularly favour union.

Were time not short it would be possible to view the situation in Iraq with greater equanimity. For the country's economic prospects are definitely improving, and its resources in oil, in agricultural products and, above all, in good water supplies and much cultivable land, are greater than those of almost any other country in the Middle East. But as a defender of the Middle East today, in a few months or even in one or two years, Iraq must be written down as a negligible force, unless Britain or the western powers in general are prepared to foot the bill and provide the arms.

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THE BUSINESS WORLD

The Schuman Union

GREAT initial momentum has been given to the Schuman Plan by its presentation to the world as a grand design for the harmony and unity of Europe. The more passionate advocacy of the plan and the more intractable suspicions of it have centred in its central political proposal: the supra-national authority responsible to an assembly of parliamentarians. The sun-drenched political vistas opened up have caught the imagination of many Europeans, and it is not unfair to say that the pooling of sovereignty is being treated in some ways as an end in itself rather than as a means to serve specific industrial and trading purposes.

Not only, in consequence, have the industrial and trading purposes of the plan slipped away out of the public eye, but for practical purposes they have yet to be formulated in any specific manner. In the talks now going on in Paris among the six countries (of which Britain is not one) represented there*, the main task has so far been to prepare the broad juristic and political outlines of a treaty. Working parties have been set up to deal with matters of production, price policy, investment, and trade, but it seems unlikely that they can achieve much more at this stage than a preliminary view of the ground. Later, when the basic treaty has been drawn up and, perhaps, subscribed to by the member countries, the main burden will pass to the technicians.

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(in Million Metric Tons)

	Iron Ore		Hard Coal	
	Tonnage	Iron Content	Tonnage	of which Coking Coal
U.K.	3,375	938*a*	20,558*b*	8,965
France	6,730	2,206*a*	9,929	207
Germany	2,208	660	224,528	148,200
Saar	...	...	9,205	2,000
Belgium	...	...	11,000	3,780
Luxemburg	270	81	...	...
Sweden	2,970	1,880	...	...
Italy	24	11	24	...
Poland	147	43	192,944	751
Spain	603	298	6,471	19,700
French North Africa	125	67	...	...
Spanish North Africa	42	27	...	...

(*a*) Ore fields not at present commercially exploited.
(*b*) Planned developed reserves for the 100 years 1942-2042. Probable total reserves are 200,000 millions tons.
Source: *European Steel Trends in the Setting of the World Market.*

By what method and with what purpose will the new authority seek to influence the volume of production of coal and steel, the viability of existing plants and the location of new projects? How will access on equal terms to the raw materials of iron and steelmaking be secured? What, indeed, are "equal terms" for this purpose? A homogeneous price policy is one of the declared intentions, but on what principles will such a policy be formulated? Will it be designed to give free play to the advantages of economic location, or to neutralise them? Price policy may prove to be the crucial point of the plan if, as seems likely, the authority is to pursue its production and investment policies by economic means rather than by decree.

It is too soon to expect precise answers from Paris to questions of this kind. Before the answers are found, important differences of interest and intention between the participating countries will need to be reconciled, and this will take time; there seems no doubt that the differences will survive the initial act of signing a treaty. A glance over the field of European heavy industry will bring out some issues that are certain to arise.

Interdependence in Europe

No European country is independent for its supplies of the raw materials of steelmaking. This has not prevented the countries of Europe from seeking the qualified (and in some ways illusory) self-sufficiency that comes from the possession of a complete national iron and steel industry, and, indeed, the tendency to build such industries has been very marked since the war. But in the economics of a heavy industry, the prices of materials and the costs of their transport tend to play a decisive part; on these the viability of the industry may depend. The movement of coal, coke, iron ore and scrap across frontiers and over long distances is, therefore, bound to be a major preoccupation of the countries joining in the Schuman Plan when they come to details.

The nature of this interdependence among the European countries was set out in some detail in an article in the *Statistical Bulletin* of the British Iron and Steel Federation for May. Germany, the largest European producer of iron and steel before the war, has built its iron and steel industry on the abundant supplies of good coking coal in the Ruhr. German reserves of coking coal form the greater part of the known reserves of Europe. The decline in output from the Ruhr mines since the war has limited and hampered steel production not only in Germany but also in France, Belgium and Luxemburg; and this limitation is only now beginning to disappear.

The German steel industry is not, however, and has never been independent of foreign sources of iron ore. "Even when Lorraine was a part of Germany," says the *Bulletin*, "the Ruhr plants drew the bulk of their supplies from Sweden," and before the last war more than two-thirds of their supplies of ore were imported. Since the war, because of shortages of foreign exchange and pressure from the occupying Powers, exertions have been made to increase the supplies of low-grade ore from the Salzgitter-Peine fields in Lower Saxony, but these ores are suited only to the basic Bessemer process, which accounts for only half the German steel production in normal times; they will not serve the open hearth process. Germany imported some 4.3 million metric tons

* France, W. Germany, Belgium, Netherlands, Luxemburg, Italy.

of ore last year—3.2 million of this from Sweden—and German requirements are growing. German purchases of Swedish ore will tend to increase.

Britain, similarly, has built its iron and steel industry on indigenous deposits of coking coal ; home ores meet less than half the industry's iron requirements, and the richer ores have to be imported. Sweden was last year the most important supplier, with North Africa second. In addition, Britain imports substantial quantities of steel scrap.

Belgium and Luxemburg have been important buyers of Swedish ore since the war. The Belgian steel industry was based on coal deposits in the Charleroi and Liége districts, and, although it supplements its coal and coke supplies with imports from Germany, the Belgian reserves of coking coal are by no means worked out. But Belgium is poor in ore deposits, and has, in the past, obtained most of its ore from the Lorraine field or from the extension of that field into Luxemburg. It is the postwar shortage of coke that has obliged the Belgian industry, in search of fuel economy, to turn to Sweden for supplies of rich ore. The situation of the Luxemburg steel industry is different again. The Lorraine ore field extends into Luxemburg ; the industry was built on these deposits and depends on foreign coalfields—primarily on the Ruhr—for its coke. Lately this industry also has been supplementing its local ore production with imports of high-grade ore from Sweden as well as of minette from France.

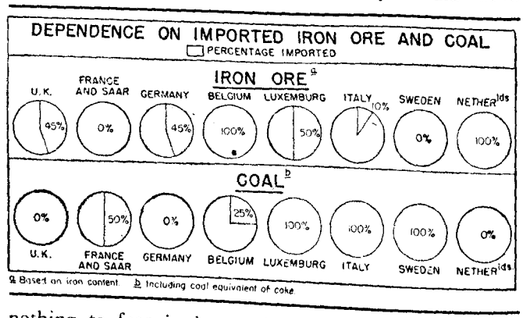
Italy, which is proposing to increase its output of crude steel from about 2,000,000 tons to 3,000,000 tons in 1953, is dependent on imports partly for its supplies of ore and scrap and entirely for its supplies of coking coal. The imported scrap requirements amount already to about 750,000 tons a year ; the coal is bought from Germany, Poland, Britain and, at present, the United States. Hydro-electric plants supply a large part of the power needed, and the Italian industry tends to specialise on open-hearth and electric processes.

Sweden has virtually no coal resources, but the richest iron ore resources of Europe and some of the richest in the world. A modest but technically resourceful steel industry has been built up in Sweden on the rich indigenous ore together with British and Polish coal, German coke, and some imports of steel scrap. On present plans Swedish output of crude steel is to be increased from 1,100,000 tons last year to about 2,000,000 tons in 1953. But it is as the supplier of the highest-grade iron ore that Sweden plays its special and vital part in the European steel industry. Before the war, 70 per cent of the Swedish exports of iron ore went to Germany, and Britain took about 15 per cent. But the demands for Swedish ore have multiplied since the war ; as has been seen, the producers of western Europe are now more dependent on Swedish ore than ever before, and the great expansion of steel output in the United States has sent American buyers into the Swedish market. Thus the falling-off in German demand has been more than replaced by rising demand from many other quarters, and competition for Swedish ore has become very keen.

The French Disadvantage

France is now in the middle of a great expansion of its steel industry, which may not (as things now appear) reach the heights once envisaged in the Monnet Plan, but which is still planned to reach a crude steel capacity, for France and the Saar together, of 14.8 million metric tons a year by 1953. French iron ore resources, mainly in Lorraine, are great enough to supply this capacity, though they will in practice be supplemented by North African ores. The Lorraine ores are fairly low in iron content (between 24 and 41 per cent), but in quantity should be adequate to supply most of the needs of Belgium and Luxemburg as well as France and the Saar once the present pressure to use rich ore, arising from the scarcity and high price of good metallurgical coke, is removed. It is in coal supplies that the French are at a decisive disadvantage. France has to import more than half her metallurgical fuel, and there is no reason as yet to suppose that the French experiments in the blending of coking with non-coking coal will greatly lessen this dependence.

France, in the struggle to overcome this disadvantage, has made great efforts to expand the production of the French coal mines and cokeries. While these efforts have not been ineffective, and French coal output is now greater than before the war, they have been costly ; the mining labour force has had to be greatly increased, output per manshift has not regained the prewar level, and mines are being worked that are uneconomic by general European standards. French coal costs are, therefore, high. This is the real significance of the sustained diplomatic effort by France against the prevailing high level of prices in the European international trade in coal. The president of the French steel federation said in a recent speech that the French steel industry would have



nothing to fear in international competition provided only that it could obtain coal on the same terms as foreign steel producers. This may be so ; but what does "on the same terms" mean ? France itself is a high-cost coal producer and will continue to be so unless the volume of French coal production can be reduced and the pits rationalised at the same time.

What is "Equalisation"?

The choice at present offered to the French steel industry is, in effect, between expensive foreign coal and home-produced coal that is even more expensive. In the hope of putting this right the French government has been concentrating on the foreign front, where it has been conducting an offensive against the dual price systems. It scored an apparent success last week, when on French pressure the Ruhr Authority ordered that the price differential between German coal exported and German coal sold on the home market should be reduced by 20 per cent. But, as the Germans have been quick to point out, this does not necessarily mean that France will get Ruhr coal any cheaper. Even if it does—even if, as may well happen before very long, Ruhr coal is supplied to France at the same pithead price as to German consumers—the consequent improvement in total

French costs will be small in comparison with the continued burden of rail charges and the high costs of French coal. The Düsseldorf *Handelsblatt* made the following calculation. Ruhr coke is sold for export at DM.46 at the cokery. Assume that it is reduced to DM.42, the price at the cokery to German consumers. It will still have to bear rail freight charges that may amount to DM.20 by the time it reaches its destination in Lorraine, so that the delivered price will be equal to DM.62. But if the French user takes French coke instead he will have to pay a price equal to DM.57.60 at the French cokery, and to this may be added freights of (say) DM.15, giving a delivered price of more than DM.72.

It is unlikely that the French government will want to go on paying subsidies for ever to offset these price differences or that, if it did, such devices would fit easily into the framework of the Schuman Plan. But the questions that arise go far beyond the immediate state of the coal export market. "Equalisation of prices" and the creation of homogeneous conditions for the supply of materials and the marketing of products have figures largely as general ideas in the early stages of discussion of the Schuman Plan, but the vital questions are undecided. There is a manifest French interest in favour of some form of price equalisation for coal that would wipe out, economically, the distance between the Lorraine steelworks and the coal of the Ruhr. But even such a scheme, if the Germans ever accepted it, would leave the French coal industry facing serious difficulties ; no equalisation scheme could make French coal cheap at its present volume and efficiency of production. There may, therefore, be some pressure for high selling prices for iron and steel products, in order to permit the high costs of unfavourably located works to be absorbed ; and such pressure may arise in other countries as well as in France.

Price policy leads by a direct route to investment policy. Steel industries have always been preoccupied with the fluctuations of demand and of prices, and every steel industry in the world would like to see prices stabilised at a level that will ensure a good return for its investments. But is the price level to be fixed so high as to ensure a return on bad investments as well as on good ? The coal and steel authority, when it is established, may or may not include the formal approval or disapproval of major investment projects but this is in a certain way irrelevant. Influence on the future pattern of investment will in any case be exerted through the conditions that are established for the supply of coal, coke, ore and scrap to the various partners, and through regulation of the prices of iron and steel products.

German Aspirations

This survey leaves deliberately out of account the political attractions of the Schuman Plan, though these are clearly very great and may well, for a time, outweigh the economic difficulties that have been discussed. Industrially, it is reasonably clear what one of the major partners, France, hopes to gain from the proposed union. From within the six-country area France can hope to get on improved terms an assured supply of the raw materials (coal and coke) in which the French iron and steel industry is mainly deficient. What can Germany expect in return ? The German deficiency is in iron ore, and this the area—even assuming the further development of the North African fields—cannot fully supply unless Sweden is induced to join. So far Sweden, like Britain, has remained outside. In this respect Germany has less to gain than France from the union. But the primary German objective in heavy industrial matters is "equality of rights"—release, that is, from the surviving provisions of the level of industry plan ; and, once this freedom is obtained, the German industry will seek to expand its capacity to between 14 and 15 million tons and to improve its efficiency at the same time. This target was mentioned at a recent shareholders' meeting

IRON ORE, COAL, COKE AND CRUDE STEEL PRODUCTION

(in thousand metric tons)

	Ore		Coal		Coke		Crude Steel	
	1937	1949	1937	1949	1937	1949	1937	1949
United Kingdom	14,442	13,611	244,397	218,625	26,363	30,009	13,192	15,800
Belgium	266	35*	29,859	27,849	6,312	5,042	5,863	3,849
Luxemburg	7,766	4,150	...	...	...	...	2,510	2,275
Netherlands	...	...	14,321	11,704	4,076	3,448†	59	440
France	37,850	31,328	44,346	51,199	7,900	8,285	7,920	9,111
Saar	...	...	13,365	14,262	2,865	3,328	2,339	1,757
W. Germany	8,522‡	9,112	137,661	103,238	34,511	25,141	15,614	9,157
Norway	1,076	376	...	...	77	...	60	70
Sweden	14,952	13,470†	460	209	576	660†	1,366	1,106
Italy	998	521	964	1,104	2,289	2,479	2,087	2,043

* Jan.-Oct. only. ‡ Includes all Germany except the Saar. † Estimate.

of Hoesch A.G. at Dortmund, and on the same occasion the chairman of the company mentioned another form of freedom, release from some of the consequences of the decartelisation laws, as a desirable object. German heavy industry has based its efficiency in the past on the close integration of coal, iron and steel production and processing, and will no doubt seek to return to its technical tradition.

These will be substantial gains, and the Germans will no doubt consider them to be worth some sacrifices. But the gains would be meaningless unless the German industry is to use them to expand its capacity and improve its competitive power. The rigours of competition may prove, therefore, to have been merely postponed for the members of the union who are technically and economically the weaker.

Divergent Interests

In the development of the heavy industries of Europe certain main lines of division of interest between countries are not difficult to discern. There is a clear division between the coal exporting countries and the countries that are net importers of coal ; this is momentarily alive in the controversy about dual price systems, though its importance and its permanence can easily be exaggerated. Another division, less easy to define but in the long run more vital, separates the countries that are industrially well placed—and which, through access to materials and command of large steel-consuming markets, can maintain their iron and steel industries at a profit in competitive conditions—from those that are building up heavy industries against the handicaps of geography. Each of these divisions of interest cuts across the group that has joined together to work out the Schuman Plan, and separates its members. The one conspicuous interest that the members of the group have in common in this matter is also a common interest of all the countries of Europe: the need to co-ordinate their economic growth and combat the industrial Balkanisation that has gained so much ground in Europe in the last forty years.

Technique of Stockpiling

THE hostilities in Korea have provoked some sharp increases in commodity prices and promoted much discussion of the possible further stiffening of the inflationary impetus that American demand is imparting to world markets. Even before this week's Presidential message to Congress, it was being assumed that purchases for the American "stockpiles" would be accelerated; this chiefly explains why the impact of the Korean war upon commodities has been most noticeably felt by tin and rubber. The behaviour of tin has been extraordinary. Before the fighting started, tin was selling at £591 a ton; by the end of last week it had risen to £720. There was a sharp fall last Monday of more than £30, and the mid-week quotation was £681. Rubber has held and added to its gains; it has jumped from 1s. 11d. a lb. to a new record of 2s. 6¼d. These are two spectacular examples. If purchases for the American stockpile are to be increased in the next few months, many other commodities are likely to be affected—among them, copper, zinc and sisal. At this stage it is naturally impossible to make dependable forecasts; no one can yet guess how rapidly the massive expansion now projected for the American defence programme will develop. Moreover, the operations of the Munitions Board (which governs the transactions of the stockpiles) are necessarily secret. The aim of this article is simply to explain the background and mechanics of American stockpiling—and to draw a few tentative conclusions about its effects.

The postwar stockpiling operations of the United States Government are conducted under the authority of the Strategic and Critical Materials Act of 1946. A stockpiling programme had in fact been authorised by Congress before the last war—by the Act of 1939—but the quantities of materials accumulated by the time the United States was involved in the war were totally inadequate to meet the high level of industrial output that had to be sustained. The bitter experience of 1942-43—when the swift advance of the Japanese armies in South-east Asia cut off the allied powers from their traditional sources of many vital raw materials—made it abundantly clear that a reserve of strategic materials should be created as a safeguard against the possibility of another war. The Act of 1946 instructed the appropriate authorities "to decrease and prevent wherever possible a dangerous and costly dependence of the United States upon foreign nations" for supplies of strategic and critical materials in time of a national emergency. The Act itself laid down no detailed objectives; nor did it list the materials to be stocked. It merely stated that the materials must be essential for the common defence (essential, that is, either to industry or to the armed forces), inadequately supplied in the United States, and capable of being stored. Three departments are primarily responsible for stockpiling. The National Security Resources Board co-ordinates the separate policies and programmes. The executive authority for stockpiling is vested in the Munitions Board which formulates and follows up the agreed programmes and maintains a balanced supply of the various materials. The procurement of supplies is carried out for the Munitions Board by the Federal Supply Service, formerly known as the Bureau of Federal Supply. Many other agencies and departments, such as the Economic Co-operation Administration, the Commodity Credit Corporation and the Departments of Commerce and Agriculture, assist in procurement of supplies.

The ultimate objectives of the physical size and composition of the stockpile have never been disclosed. The broad aim is to accumulate a stock of critical materials sufficient to bridge the gap between wartime requirements in the United States and supplies likely to be available in wartime. But within this wide framework much depends on the kind of war that is being envisaged and its possible duration. It is not surprising therefore that emphasis on particular commodities is constantly changing. The original intention was to accumulate 69 materials (from agar to zircon) within five years. Crocidolite asbestos and aluminium have since been added to the list—the latter being the first processed material to be included—and the operations of the stockpile have been extended to 8 years. The Munitions Board has emphasised in its six-monthly reports to Congress that technological developments, changes in production and consumption, problems of transport and general economic and political considerations continually call for flexibility in procurement policy. During the past financial year, for example, the programmes for eleven commodities (including rubber, tin, sisal and manilla hemp) have been revised.

AMERICAN STOCKPILE APPROPRIATIONS
(millions of US dollars)

Fiscal Year	New Cash (1)	New Contract Authority (2)	Total New Obligational Authority (1+2)	Liquidation Cash (3)	Total Cash (1+3)
1946–47	100	...	100	...	100
1947–48	100	75*	175	...	100
1948–49	225	300*	525	75	300
	40	270	310	...	40
1949–50	275	250	525	250	525
	...	—100	—100	...	...
TOTALS	740	795*	1,535	325*	1,065

* All of the 1947–48 contract authority and $250 million of the 1948–49 contract authority have been liquidated. Total outstanding contract authority is $470 million.

Source: Munitions Board's Stockpile Report to Congress, January 23, 1950.

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The speed at which the stockpile buys depends on the amount of funds appropriated each year by Congress, and on the state of the markets for individual commodities. At one time, it was laid down that stockpile purchases should be made only when supplies of particular commodities were greater than industry currently needed; the intention was to get the American economy back to a peacetime production without official competition for its scarcer materials. Oddly enough, the only period when such surpluses arose was between March and July of last year, and that was the very period in which no purchases could be made for the stockpile—because the Munitions Board had exhausted its funds.

Congress provides authority for stockpiling operations in three different phases. The first step is the appropriation of cash to enable the Munitions Board to buy spot supplies. In 1949-50 some $275 million was thus appropriated, making a total for the four years of $740 million. A second method is to authorise contract commitments against future appropriations; by this method, actual purchases can be spread over periods longer than a year, thus reducing their immediate impact on market prices. The allocation for such authorisations for 1949-50 was originally $250 million but this sum was later cut to $150 million; the total for the four years is $795 million. Thirdly, it is necessary to appropriate cash to liquidate earlier authorisations that fall due in a given financial year. So far, $325 million of contracts have been liquidated and $470 million are outstanding. Congressional control of the purse strings tends to accentuate the effect of stockpile purchases on the different markets. For three months last autumn, for example, it was impossible to place new contracts because Congress proposed to reduce its authorisation of funds, by an unspecified amount. When purchases were eventually resumed, they coincided with an expanded commercial demand. Again, when the funds are made available, they are usually spent within a relatively short period, and no more purchases can be made until the funds are replenished. The appropriations up to the end of June, 1950, are shown in the accompanying table. For the year ending next June, the Munitions Board has asked for $640 million cash appropriation and $100 million contract authorisation; this provision is still before Congress, but after last week's Presidential message, it appears certain that a revised request will be made.

In addition to the funds specifically authorised by Congress, ECA "counterpart funds" may also be used (up to a limit of 5 per cent) for procuring supplies for the stockpile and also for assisting the establishment and expansion of sources of supply outside the United States. But the quantities of materials purchased through ECA are relatively small. In all, up to the end of June, 1950, they amounted to $75-85 million, compared with a total cash appropriation made direct to the Munitions Board of over $1,000 million.

The only limit that has been set for the stockpile is the rather illogical fixing of the total commitment at $3,773 million. By the end of 1949, materials costing $1,149 million were already in stock and further deliveries valued at $406 million were expected before the end of June, 1950. Thus the stockpile has already cost over 40 per cent of its total budget and the further contracts for later delivery, valued at $473 million, will raise the total well over the halfway mark. The lack of logic does not rest in the absolute size of these value figures but in their irrelevance as a guide to the sufficiency of materials purchased—which is the objective that the stockpile is supposed to pursue. Commodity prices have risen considerably since the Act of 1946 was passed, and have thus reduced the real volume of materials purchasable for a given outlay. Details of the stockpiling operations are secret, but rough estimates can be made from published data. These suggest that in the four years, 1946 to 1949, nearly 450,000 tons of natural rubber have been acquired for the stockpile and more than 85,000 tons of tin. It is also estimated that last year some 200,000 tons of copper, 130,000 tons of lead and 80,000 tons of zinc were acquired. Zinc, manganese and copper are probably the materials in which the Munitions Board will be particularly interested in the future. It was disclosed last month that purchases of lead would be "substantially reduced," but those of zinc would be maintained.

★

Stockpile purchases, however, have been no more than marginal in relation to American commercial demand. In 1948, for example, at the height of the American postwar boom, the United States consumed about two-thirds of the world's output of copper, 40 per cent of the lead, nearly half the zinc and tin, about 45 per cent of all natural rubber and virtually all the synthetic rubber, nearly half the world's output of rayon, and about one-third each of the world's cotton and wool. American commercial demand is the major factor in determining commodity prices. Purchases for the stockpile may cause periodical fluctuations in the prices of commodities—particularly when they are superimposed on a high commercial demand—but they are unlikely in themselves to sustain the commodity markets for any length of time. A significant hint was given in the Munitions Board's report to Congress last January. After stating that the total cost of stockpiling was rising substantially, the report declared that "redoubled emphasis should be placed on other devices to strengthen the strategic materials position of the United States. Remarkable achievements in efficient use of materials were scored by Germany during world war II." The lesson from experience in the last war was the need to conserve scrap metal and to design equipment using the minimum of strategic materials as well as to produce synthetic substitutes. This would suggest some greater leaning of American policy towards self-sufficiency—stopping far short, of course, of the extremes to which Germany pursued such a policy before the war. The Munitions Board has already taken steps to standardise military equipment and to develop substitutes for certain critical materials. In addition it has suggested that national research programmes should give more attention to the development of techniques to enable less accessible domestic ores to be used commercially.

There has been much argument since the fighting started in Korea on the effect of stockpiling operations on primary commodity prices. When stockpiling coincides with a high level of commercial demand, prices are bound to rise and in circumstances such as those of the present time, where there is little or no scope for a rapid expansion in the output of these commodities, the rise in prices may be embarrassing. The notion that stockpiling operations might become a stabilising factor in the commodity markets has disappeared. They represent part of the military pre-emption that was evident in the world's commodity markets long before the invasion of Southern Korea. Those who look to such stockpiling purchases for a permanent prop to the commodity markets should remind themselves of the new aims of the Munitions Board and of the amount of money already spent on the programme. It is the level of world demand, rather than the particular form taken by a limited proportion of American purchases, that will determine the main trend of prices.

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ABRIDGED STATEMENT OF ASSETS AND LIABILITIES, 30th JUNE, 1950

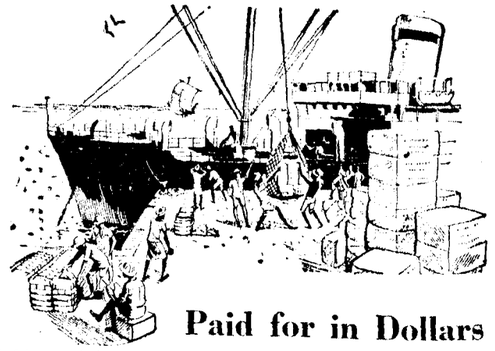
LIABILITIES

Capital	£1,060,000
Reserve Fund	1,060,000
Current, Deposit and Other Accounts	75,149,065
Liability for Acceptances, Engagements, etc.	6,346,242
	£83,615,307

ASSETS

Cash in hand and Balance at Bank of England		£5,939,448
Balances with, and Cheques in course of Collection on, other Banks in the British Isles		3,767,702
Money at Call and Short Notice		19,015,000
Bills Discounted		6,560,283
Treasury Deposit Receipts		2,500,000
Investments :—		
British Government Securities	£20,766,195	
Other Securities	736,821	
		21,503,016
Advances to Customers and other Accounts		17,288,616
Bank Premises :—		
Freehold	£620,000	
Leasehold	75,000	
		695,000
Liabilities of Customers for Acceptances, Engagements etc.		6,346,242
		£83,615,307

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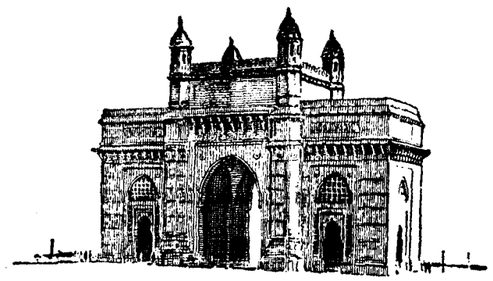


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Business Notes

Markets and the Truman Message

President Truman's dramatic message to Congress on Wednesday has made a profound impression in the City, where the general response to it was one of astonishment at the size of the dollar appropriations for which the President is asking, at the breadth of the whole programme, and at his determination to take—though not necessarily to use—wide powers of physical and financial control. At the moment of going to press, although these and many other aspects were being actively discussed, it was clear that in the Stock Exchange and commodity markets even the first impact of the news had not exhausted itself. Everyone realises that, psychologically, a new impetus has been given to the forces of inflation; but the extent to which these forces are strengthened by rising real demands will depend not only upon the pace at which the American defence programme is implemented but upon how far the additional pressure is held in check by firm counter-measures. The first impression is that, for some time to come, monetary restraints and increases in taxation will be more important than physical controls and specific directives. Nor is it yet possible to guess how soon Britain's share in the plans for defence will add its own quota to the rising pressure of demand—but when that happens, it is likely that the physical restraints will be more important than the fiscal.

In these circumstances, when many people are wondering whether, and, if so, to what extent, their economic judgments need to be reorientated, the behaviour of the financial markets is not any reliable signpost. In the Stock Exchange this week the volume of business has been small and price movements narrow, while the price of tin, which made such a rapid advance last week, reacted sharply on Monday and has been irregular since. Both gilt-edged and industrial equities were firm on the eve of the Presidential message—partly in sympathy with the recovery on Wall Street and partly in response to the new American landing in Korea. This firmness, on the day of America's response to the Nehru initiative, is in significant and heartening contrast to the market's habits in the prewar days of appeasement. After the news of Mr Truman's proposals, the rally gained momentum—but it was still of moderate dimensions. The industrial share index of the *Financial Times*, which on Monday and Tuesday remained unchanged at the low point of 110.6 reached last Friday, advanced to 111.3, compared with 114.8 on the eve of the attack on Korea. The pattern of gilt-edged prices has developed rather on the same lines. At one time the price of 2½ per cent Consols had declined by as much as 2¾ points to 68¼ from its ex dividend price on June 23rd, but by the close on Thursday 1¼ points of this loss had been regained. The movement of 3½ per cent War Loan, in which a fairly big speculative position had been built up prior to Korea, was if anything more pronounced. On July 4th it had fallen a full 3 points to 91⅞ from its pre-Korean level, but has since risen 1⅝ points from its low point.

* * *

Light on EPU

This week's House of Commons debate on the European Payments Union scarcely succeeded in lighting up the darker recesses of this scheme. This is hardly surprising, given the complexities of the subject—with which most of the speakers were unfamiliar. Mr Gaitskell, though he had little stimulus from the opposition, succeeded in conveying both an admirably balanced description of the scheme and some information additional to that which could be obtained from the printed documents. It is clear from his speech that the British Government visualises the useful expectation of life of EPU as extending well beyond the remaining span of Marshall Aid. It is hoped that, as long as the world cannot attain complete and free convertibility of currencies, EPU will go on and will provide for Europe and its related monetary areas the advantages that come from a multilateral system of payments even when that multilateral system fails to be omnilateral.

For Britain one of the most important features of the new system is the guarantee against any gold lost through the use of accumulated sterling balances by member countries that happen to be in deficit with EPU. Mr Gaitskell confirmed that there was such a guarantee, that it was contained in correspondence between himself and the United States special representative with OEEC and that the terms of the agreement will be published as soon as permission has been received from the United States. Information about the size of these balances, which Mr Oliver Lyttelton said was as difficult to obtain from the Treasury as "pulling the back teeth out of a mule," was again refused by Mr Gaitskell —on the usual argument that the balances were somebody else's property to which the customary secrecy between banker and customer applied. He confirmed, however, that the four main European holders of sterling balances are Italy, France, Sweden and Portugal, and that the total European balances are roughly £200 million.

The balances held on French account are in fact being held in anticipation of repayment of the French government's funded debt of £110 million debt to the British Government—more than twice the existing French balance. The amount owing to Italy is under discussion at the moment. On the other side of the account the debt owing to Britain by Denmark has been funded and will be amortised over a period of ten years. Mr Gaitskell gave it as his opinion that Britain would be unlikely to gain or lose gold as a result of EPU. It is anticipated that the sterling area will be roughly in balance with Europe and that any swings in the payments will remain well within the margin of Britain's initial debit position (duly covered by conditional ECA grants) and of the gold-free portion of the credit lines available under the EPU quota.

The first major criticism made from the Opposition side was Mr Oliver Lyttelton's plea for making sterling an increasingly scarce currency and his fear that EPU might have the reverse effect. But the scarcity or abundance of sterling will depend on the degree of domestic inflation, on the release of sterling balances and, last but not least, on the way in which the balance of payments of the sterling area is affected by events over which Britain may have little immediate control—the repercussions of the Korean war and of American rearmament, for example. Again, Mr David Eccles claimed that an expansion of intra-European trade would, unless accompanied by higher production, be positively detrimental to Europe's endeavours to bridge the dollar gap. This seems too gloomy and negative a view. The unified market in Europe and the greater scope given for effective competition should be conducive to higher efficiency and lower costs and provide the basis for a more promising attack on what remains of the dollar problem.

* * *

Liberalisation of Trade

Within fifteen days of the signing of the EPU agreement (which is expected to take place towards the end of August), the participants have undertaken to liberalise 60 per cent of their imports on private account. The signatories also under-

take that as from January 1, 1951, they will avoid any discrimination in respect of imports of any products as between one member and another. All existing measures of discrimination based solely on payments difficulties, such as the exclusion of Belgium, by a number of European countries, from the advantages of the measures of liberalisation of trade already instituted under OEEC, will thus come to an end. This principle of non-discrimination will also apply to invisible transactions. In conformity with this, Britain has already announced that the previous limitation of British tourist expenditure in Belgium to a prescribed total has come to an end and that visitors to Belgium will be subject only to the individual quota that applies to visitors to other European countries. The same concessions will be made to British tourists' expenditure in Switzerland as soon as that country has produced the necessary Parliamentary sanction of its promised adherence to EPU. Mr Gaitskell, however, suggested that this rule of non-discrimination to invisible items did not mean that the special facilities given to British tourists to the Scandinavian countries would be extended to other members of EPU. The Scandinavian position, he said, was a special case and that fact had always been made clear to the council of OEEC.

If a member of EPU finds that it is running seriously into deficit, it will discuss its problems with OEEC, and may go back on previous liberalisation measures and reinstitute quantitative restrictions on imports. These measures must, however, be applied without any discrimination unless the Council, in very special cases, authorises a departure from this rule. This it may do, both to help debtors and to restrain excessive creditors. It may authorise members to import products from extreme debtors on more liberal terms than from others. It may also authorise members to discriminate against a particular member that is incurring so heavy a surplus with EPU as to endanger the reserves of the Union. The objective of the EPU rules on commercial policy is twofold. First, the rules are intended to expand trade within Europe on a basis of non-discrimination. That is part of the basic philosophy of EPU and of the retreat from the principle of bilateralism. Secondly, exceptions to the rules for liberalisation of trade are provided; discrimination may be applied if its purpose is to maintain that approximate equilibrium in intra-European balances of payments without which EPU, or any similar organism, would soon find itself waterlogged and ineffective.

* * *

Dutch Buyer's Strike

The latest difficulty to arise from the British price policy for coal exports has confronted the National Coal Board rather suddenly; it has arisen in the Netherlands, where the government has decided to stop the import in the current quarter of certain qualities of coal obtained from Britain. The Netherlands has lately been a good customer for British coal, and took 903,000 tons last year. These imports are controlled by licensing, and the Netherlands government subsidises the imported coal to the extent necessary to bring its price down to the domestic price level. The Dutch have decided that for certain qualities of imported coal the gap that has to be covered by subsidy is unreasonably large, and these are the qualities the import of which has been stopped. They are by no means all—as might perhaps have been expected—the best or most costly qualities; among them are some inferior coals, cheap by comparison with other grades of imported coal but dear by the side of comparable qualities on the Dutch market. In the recent experience of Britain and other exporting countries these inferior grades of coal have been the hardest to dispose of, even at fairly low prices.

Discussions between the National Coal Board and the Netherlands government have been hurriedly arranged and are to start in London soon; no doubt the board will try to persuade the Dutch to restore the missing licences, and the Dutch will ask the board to change its price policy. There have been protests before from several countries, but these did not lead to any great change, presumably because the European market had not yet approached a state of glut. Has such a state been reached now? It seems doubtful, unless in a limited range of inferior qualities. But if not, why have the Dutch chosen this moment to make their protest?

The question would be easier to answer if it were known how the Dutch decision will affect imports of coal from other sources than Britain. The Netherlands imported 912,000 tons of coal from Poland last year and 1,613,000 tons from western Germany. Both these supplying countries pursue differential price policies. But the International Ruhr Authority issued a direction last week that the difference between the home and export prices of German coal was to be reduced forthwith by 20 per cent. Britain abstained from voting when this decision was taken, and the Germans have shown that they do not relish it; there is great reluctance in Germany to raise the inland price, and the mining undertakings declare that they cannot support the loss of income that would come from a reduction of export prices. It is still unknown, therefore, which of the price levels will have to give; the German government may produce a subsidy to resolve the dilemma. No doubt the Dutch, before delivering their blow, made some calculation of the probable course of Ruhr export prices, but they must still be uncertain how the calculation will work out.

* * *

The Caltex Agreement

With the Caltex agreement, announced this week, one more piece is fitted into the jig-saw of arrangements by which the government is arriving at a *modus vivendi* with the American oil companies. Granted the assumptions on which the government's overseas economic relations are conducted, the agreement represents a substantial success. The Caltex group sells some 3,000,000 tons of oil products a year in the sterling area. This oil is refined at Bahrein, in the sterling area, where the Caltex group has a refinery; the crude oil comes partly from Bahrein itself and partly from Saudi Arabia. Bahrein crude, though it has been treated hitherto as dollar oil because of its American ownership, has the highest "sterling content" of any dollar oil; but Saudi Arabian crude has a dollar content of 100 per cent. The first step to bring about the Caltex agreement was, therefore, the arrangement with Arabian American Oil Company that was discussed in these columns last week, permitting Caltex to pay for Arabian crude oil partly in sterling and permitting the Arabian American company to use the sterling so obtained to meet some of its costs in Arabia.

The Caltex products refined at Bahrein are sold for the most part in overseas countries of the Commonwealth. They will now be treated as sterling oil in all those countries that draw upon the sterling area pool of dollars. The company handling this trade, Caltex (U.K.) Ltd., will be treated in all respects as a British company, drawing on the sterling area dollar pool for its operating needs, and transferring only its profits (after British taxation) to the United States. It will be exempt from the British "substitution" policy. In return, the company agrees to various steps directed towards increasing the proportion of its sterling costs and decreasing the proportion of its dollar costs; these will include, besides the arrangement already mentioned with Arabian American Oil Company, the building of tankers in Britain.

While it will need perhaps two years for these dollar-saving measures to take full effect, the result will be (it is estimated) a saving by 1952 of between $30 million and $40 million a year to the sterling area dollar pool. By removing Caltex from the ambit of the substitution policy, it will reduce by 1,000,000 tons a year the extent to which the



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British Government may require sterling oil to displace dollar oil in the markets of Britain and the Commonwealth.

Thus the impact of the substitution policy—already reduced by 500,000 tons a year by last month's agreement with Standard Vacuum—is now limited to 2,500,000 tons a year falling almost exclusively on the trade of one American group, Jersey Standard. This group will have its new British refinery in operation at Fawley by the end of next year, and this, together with the arrangements it has made for the supply of sterling crude, will enable it then to make out a strong case for the treatment of Standard products also as "sterling" oil. It remains to be seen whether special arrangements will be made for the interim period; if they are, then the substitution policy in oil will virtually have ceased to exist.

* * *

Trends in Bank Deposits

Net bank deposits rose in the six weeks to end-June by £91 million, their largest rise since last December. This, however, is a slightly smaller movement than occurred in either 1949 or 1948 and need not, therefore, be regarded as an indication that a new phase of credit expansion is beginning. The risk of such a development is, however, greater now than at any time since the major phase of expansion came to an end two years ago. This risk arises not only from the probability of increased expenditure on defence, but also from the fact that the disturbance of investment markets has checked in mid-course the official operations in the gilt-edged market that would otherwise have rounded off the recent cash-and-conversion offer. For some time past, the dominant characteristic of the banking scene has been the fact that governmental repayments of indebtedness to the banks have been more than sufficient to offset the additional credit made available by bank advances. In the twelve months to end-June last, this excess of governmental repayments was sufficient to permit a decline in net deposits by £47 million, to £5,740 million, in contrast with an increase of £51 million in the preceding twelve months. During the first half of 1950, moreover, the improvement on the previous year's experience has been equally marked, despite a sharp acceleration in demands for advances. In this half-year net bank deposits dropped by £224 million, or by nearly £100 million more than in the first half of 1949. Yet the growth of bank advances in these six months steepened to £125 million, compared with £70 million. Now, it seems, the chances of avoiding a new upturn in the volume of deposits depend very largely upon whether the pressure upon the banks for advances will begin to relax. During May and June there was, it is true, a marked reduction in the rate of net new lendings, but this appears to have been wholly due to repayments effected out of the application moneys and first call on the new BEA loan. Apart from this, the pressure still seems to be appreciably greater than at this date last year, and it is perhaps not likely to subside significantly unless and until the new capital market is able to absorb a large volume of funding issues.

Meanwhile, thanks to the past year's vigorous switching by the Treasury from Treasury deposit receipts to Treasury bills, the big rise in advances has not impaired the technical flexibility of the banking position. Although the ratio of advances to deposits has risen in the twelve months from 24 to 27½ per cent, the combined ratio of the banks' bills and call money—the most flexible of all their earning assets—has risen from 21 per cent to the unprecedented level of 31½ per cent. This improvement has been brought about by the very large reduction in bank holdings of TDRs, which at end-June stood at only £297 million, compared with £1,142 million in June, 1949, and as much as £1,994 million at the peak touched in mid-1945.

Rising Output in the Motor Industry

The output of passenger cars in the first six months of the year has been consistently higher than in 1949, and by the end of June it had reached an annual rate of 510,000 cars. The original estimate put forward at the beginning of the year was only 450,000 cars; this was based on tonnage of sheet steel which it was then thought would be available to the industry. Complete production figures for the first half of the year are not yet ready, but the total is likely to be between 254,000 and 255,000 cars. Total exports during the period were 175,407, valued at £54,575,054. The Ministry of Supply at the beginning of the year laid down a figure of 110,000 cars for the home market in 1950. Less than half this number had been delivered by the end of June.

Each of the big manufacturers reports higher production and export figures for cars and commercial vehicles in the first half of the year. The Ford Motor Company had the largest output. Production totalled 100,890 cars and commercial vehicles, 82,900 of which were exported. In the same period the Austin Motor Company produced 81,972 vehicles and exported 64,440 of them. Nuffield exports were 51,500 units, those of Vauxhall Motors were 32,633 out of a total output of 46,148. Exports of the Standard Motor Company during the same period were 23,362 vehicles, nearly all passenger cars. Standard's production figures for the six months are not available but production has now recovered to 500 units a day.

Canada is rapidly overtaking Australia as the leading export market for the British motor industry. In June 6,774 cars were sent to Canada compared with 5,749 to Australia. During the first six months however, Australia has taken 46,701 cars as against Canada's 38,670. Sales in the United States have recovered somewhat, but the industry does not expect to find a market there for more than 40,000 cars a year and even this seems optimistic, since exports in the six months have amounted to no more than 6,005 cars.

These figures, while they are encouraging, need cautious interpretation. Production at home is not expected to continue expanding at the same rate as it has in the first half of the year. The industry considers that it should be possible to find enough sheet steel to raise the production rate by another 10,000 cars, but expansion beyond that figure is unlikely this year. There is little possibility now of getting from the United States any more sheet steel or slab for rolling into sheet. The American motor industry is itself finding difficulty in getting enough steel for the increases in output that it had planned. The American Ford Motor Company has already announced that it will work a shorter week than it intended because of inadequate supplies.

The rising trend in exports is also likely to be checked and may even for a time be reversed. The second half of the year is not usually a time when cars are bought, so during this period deliveries to the home market may be made up. The Standard Motor Company's decision to allocate first deliveries of its new Triumph to the home market will increase the total number of cars quite considerably. The decision is obviously a wise one, until some experience is gained at home there are serious risks involved in selling a new model abroad. The new Ford is the only other new model expected this year.

* * *

Patons & Baldwins Capital Needs

Patons & Baldwins are to follow up the issues of new preference and ordinary capital (which brought in approximately £5,900,000 in 1949) by an issue of £3,000,000 4 per cent debenture stock 1960-75 at 98 per cent. Cash applications for the new stock must be made by July 28, 1950, together with a first payment of £25. The balance of the issue price is due on allotment. Up to £500,000 of the new issue will be used to redeem the outstanding existing 4 per



Total 1948 U.K. exports to the territory were £5,416,000.
These included :

CHEMICALS	£474,000
COTTON PIECE GOODS	£695,000
IRON & STEEL MANUFACTURES ...	£539,000
MACHINERY	£682,000
VEHICLES	£605,000
REFINED SUGAR ...	£422,000

The table shows some of the goods that the Anglo-Egyptian Sudan bought from Britain in 1948. There is a market, too, for many other British products.

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cent debenture stock. The remaining proceeds will go towards the repayment of bank loans and acceptance credits. The accounts for the year to April 29, 1950, show that such financing had risen from £857,002 to £2,536,571, partially offset by a rise of nearly £400,000 in cash balances to £695,803. The vice-chairman declares in his statement that "while no forecasts can be made as to the future trend of raw material prices, it is apparent that the company has become short of adequate working capital to finance the current and expected level of output."

The jump in short term borrowing in the past year has been occasioned primarily by the rise in the cost of raw wool to record prices. The balance sheet reveals that the value of stocks had increased from £8,148,294 to £10,401,527 by April 29, 1950. But it is also to be noted that debtors required nearly £450,000 of additional finance in 1949-50. Meanwhile, capital expenditure of the new Darlington factory has continued. Expenditure, at cost, on the new plant up to April 29, 1950, amounted to £10,432,228, of which £1,798,599 was spent in the past year. An additional outlay of about £1,650,000 will be required to finish it. Mr Philip A. Wright reports that most of the sections of the factory came into operation in the course of the year. The factory has been processing raw wool through all stages to finished yarn since January, while its output was 40 per cent higher than in 1948-49.

Patons & Baldwins face several awkward problems as their postwar expansion programme nears completion. Not least of these are the "growing consumer resistance to higher prices," the risk of a fall in wool values and the provision of extra working capital to finance a high level of production. Yet it is satisfactory that demand continues to exceed the company's capacity to meet it, even with the assistance of additional supplies from the new factory. The rise from £1,756,527 to £2,455,159 in the trading surplus of the past year is impressive, and provides particular justification for the big additions to outside capital of recent years. The latest debenture issue conceivably may not represent the end of this process. The trust deed securing the new debentures also authorises the issue of an additional £3,000,000 debenture stock ranking *pari passu*, if it should be needed at some future time.

New Heavy Tractor

Vickers-Armstrongs Ltd. have completed a year's trials with the prototype of a heavy industrial tractor, production of which will start at the beginning of 1952. It is powered by a 180 h.p. diesel engine, one of three standard diesels made by Rolls-Royce. Tractors of this size have limited agricultural uses in some areas, but their primary purpose is for heavy industrial duties such as earth moving and pipe laying. This will be for a time the heaviest tractor built in the world, although there are reports that Allis-Chalmers plan to produce one with an engine of more than 200 h.p. An output of 500 tractors a year is planned.

Tractors of this class have so far been built only in the United States, and American exports of them are considerable. Annual production is about 15,000 a year. Since 1947 Britain has spent $5,250,000 on imports of these tractors. Vickers have been working for three years on the project and during that time have, with Rolls-Royce, spent £1,000,000 on development. A number of "pre-production" models will be built for various firms in the next 18 months for testing in use. It is essential that any snags that might arise in operation be removed before the tractor goes into full production, because it is intended to send most of the output abroad. The home demand for equipment of this weight is limited. Development work has been facilitated by the fact that a standard and well-tried engine is being used. Rolls-Royce diesels have been developed from the range of petrol engines first built for tanks; parts for the three engines are largely standardised. Vickers have decided to distribute the tractor through the firm that has been handling most of the heavy tractor imports from America. This firm, Jack Olding and Company, is now giving up its American agency, presumably on the assumption that imports to this country will cease when the home-built tractor becomes available. Abroad, however, the tractor will be selling in direct competition with American-built tractors in a necessarily limited market. Demand in the postwar years was large because of the amount of reconstruction and rebuilding to be done. The market may not now be of the same size, and in the light of this possibility the rate of production planned is perhaps less modest than it might seem in comparison with past American sales.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Patons & Baldwins; British Match Corporation; Lewis Berger.

Prices, Year 1950 Jan. 1 to July 19 High	Prices, Year 1950 Jan. 1 to July 19 Low	Name of Security	Price, July 12, 1950	Price, July 19, 1950	Net Yield, July 19, 1950 (n) £ s. d.	Gross Yield, July 19, 1950 £ s. d.
		British Funds				
101 7/32	100 1/8	War Bonds 2½% Aug. 1, 1949-51	100 1/8	100 1/8	0 13 6	1 15 3
100 3/8	98 1/2	War Bonds 2½% Assented	99 1/4 xd	98 1/2 xd	1 9 8	2 12 3
102	101 1/16	War Bonds 2½% Mar. 1, 1951-53	101 1/16	101 1/16	0 15 11	2 10 3
102 13/32	100 15/32	War Bonds 2½% Mar. 1, 1952-54	101 1/8	101 1/4	0 14 6	1 19 2
101 13/32	100	Exch. Stk. 2½% Feb. 15, 1955..	101	100 1/2	1 0 10	2 0 8
102 1/2	100 1/2	War Bonds 2½% Aug. 15, 1954-56	101 3/16 xd	101 1/4 xd	1 2 0	2 4 1
102 1/2	101 1/4	Funding 2½% June 15, 1952-57.	101 1/2	101 15/32	1 5 2	2 10 1
104 1/16	102	Nat. Def. 3% July 15, 1954-58.	102 1/32 xd	102 1/4	1 5 6	2 12 1
104 15/32	101 3/4	War Loan 3% Oct. 15, 1955-59.	103 1/4	103 1/4	1 5 11	2 13 4
101 15/32	96 1/4	Sav. Bonds 3% Aug. 15, 1955-65	99 15/32	99 15/32 xd	1 13 5	3 0 3
100 1/2	97 1/2	Funding 2½% April 15, 1956-61.	99 1/2	99 1/4	1 9 4	2 12 7
99 1/2	98 1/2	Funding 2½% April 15, 1956-61 'A'	99 1/8	99 3/8	1 9 5	2 12 4
99 3/8	95	Funding 3% April 15, 1959-69..	97 1/8	97 1/4	1 16 9	3 4 9
108 3/4	104 3/8	Funding 4% May 1, 1960-90....	107 1/8	107 1/4	1 9 1	3 4 8
98 1/2	94 1/2	Sav. Bonds 3% Sept. 1, 1960-70	97 1/4	97 1/4	1 17 2	3 5 6
95 1/2	91 1/2	Sav. Bonds 2½% May 1, 1964-67	93 1/4	93 1/4	1 16 8	3 5 6
110 3/8	106 3/8	Vict. Bonds 4% Sept. 1, 1920-76	109 1/8	109	1 11 7	3 6 9
98 1/4	91 1/2	Sav. Bonds 3% Aug. 15, 1965-75	93 1/8 xd	93 3/8 xd	1 19 5	3 7 5
105 1/2	100	Consols 4% (after Feb. 1, 1957)	102 3/8 xd	102 1/2 xd	2 2 11	3 17 11
95 1/2	91 1/2	Conv. 3½% (after Apr. 1, 1961).	94 1/8	94 1/2	2 1 0	3 14 11
71	66 1/2	Treas. Stk. 2½% (after Apr. 1, 1975)	69 1/2	69	2 0 1	3 15 5
84 1/2	79 1/2	Treas. Stk. 3% (after Apr. 5, 1966).	82 1/2	82 1/2	2 0 3	3 13 6
100 1/8	99	Treas. Stk. 3½% June 15, 1977-80	100	99 1/8	1 18 9	3 10 6
91	86 1/2	Redemp. Stk. 3% Oct. 1, 1986-96	89	89 1/2	2 0 5	3 10 5
94 1/2	90	War Loan 3½% (after Dec. 1, 1952)	93 1/16	93 3/8	2 2 5	3 15 6
71 1/2	68 1/2	Consols 2½%	69 1/8	69 1/2	1 19 9	3 12 4
96 1/8	92 1/2	Brit. El. 3% Gd. Apr. 1, 1968-73.	95 1/2	95 1/2	1 18 11	3 7 4
95 1/8	91 3/8	Brit. El. 3% Gd. Mar. 15, 1974-77	93 1/4	94	1 19 4	3 8 1
100 1/8	99	Brit. El. 3½% Gd. Nov. 15, 1976-79	99 1/16	99 1/8	1 18 11	3 10 7
91	86 1/2	Brit. Tpt. 3% Gd. July 1, 1978-88	89 1/2	89 1/4	2 1 1	3 10 2
96 1/8	92 1/4	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	95 1/4	95	1 19 0	3 7 6
90 1/4	85 1/2	Brit. Gas Gd. 3% May 1, 1990-95	88 1/2	88 1/4	2 1 2	3 10 10

Prices, Year 1950 Jan. 1 to July 19 High	Prices, Year 1950 Jan. 1 to July 19 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, July 12, 1950	Price, July 19, 1950	Yield, July 19, 1950 £ s. d.
					Other Securities			
100 1/8	95 1/4	% (d)	% (d)	% (d)	Australia 3½% 1965-69.....	97 1/4 xd	97 1/2	3 8 6
101 1/2	99 1/8	(d)	(d)	(d)	Birmingham 2½% 1955-57..	100 1/2	100 1/2	2 13 6
8 3/8	6 3/8	50 c	50 c	50 c	Anglo-American Corp., 10/-.	6 1/8	6 1/8	4 8 1
7 3/16	5 3/8	5 a	5 a	25 b	Anglo-Iranian Oil, £1.....	6 3/8	5 7/8 xd	5 4 4
87/-	71/6	7½ a	7½ a	15 b	Assoc. Electrical, Ord. £1..	76/6	76/6	3 18 5
25/4½	17/0½	40 c	40 c	40 c	Assoc. Port. Cem., Ord. Stk. £1	86/-	85/-	5 5 10
70/7½	66/-	7 b	7 a	7 a	Austin Motor, Ord. Stk. 5/-..	24/-	22/9	5 17 0*
145/-	129/-	†19 b	†19 b	†15 a	Barclays Bank, Ord. 'B' £1..	69/6	68/6 xd	4 1 9
98/-	87/4½	8 a	8 a	12 b	Bass Ratcliff, Ord. £1.....	136/10½	136/10½	3 10 0†
39/3	32/1½	2½ a	2½ a	5 b	British Oxygen, Ord. £1....	96/6	95/-	4 4 3
28/9½	16/6	20 b	20 b	5 a	Courtaulds, Ord. £1.....	37/6	36/9	4 1 8
32/9½	28/9	8 c	8 c	8 c	Distillers Co., Ord. 4/-.....	18/3	18/-	4 1 3†
63/6	59/-	15 c	15 c	15 c	Dorman Long, Ord. £1.....	29/7½	29/7½	5 8 0
44/3	39/6	3 a	3 a	7 b	Dunlop Rubber, Ord. £1.....	60/-	60/3	4 19 7
109/4½	95/-	13½ a	13½ a	18½ b	Imp. Chem. Ind., Ord. Stk. £1	40/7½	40/-	5 0 0
37/3	29/7½	10 c	10 c	5 a	Imperial Tobacco, £1.....	101/3	100/7½	6 7 3
44/6	38/1½	10 c	10 c	15 c	Lancs. Cotton, Ord. Stk. £1.	36/6	36/-	5 11 1
63/-	57/3	15 c	15 c	10 c	Lever & Unilever, Ord. £1..	40/-xd	38/9	5 3 3
82/9	69/6	15 a	15 a	45 b	Marks & Spencer ("A").. 5/-	60/-	58/9	5 2 2
43/9	33/3	7½ a	7½ a	17½ b	Pckin J'nson, Ord. Stk. 10/-	78/9	78/6	3 16 5
48/9	41/-	8 a	8 a	4 b	P. & O., Def. Stk. £1.....	41/6	39/-xd	6 8 1
35/-	27/-	†17½ c	†17½ c	†17½ c	Prudential, 'A' £1.....	47/-	46/-	5 4 4
56/3	50/-	12½ c	12½ c	12½ c	Stewarts & Lloyds, Def. £1..	32	31½	2 9 0†
70/2½	59/3	†2½ a	†2½ a	†5 b	"Shell" Transpt., Ord. Stk. £1	55/-	54/6	4 11 9
6 1/16	5 3/16	12½ b	12½ b	12½ a	Tube Invst., Ord. Stk. £1..	63/9	60/7½	2 9 6†
85/3	73/3	3½ a	3½ a	11½ b	Turner & Newall, Ord. Stk. £1	6	6	4 3 4
33/6	27/-	8 c	8 c	8 c	Union Castle Ord. Stk £1...	82/-	81/6	3 13 7
48/4½	41/9	27½ b	27½ b	15 a	Woolworth (F. W.) Ord. 5/-	32/-	32/-	5 0 0
						46/9xd	46/-	5 16 1m

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (n) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield. * Assumed average life 14 years, 4 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly (h) Assumed dividend 18¼% after capital bonus. (l) To latest redemption date. † Free of tax. (m) Yield basis 35%. (n) Yield basis 26¼% after capital bonus.

ABRIDGED PARTICULARS

BAIRNS-WEAR LIMITED

(Incorporated under the Companies Act, 1929.)

Authorised:	SHARE CAPITAL:	*Issued:*
£200,000	in 5½ per cent. Cumulative Preference Shares of £1 each	£200,000
£200,000	in 800,000 Ordinary Shares of 5s. each	£200,000
£400,000		£400,000

Authorised:	LOAN CAPITAL:	*Now Offered:*
£500,000	4½ per cent. First Mortgage Debenture Stock, 1960/80	£500,000

There are no other debentures, mortgages or loan capital outstanding.

The Subscription Lists will open and close on Wednesday, 26th July, 1950, for the

ISSUE AT PAR OF

£500,000 4½ per cent. First Mortgage Debenture Stock, 1960/80.

The Prospectus states, inter alia:

1. **BUSINESS.**—The Company manufactures ladies' and children's knitted outerwear, handknitting and rug wools and children's woven outerwear. These products, many of which are sold under nationally advertised trade names, including "BAIRNS-WEAR," "TIROLA," "FEMINA" and "LA LAINE," have achieved a high reputation for quality at competitive prices.

2. **DEVELOPMENT PROGRAMME.**—To provide additional facilities for increased output of ladies' and children's knitted outerwear the Company has agreed to lease a factory now being built at Armagh, Northern Ireland. This factory should be in full production by the end of 1951. To produce additional handknitting wools, the Company has acquired a freehold site at Worksop, Nottinghamshire, on which a new spinning mill is being erected. It is hoped that this mill will be in full production by the end of 1952.

Preliminary constructional work at Worksop, begun in 1948, involved a cost of approximately £85,000; a balance of about £8,500 still remains to be paid. Including this balance, the cost of completing the mill and equipping both it and the factory at Armagh (now estimated at £605,000 in all), plus £125,000 additional working capital, will amount in total to about £730,000, of which £137,972 was provided by the issue of Preference and Ordinary Shares in October, 1949. Of the balance, £479,000 will be provided by the net proceeds of the present issue of Debenture Stock and the Directors consider that the existing resources of the Company will be ample to provide the remaining £113,000.

3. **CAPITAL AND INTEREST COVER.**—Net tangible assets of the Company, including the estimated net proceeds of the £500,000 4½ per cent. Debenture Stock, as stated in the Auditors' Report, amount to £1,415,179, which is equivalent to more than 2¾ times the amount of the Stock including the maximum premium payable on repayment.

The profits of the Company, subject only to taxation, for the financial year ended 18th December, 1949, amounted to £207,291, which is equivalent to more than nine times the gross interest (£22,500) annually payable on the Stock.

Copies of the full Prospectus, on the terms of which alone applications will be considered, and Forms of Application can be obtained from:

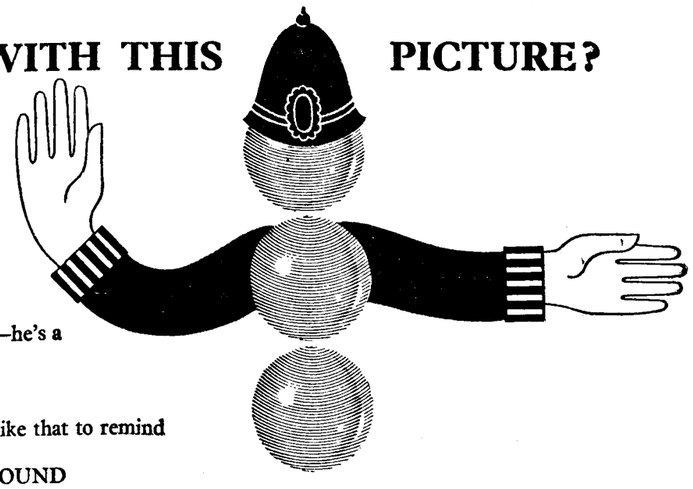
Bankers:
MIDLAND BANK LIMITED, New Issue Department, Poultry, London, E.C.2, and Branches.

Brokers:
P. N. KEMP-GEE & Co., 20, Copthall Avenue, London, E.C.2, and The Stock Exchange, London.

And from

THE CHARTERHOUSE FINANCE CORPORATION LIMITED
15, St. Swithin's Lane, London, E.C.4.

WHAT'S RIGHT WITH THIS PICTURE?



Do policemen wear white gloves on point duty? Should his cuffs look like peppermint humbugs? Does his face . . . It doesn't really matter. He isn't an ordinary bobby—he's a Heat Cop. *His* special job is to stop heat escaping, and we've only made him look like that to remind you that THE WORLD'S BEST ALL-ROUND INSULATING MATERIAL CONSISTS OF MILLIONS OF FINE GLASS FILAMENTS, *WHICH ARE SPUN FROM GLASS MARBLES!* Any engineer, any builder, any architect will tell you about :—

FIBREGLASS
TRADE MARK

FIBREGLASS LIMITED,
Ravenhead, St. Helens, Lancs. St Helens 4224

BANK OF BRITISH WEST AFRICA LIMITED

ECONOMIC AND FINANCIAL CONDITIONS IN WEST AFRICA

SIR FRANCIS BEANE'S STATEMENT

The annual general meeting of the Bank of British West Africa Limited was held at the office of the company, 37, Gracechurch Street, London, E.C.3, on July 12th, Sir Francis Beane (the chairman) presiding.

The secretary (Mr S. J. Andrews) read the notice convening the meeting and the report of the auditors.

The following is an extract from the chairman's statement which was circulated with the report and accounts.

Turning to the balance sheet and profit and loss accounts, I am pleased to place before you figures and results which I hope will be regarded as satisfactory.

BALANCE SHEET ITEMS

Capital remains unchanged at £1,200,000. A sum of £50,000 has been taken from profits and added to the reserve fund, making a total of £950,000. A further £50,000 has been added to contingencies account.

Current, deposit and other accounts at £44,628,715 show an increase of £6,568,530 over the previous year.

Liabilities on acceptances, confirmed credits and other engagements on behalf of customers at £5,306,265 have decreased by £1,410,836.

On the assets side, our cash holdings at £8,030,734 are higher by £230,254, while call and short money at £16,425,000 are up by £2,625,000. At first glance these figures may, perhaps, suggest unnecessary liquidity, but it must be remembered that the bank operates in a sphere which deals in high-priced raw products, and it is essential, therefore, to have ample cash resources available to meet the recurring and increasing needs of agricultural seasons.

There is little change in the level of investments at £11,490,942.

Loans, advances, overdraft and other accounts at £7,847,095 continue their upward tendency due to heavier demands made upon us by customers requiring finance, and are higher by £3,357,936.

Premises and furniture stand in the books at £110,839.

THE DIVIDEND

Your directors, after careful consideration of the profit and loss figures, recommend the payment of a final dividend of 4½ per cent. which, with the interim dividend of 2½ per cent. paid in December, 1949, will make a total of 7 per cent. for the full year.

CONDITIONS IN WEST AFRICA

During the past year West Africa has been passing through a period of development and activity, and there are clear indications that the importance of its natural and agricultural resources is recognised. In many directions the necessary steps are being taken to extend these resources for the benefit of its population and the satisfaction of overseas demands. In this respect it would appear that, to enable West Africa to achieve her aims, three main requirements must be kept in view: capital, technical and managerial skill and, most important, increased efforts by all concerned.

So far, there are few signs that West Africans have money available in the form of capital for investment purposes and it is clear that the country will have to look outside its own resources for the financial requirements necessary for its development. Skilled personnel and much equipment are needed if the four Colonies are to justify themselves, and it must be a matter of self-interest that each of them should create conditions which will attract a steady flow of capital from overseas. An essential condition for this is political stability throughout West Africa.

BOOM PERIOD PASSING

With its agricultural crops and mineral wealth West Africa occupies an important sphere in the world today, and it ranks high among the dollar earning countries. There are, however, indications that the period of rising prices is coming to an end, and improved methods and increasing energy are necessary now that greater competition is in evidence from producing areas in other countries.

Expressions of opinion to this effect have been made in many quarters, and recent speeches by Colonial governors have emphasised that the "boom" phase is passing.

Foresight is being displayed in each of the four Colonies for the safeguarding of the future and, although their financial positions are sound, a watchful eye will have to be kept on expenditure which has risen to an unprecedented level due to the years of artificial prosperity created both during and since the war. Any important fall in revenue due to reduction in world prices will, in the absence of further sources of taxation, lead to a curtailment of desirable development schemes.

INFLATION PROBLEM

Inflation undoubtedly exists and if the general situation is not to get out of hand, careful supervision will be necessary to ensure that the cost of living is kept at an economic level.

West African exports place large sums of money in the hands of the community each year. Much of this money has hitherto been spent freely on high-priced luxury and domestic merchandise, especially during periods when such goods have been in short supply. The past year has seen a complete change of conditions and, with few exceptions, notably waxed prints, sugar, etc., markets are now heavily loaded with practically everything to satisfy local demands. Surplus stocks exist in some areas and there have been instances of price cutting below production costs. This, however, is not general, as replacement values are still on the upward trend, apart from certain lines coming from Japan and Italy.

Many schemes of development are now in progress.

After dealing at length with conditions in Nigeria, the Gold Coast, Sierra Leone and Gambia, the statement continues:—

THE FUTURE

In the uncertain conditions prevailing today, I am sure you will not expect me to venture upon any definite forecast, but I have great faith in the future of West Africa with which your bank's fortunes are bound up. Our business is sound and increasing as are our resources and our ability to meet such demands as are likely to be made upon us, and I therefore think that we may look forward to the future with feelings of confidence and security.

The report and accounts were adopted.

THE BRITISH SHAREHOLDERS TRUST LIMITED

MR B. H. BINDER'S SPEECH

The twenty-eighth annual general meeting of the British Shareholders Trust Limited was held on July 11th in London.

Mr B. H. Binder, F.C.A. (the chairman), presided and in the course of his speech said: Our gross profit for the year amounted to £79,705 and, after meeting expenses, the net profit, subject to taxation, was £53,633. After providing for taxation based on the profits for the year the available balance was £30,360, which is about £10,600 less than the comparative figure of the previous year.

This reduction in profit, which arises from the lower revenue from placings and profits on realisation of securities, is not surprising in view of the generally unsettled conditions during the past twelve months, which were caused by a number of factors, including the devaluation of sterling last September and the general political uncertainties both before and after the general election.

A sum of £3,000 has been allocated to the staff pension fund and the directors recommend the payment of a final dividend of 4½ per cent. and a bonus of 2½ per cent., both less income tax, making a total distribution for the year of 10 per cent., a rate which will have been maintained for the four years ended March 31st last. Although this involves a reduction of over £2,000 in the carry forward, there still remains the substantial credit balance of £84,052 on the profit and loss account. This amount added to our various reserve accounts and issued capital makes a total amount invested in the company's business of over £1,000,000.

I wish to emphasise that the issues and placings sponsored by the British Shareholders Trust Limited bear little relation to the number of proposals submitted to us, only a small proportion of which satisfy our standards and see the light of day. They are submitted to a very careful sifting. I am sure you will all agree that the issues and placings of securities of various kinds which we have sponsored make a very satisfactory showing, and we and our clients also can be satisfied that the list of them clearly indicates that our policy has been fully justified by the test of time.

THE SUBSIDIARY COMPANY

The accounts for the year to March 31, 1950, of our subsidiary company, the Record Electrical Company, Limited, show an improvement over the previous year. The turnover increased, the liquid position improved, and the profits, before taxation, increased from £12,900 to £19,500. The dividend of 40 per cent. on the ordinary shares which we have received in respect of the year to March 31, 1950, is double the dividend which we received last year.

You will appreciate that a business such as ours is particularly susceptible to the effects of national and international uncertainties with which we are now faced and that, in existing circumstances, it is not possible for me to give you any reliable indication of future prospects.

In spite of these uncertainties and difficulties we must continue to carry on our work and duties as normally as possible in the expectation that steadiness of purpose in our daily tasks will, as in the past, assist us to overcome present difficulties. This is the line which your board and your staff will follow and hope to be able to submit to you next year results as good as conditions will allow.

The report and accounts were unanimously adopted.

ROLLS-ROYCE, LIMITED

ANOTHER YEAR'S SUCCESSFUL TRADING

INCREASED AERO ACTIVITY

The forty-third annual general meeting of Rolls-Royce, Limited, was held on July 19th at the Midland Hotel, Derby.

Lord Hives, managing director, who presided, expressed regret on behalf of all the shareholders at the absence of the chairman, Mr E. C. Eric Smith, due to illness, and said they would all wish him a speedy recovery.

The following is an extract from the chairman's statement circulated with the report and accounts for the year ended December 31, 1949:—

The motor-car division has suffered from the various restrictions to which I have referred previously. Devaluation produced an increase in the export orders, but to some extent this advantage was offset by the steady increase which had been occurring before and have continued since devaluation in the prices of many of the materials which we use.

Commercial and economic restrictions have not prevented us, however, from doing everything in our power to enhance the reputation already earned for our present range of Silver Wraith, Silver Dawn and Mark VI Bentley cars. The recent reduction in the purchase tax mitigates one of the big handicaps under which we have been operating, and will be of material assistance to us in making plans to meet the needs of both the home and overseas markets.

The Ministry of Supply has now specified our "B" range of engines for certain of their new combat vehicles. The motor-car division, on whom the task of producing these engines will fall, is busily engaged on the necessary organisation.

AERO DIVISION

The Aero Division has experienced a further increase in activity, the outstanding feature of which has been the volume of business in overseas markets.

Technical Progress.—In the civil field there has been a steady development of the Merlin installations, of which British Overseas Airways Corporation and Trans-Canada Air Lines now have substantial numbers in operation. Success in this field is measured by reliability and economy, and the achievement of these goals in the high performance engine requires unremitting effort on the part of design and development staff.

There has been steady development in the Dart gas turbine propeller engine, and the power rating of the engine specified for the Vickers "Viscount" shows a substantial increase since the prototype first flew. The reception which has been given to this particular aeroplane by the various air lines throughout Europe, including Scandinavia, confirms the opinions which we had already formed regarding the high standard of passenger comfort made possible by the use of the gas turbine engine.

MILITARY DEVELOPMENTS

In the military field the outstanding event has been the performance of the Avon engine in the "Canberra" light bomber, designed and manufactured by English Electric Co., Ltd. There is no doubt that more will be heard of this particular aircraft and engine combination as it finds its way into service beside the Meteor aircraft which, with our Derwent engine, continues to serve not only the Royal Air Force but also Western Union Powers and other allies in ever-increasing numbers.

The complex nature of the new family of engines of which the Avon is the forerunner places a high premium on fundamental research and design facilities, and it continues to be your company's policy to foster and strengthen these particular activities in parallel with the subsequent development work which follows the prototype stage. The rate of technical development has, until recently, presented problems to the production departments, but the last year has seen substantial progress in this field also. There is still scope for further ingenuity if the production costs of the engines of the future are to stand comparison with those of the established piston engines.

Our Glasgow factory has been maintained at a satisfactory level of activity. Particular attention continues to be given to the organisation of the speedy overhaul of piston engines, as this is an essential part of the service which must be offered to our many customers throughout the world.

OVERSEAS DEVELOPMENTS

Last year I referred to our collaboration with Messrs Pratt and Whitney, and this has continued most satisfactorily. The engines which Pratt and Whitney have developed from Rolls-Royce designs are already giving a good account of themselves in the Grumman "Panther" operated by the U.S. Navy.

Nearer home, we continue to make a practical contribution to Western Union resources, and Belgium and France have both made progress in the local manufacture of our engines.

Your managing director has recently returned from an extended tour through the Middle East to Australia, where you company has now established a very happy relationship with Commonwealth Aircraft Corporation, who have been nominated by the Australian Government to manufacture certain of our products under licence. The small investment which we made in this company a year ago is already showing a satisfactory return.

SUBSIDIARY AND ASSOCIATED COMPANIES

Our subsidiary and associated companies have traded successfully. Park Ward and Company, Limited, has had further successes with its special coachwork at exhibitions both at home and abroad, but is still faced with the difficulty of maintaining an economic output of bodies of the high quality associated with the company's products. This position is shared by others engaged in similar work, and must continue to be a source of anxiety.

Our Canadian company, whose results are, of course, affected by devaluation, continues to give practical effect to our policy of backing up overseas sales with technical service.

Rotol, Limited, in which we are jointly interested with the Bristol Aeroplane Company, Limited, has added to its activities by acquiring a 50 per cent. interest in British Messier, Limited, who are engaged on the development of under-carriages and hydraulic systems for aircraft.

Renfrew Foundries, Limited, have been kept busy during the year, and their position shows still further improvement.

In once again recommending the payment of a dividend at the same rate as last year, your directors have had regard to the present national position and to the future requirements of your company. The knowledge and experience which is continually being accumulated by our technicians can only be turned to good account where the resources for the continued development of both existing and new products are available, and your board feels that this demand can best be met by a further increase in the balance of undistributed profits.

The report was adopted.

SALTS (SALTAIRE) LIMITED

SALES AND EXPORTS RECORDS

SIR FRANK B. SANDERSON'S STATEMENT

The twenty-seventh annual general meeting of Salts (Saltaire) Limited was held, on July 19th, at the registered offices of the company in Saltaire, Yorkshire. Sir Frank B. Sanderson, Bt., the chairman, presided.

The secretary, Mr Selwyn B. Brearley, having read the notice convening the meeting and the auditors' report to the members, the chairman, in the course of his speech, said:

The year under review has been one of marked increase in our production and continued progress and expansion. Sales of the group have reached a total value which creates a record in the history of the company.

Profit on trading of the group, before charging depreciation of fixed assets of £82,561 and auditors' remuneration of £1,579, amounts to £1,073,898. After making provision for these items there remains a profit on trading of £989,758.

After adding income from trade investments, £9,830 and providing taxation, £499,410, there remains an available profit amounting to £500,178. To the amount of £500,178 must be added taxation overprovided in prior years amounting to £14,100 and £198,797 being amount brought forward making a total of £713,075.

DIVIDENDS

The chairman, having referred to various appropriations, continued:—There remains an amount of £227,950 now available for distribution. The board recommend the payment of the following dividends. A final dividend of 3½ per cent. on the 7 per cent. non-cumulative preference shares, making with the interim dividend, 7 per cent. for the year, which will absorb £11,550. A dividend on the preferred ordinary shares of 1s. 3d. a share, absorbing £41,250; and a dividend on the ordinary shares of 6d. a share which will absorb £24,750. Deducting these appropriations from the profits available for distribution, there remains a balance of £150,400, which it is proposed to carry forward.

EXPORT MARKETS

We have materially increased our export trade and continue to give our closest attention to the development and increase of export markets. The total value during the year under review establishes a record. We, like other industries, are seriously handicapped by import restrictions in many countries, and we look to the Government to do everything possible with foreign countries to ensure a more free importation of textiles, of which there still remains a scarcity in many markets of the world.

FUTURE PROSPECTS

With the prospect of another general election at home, and as the industry is confronted with a number of problems in respect of the development of the export trade and the higher price of wool, it would be unwise to prophesy in regard to the future. Happily, I am in a position to state that output in our mills is being fully maintained, and we continue to take all possible measures to avoid any repercussions from a fall in wool prices. Your company has never been in so strong a position as it is today to meet any contingency which may arise. Without undue optimism it is, I think, to be expected that your company will be able to give a good account of itself at the next annual meeting.

The report and accounts were unanimously adopted.

BOOTS PURE DRUG COMPANY, LIMITED

RECORD SALES

LORD TRENT'S SPEECH

The sixty-second annual general meeting of Boots Pure Drug Company, Limited, was held at Nottingham on July 20th, Lord Trent presiding. Points in his speech were:

Net profit of the company was £720,378 as against £627,662.

With taxation on the scale it had been for several years, and costs three times prewar, it was no longer possible to finance renewals and expansion wholly out of profits. Shareholders had therefore been asked to subscribe for more capital. The total amount received was £2,240,000, of which £1,280,000 was credited in the accounts for the year ended March 31st.

Sales beat all previous records, and 33 million prescriptions were dispensed. At March 31st £700,000 was owed the company on behalf of the Ministry of Health, owing to the Pricing Bureaux being many months behind.

Salaries and wages absorbed 4s. 11½d. out of every pound of turnover against 4s. 8d. in the previous year.

The new Airdrie factory was turning out a constantly increasing tonnage.

It was hoped to commence production in the autumn on the first half of the rebuilt printing works.

Work had started on modernising and extending the main Nottingham powerhouse.

Plans were being prepared for a Research Institute on the Beeston site.

New products placed on the market as a result of the research department's work under Sir Jack Drummond included:

Turk-e-san, a drug for treating blackhead in turkeys;

Cornox, a selective weed-killer;

Epitone, a new tonic.

Sales through the farms and gardens department showed an increase of over 26 per cent.

EXPORTS

Exports increased by more than 17 per cent., but much money must be spent on publicity in foreign markets before sales are profit-bearing.

It was neither desirable nor economical, in his view, to advertise or market the same medical product under one name at home and another name abroad. So in spite of recent statements in high quarters on the subject of branded proprietaries, the company was continuing to export most of its medical products under a trade name (to which is added the official designation).

PRICES

Distributors were not to blame for high prices. No successful retailer liked high prices. Producers and distributors alike wanted the maximum volume of trade.

The manufacturer was dependent on the retailer for moving the goods that he produced. If the retailer was unsuccessful, unemployment followed at the manufacturer's end. Public demand followed best value at low prices

Present position of retail prices was not promising. All the influences at work made for inflation. If rates are put up as a result of revaluation, further price rises can hardly be avoided.

As to prospects, all the factors within the company's control were favourable, but the same could not be said for the circumstances that were outside its control. There, all is instability.

The report was adopted.

BRITISH EMPIRE TRUST

IMPROVED VALUE OF HOLDINGS

The forty-eighth annual general meeting of The British Empire Trust Company Limited was held in London on July 17th.

Mr E. Ronald Crammond (chairman), who presided, said that the practice of revaluing the investments as at the close of each year and bringing in to the profit and loss account the unrealised appreciation or depreciation had been discontinued. The gross earnings for the year amounted to £80,448, and after expenses and taxation the available balance was £46,163. The total available for appropriation, including the amount brought forward (£59,043), was £108,661. Dividends at the same rates as for the previous year absorbed £29,987, leaving a balance of £78,674, being an increase of £19,631 on the balance brought in.

Continuing, he said:

The market, or estimated value of the investments held by the company and its subsidiaries at April 30, 1950, exceeded the book value by £97,732, showing an improvement of nearly £74,000 on the year.

In view of the development of events, your directors feel that their policy of retaining a high percentage of Government securities in the company's portfolio continues to be desirable. At the date of the balance-sheet 48 per cent. of the total investments comprised securities or obligations of the Government of Great Britain, the Dominions or other States of the Commonwealth, and a further 6 per cent. is represented by the securities of British or Commonwealth municipalities. You may be sure that we are giving the closest attention to the affairs of your company, and if by good fortune peace and settled trading conditions should be realised, your company is in a position to turn such events to advantage.

The sterling appreciation on our American and Canadian investments, following the devaluation of the pound, accounted, mainly, for the improvement in the value of the company's investments.

As to the outlook, we are living in times of great difficulty and uncertainty, and while I think we have good reason to expect that our investment income will be maintained, it has to be borne in mind that this country's commitments, in so far as they relate to the cost of defence, may have to be increased considerably.

In this respect, with a Budget already swollen to a dangerous extent, the country is ill-placed to meet the heavy outlay which would be involved. However, it has been apparent for some time that at some stage a halt must be called to aggressors. The first step in this direction has been taken, and we must hope that the outcome will be a speedy recovery of settled conditions in which all of us can pursue our lawful occasions free from the fear which now grips the world.

The report was adopted.

SMITH'S POTATO CRISPS (1929) LIMITED

SIR HERBERT MORGAN'S SPEECH

The 21st ordinary general meeting of Smith's Potato Crisps (1929) Limited, was held on July 10th in London.

Sir Herbert E. Morgan, K.B.E. (the chairman) said that the net profit of the company amounted to £88,703 as against £81,236, while the group net profit amounted to £97,767 as against £91,116. That showed steady progress; the business was travelling on the even keel it had for the past 21 years. The directors recommended the usual final dividend of 20 per cent., with a cash bonus of 5 per cent., with the interim dividend, making a total of 32½ per cent.

The demand for Smith's Potato Crisps was insistent and continued to increase unabated. It was their great regret that a serious limitation on supplies of some of the materials they regarded as essential to the quality of the product made it impossible to meet that demand under present conditions. They steadfastly refused inferior substitutes. Under no circumstances would they forsake quality for quantity. Quality was the keystone upon which the unique business had been built and so would it always be maintained. Nevertheless, they as a company naturally looked forward to the day, not too distant, they hoped, when they could supply everybody's requirements.

Touching upon some of the reasons for the popularity of their Crisps, the chairman said that Smith's Potato Crisps could be eaten hot or cold and served with any meal, saving trouble and labour to the housewife, a factor of great importance in these days of shortage of domestic help.

Their business for the present year was going very much as usual. Their order book was full and flowing over.

The report was adopted.

MILFORD STEAM TRAWLING COMPANY

FISHING INDUSTRY'S PROBLEMS

The annual general meeting of the Milford Steam Trawling Company, Limited, was held on July 12th in London.

Mr J. M. Whittington (the chairman) presided, and in the course of his speech said: The incidence following the decontrol of fish was not the cause of the industry's troubles, which go far deeper, but it undoubtedly accentuated them, and so shook the confidence of every member of the trade, from fishermen to fishmonger, that now they have become profoundly pessimistic and unwilling to contemplate any risk or expansion of business, but rather to limit their commitments in every direction. This loss of confidence pushed the industry over from its precarious balance into depression.

The present price of fish is not generally remunerative to producers, but the price to the housewife has reached the highest point at which it can be sold in competition with meat, eggs and suchlike subsidised foods. It is therefore suggested that the cost of production should be lowered. But here there is a difficulty in defining cost of production. Fishing is not like a manufacturing process because the amount of fish produced by a voyage is not under the control of the owner, whereas the expenses are practically fixed. The cost of production per pound of fish is therefore largely dependent on the quantity of fish caught per day. Last week the Prime Minister announced the attitude of the Government to the industry's problems. A body is to be set up to reorganise, control and develop the industry. Its powers, duties and constitution are apparently to be left to the members designate to decide. These members will be independent of the industry, and will, therefore, have to master their subject first. Legislation will also be required, and therefore the new body cannot function until 1951 at earliest. Indeterminate action of this kind was just what I feared. However, it would be uncharitable not to wish the best of luck to any person willing to stake his reputation on solving a problem which has so far baffled the Government which appoints him and the industry which he is to control.

In the meantime a subsidy is to be paid out of the general food subsidies to certain producers. We shall be concerned with the provision which will apparently underwrite the proceeds of voyages up to a maximum of £12 a day in certain cases for ships under 140 feet. I have no information as to the methods of applying the subsidy.

The report and accounts were unanimously adopted.

HENRY HOPE AND SONS, LIMITED

(Makers of Metal Windows, Casements, etc.)

INCREASED SALES AND PROFIT

IMPROVED DELIVERIES

MR H. DONALD HOPE'S SPEECH

The fifty-second annual general meeting of Henry Hope and Sons, Limited, was held on July 19th at Halford Works, Smethwick, Mr H. Donald Hope, the chairman, presiding.

The secretary, Mr A. E. Hobson, having read the notice convening the meeting,

The chairman said: Gentlemen,—When I met you last year I did not expect that we should make an increased profit; there were signs at that time of the sellers' market being on the wane, and with the building restrictions in this country I think many people looked forward to a reduced demand.

The decline of the sellers' market has in a way improved business conditions, because we are now able to give deliveries of most of our goods in reasonable time, whereas at the height of the sellers' market, delivery promises had become ridiculous and it was not uncommon for some commodities in the building trade to be so scarce as to put them outside common use.

The detailed information demanded by the latest Act in Company Law is fully set out in the report which we circulated to shareholders three weeks ago, but there are some items which call for comment.

PROFIT

First of these is the consolidated profit, which amounts to £415,499 after taxes are paid, against £357,628 last year. This increased profit has arisen from several factors, of which the first and most important is increased sales. Other factors are the increased dividends from our subsidiary and associated companies abroad. Our principal subsidiary in the United States has contributed very handsomely to our consolidated profit, and the devaluation of the pound has provided a fortuitous extra profit for this year.

Last I will modestly put the fruit of good management and excellent staff work at home and abroad. The name of Hope's for metal windows, roof glazing and kindred products stands high throughout the world.

THE DIVIDEND

The next item is the dividend, and your board has decided to recommend to you the payment of a dividend of 12½ per cent. on the ordinary stock, which is the same as last year, and as you have probably noticed in some of the newspaper comments, this is covered 14 times after payment of the preference dividend, but is under 2 per cent. on the total capital employed.

The next item is the reduction of £40,000 in trade investments. This is accounted for by the sale of our share in the Scottish Metal Window Company to the Crittall Manufacturing Company, Limited.

Careful estimates were made from official data when the Scottish company was planned at the invitation of H.M. Government to establish a window factory in a development area in Scotland. Unfortunately, the building of houses in Scotland lagged far behind the official programme and this Scottish factory has only been kept reasonably employed by diverting orders to it which should have been made at Braintree or Smethwick.

The Crittall Company now has complete ownership and I hope H.M. Government will realise there is an obligation to provide sufficient work in Scotland to fully employ it, although it has been built and financed without Government aid.

While I am on the subject of associated companies, it is appropriate for me to tell you that a new factory has been opened under the Crittall-Hope Metal Window Company, Limited, at Port Elizabeth, South Africa. This factory is now operating and provides hot dip galvanised windows primarily for the coastal regions where corrosion must be provided against.

NEW GALVANISING PLANT

During the year your company has perfected a fully mechanised and in many ways original hot dip galvanising plant at Wednesbury. An expert who visited this plant only a month ago wrote to us that, in his opinion, it was the best galvanising plant for its purpose in the world. We are so satisfied with the result of its operations that we are now putting down a duplicate plant of the same design.

We started hot dip galvanising at Wednesbury in 1937 and since the end of the war we have galvanised the whole of our output of steel windows and other products. I think it is a reasonable supposition that this has not only met with the entire approval of our customers throughout the world, but that the increased earnings may in some measure be attributed to this policy. Hot dip galvanising costs a little more than other so-called "rust proofing" systems, but the fact remains that it holds the confidence of architects, engineers and contractors wherever steel windows are used.

IMPORTANT CONTRACTS

We have carried out many important contracts during the year and among these one of the most notable was for eleven new schools for the London County Council. Others worth mentioning are the new great power stations at Birmingham, Croydon, Ipswich, Nottingham, Birkenhead, Newport, Johannesburg and Calcutta. Each of these is an example of window construction on most modern lines with opening portions electrically controlled. We are also engaged on making windows for the extension to the Bank of England, Princes Street, London, E.C.2.

We have once again taken active steps to maintain and expand our export trade, and senior members of your staff have travelled widely during the year.

Looking backwards through the records of our annual meetings since the conclusion of the war, you will remember that year after year we were short of steel and that our output was restricted by the amount of steel we could persuade the Ministry to allocate to us. The control of steel sections and with it the system of allocation was abolished on May 27, 1950, and we can now look forward to purchasing steel in accordance with our own requirements.

HOPE'S HEATING AND ENGINEERING

Hope's Heating and Engineering Limited, with their branch offices in London, Leeds, Hull and Cardiff, have done an increased business and have carried out successfully some very important contracts for the Air Ministry, Ministry of Works, The British Electricity Authority and education authorities. Large industrial installations have been made for many leading manufacturers including the Ford Motor Company, Morris Motors Limited, and the Wales and Avonmouth Industrial Estates.

PATENT ROOF GLAZING

Among the factors which have contributed to the continued success of your company in a very important degree is the patent glazing department; they have made considerable technical developments in the last two or three years and their lead-clothed glazing bar (notwithstanding the price of lead) continues to hold the confidence of many of our most important customers. Our aluminium glazing bar is a reliable alternative for those who prefer aluminium and who wish to take advantage of the present lower price.

There is not the slightest doubt that the present exorbitant prices of lead, zinc and copper have contributed to the use of aluminium.

CHANGES ON THE BOARD

Since the publication of our last report, Colonel A. A. Trowell and Admiral J. H. Godfrey have resigned. Mr H. D. Smith, who I informed you last year had been appointed by the directors, has taken his seat, and we have filled the remaining vacancy by inviting Mr George Watson, who has been our works manager for nine years.

THANKS TO STAFF

In conclusion I should like to pay a tribute to our staff and workpeople who contributed so largely to the year's result. Individually and collectively the staff has done remarkable work and you will appreciate the necessity for this when you consider that during this trading period we have carried out more than 14,000 separate contracts for over 6,000 different customers ranging in value from a few shillings to over £70,000.

The report and accounts were adopted; the proposed dividends were approved; the retiring directors, Mr H. D. Smith and Mr G. Watson, were re-elected, and the directors were authorised to fix the remuneration of the auditors, Messrs. Aston Wilde and Company.

LONSDALE INVESTMENT TRUST

MR T. L. McC. LONSDALE'S STATEMENT

The third annual general meeting of Lonsdale Investment Trust, Limited, was held on July 19th at the offices of Robert Benson, Lonsdale and Company, Limited, 22, Old Broad Street, London, E.C., Mr T. L. McC. Lonsdale (chairman of the company) presiding.

The secretary (Mr C. W. Quennell) read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement which had been circulated with the report and accounts for the year ended February 28, 1950, and was taken as read:—

The gross revenue of the Trust, including the unchanged dividend received from Robert Benson, Lonsdale and Company, Limited, amounted to £158,020 against £156,892 last year. The net profit after payment of expenses, debenture interest and taxation amounted to £78,427 compared with £78,097 a year ago. After bringing in an overprovision for tax in respect of previous years, paying the preference dividend and maintaining the dividend of 10 per cent. on the ordinary stock, the carry forward is increased by £4,083.

According to present estimates the revenue from our general investments for the year

ending February 28, 1951, should be not less than that for the year under review.

You will observe that during the year there has been an increase, based upon valuation, in the Trust's investments in the U.S.A. and the British Commonwealth, and a corresponding decrease in Great Britain. Valuation figures are not always a dependable guide to the movement of investments, but in this case they do reflect the changes which have been made. So far the Trust has neither received nor taken into account any sums in respect of double tax relief on U.S.A. investments.

SUCCESSFUL ISSUES

During the year Robert Benson, Lonsdale and Company, Limited, have again sponsored a number of successful issues. The incidence of taxation, which restricts the accumulation of adequate reserves of capital, and the enhanced level of prices which makes capital investment, whether in stocks or in plant, so much more expensive, make it difficult for industrial companies to find the money they require from their own resources, and tend to force them to seek fresh capital from the market. These conditions are reflected by the increasing number of applications for fresh capital which are now being submitted to the company. The company has also turned its attention towards the financing of the development of industrial and raw material resources within the Empire, for which a very real demand exists, and during the past twelve months three such issues have been made and others are under consideration. Whether or not this prospective business materialises, however, is to a great extent dependent on market conditions which, in these days, are impossible to forecast.

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

PURNELL AND SONS, LIMITED

SATISFACTORY RESULTS

The sixteenth ordinary general meeting of Purnell and Sons, Limited, was held on July 14th in London, Mr W. Harvey (chairman and managing director) presiding.

The following is an extract from his circulated statement:—

Once again, it is a pleasure to be in the position to submit to you accounts which, having regard to the general trading conditions throughout the country, cannot, I believe, be considered other than satisfactory.

FACTORS AFFECTING PROFIT

Naturally you will be interested in the reasons for the decrease in the net profit, as compared with the preceding year. During the year under review there have been wage increases and the cost of materials has also risen, and having regard to the position of the industry generally, your directors deemed it inadvisable to pass on to the customer the whole of these increased costs. In addition, in furtherance of the policy of the company, the quality of the goods produced has been improved without correspondingly increasing prices, with the result that turnover has been largely maintained and the goodwill of the customer further consolidated.

Although, no doubt, you have seen from other company reports the harsh effect of taxation on industry, I should be failing in my duty if I did not draw your attention to the factor that out of a profit of £571,950 no less a sum than £331,147 has had to be provided for taxation on profits, leaving the shareholders—who provide all the capital and take all the risks—with 8s. 5d. in the pound of profit earned; one also has to remember that possibly many of these shareholders have to meet surtax on the dividends they receive.

The proposed final dividend, if approved, will make the total distribution to the ordinary shareholders a slightly increased percentage over the distribution for 1948 on the old capital.

The consolidated balance sheet shows that the current assets exceed the current liabilities by just over £200,000.

The Inland Revenue Authorities have now discharged practically the whole of the excess profits tax, post war refund, against current tax liabilities and consequently the item which appeared on the asset side of the balance sheet in 1948 has disappeared and the provision for taxation accordingly reduced. In order that the figures shall be more easily comparable, the 1948 figures have been similarly amended.

WORKS IN FULL PRODUCTION

It is encouraging to be able to report that the company's works are in full production and that although faced with keener competition and the desire of your directors to give the customer good value for money, I see no reason to doubt that the present year's results will again be satisfactory.

I should like, in no formal manner but with real sincerity, to pay tribute to my colleagues on the board, all of whom give their full time to the service of the company, and also to express my very hearty thanks to the staff and workpeople whose wholehearted support make possible the satisfactory results shown by the accounts.

The report was adopted.

UNITED SERDANG (SUMATRA) RUBBER PLANTATIONS LIMITED

DIVIDEND 4%

The forty-second annual general meeting of The United Serdang (Sumatra) Rubber Plantations Limited was held on June 19th. Mr H. Eric Miller, the chairman, presided.

After dealing with the domestic affairs of the company, with especial reference to the drastic effect of the new Indonesian exchange and monetary regulations, the chairman said:—

The United Serdang Company and others in the "H. and C." group have a very large stake in Indonesia, and it is up to us to co-operate, so far as lies in our power, with those new leaders of Indonesia who have the best interests of their country and people at heart.

The problems facing the new rulers of Indonesia will tax their capacity to the utmost. The first essential is that they should restore and maintain law and order with a firm hand, but that is not easy in their widespread archipelago, where racial feelings have run high in each island from time immemorial. A major development in the political field is the recent move towards the establishment of a unitary state quite different from the proposed Federation on which the Round Table Conference had reached agreement. Discussions towards unification are now in progress, but the complications are such that it is not possible to forecast the outcome.

EVENTS IN KOREA

Events in Korea are having their repercussions further afield and are liable to stimulate communist activities everywhere. Until the political and economic conditions in Indonesia justify our taking a reasonably confident view of the future, we cannot attempt to frame any long-term policy, but will continue to make the best of things as they are.

Washington advices indicate that the Reconstruction Finance Corporation is raising the output of the synthetic plants at present in operation to the limit of their capacity and is to reopen idle plants capable of producing an additional 75,000 tons of G.R.S. and 13,000 tons of Butyl yearly, but it will be some months before the additional supplies are forthcoming. Output will then be running at the rate of 500,000/550,000 tons of G.R.S. and 75,000 tons of Butyl.

U.S.A. CONSUMPTION

This step up in synthetic output, according to the *Wall Street Journal*, is intended in the first place to enable the Munitions Board to buy more natural rubber for their stockpile. When the Study Group met early in May this year, U.S.A. consumption in 1950 was estimated at 600,000 tons of natural and 425,000 tons of synthetic, together 1,025,000 tons, but demand for tyres is so insistent that actual consumption may well be 100,000/125,000 tons higher. Demand in the rest of the world is likewise strong.

There is an acute shortage of nearby rubber and there is likely to be a ready market for all shipments as they come forward. The discount at which forward positions are quoted, as compared with nearby rubber, is, however, an indication that the present spot price is considered to be too high, and not in the best interests of the industry. The price of many strategic materials has risen lately and however much we dislike violent fluctuations I am afraid they will have to be faced so long as abnormal tension continues.

The report was adopted, and the dividend of 4 per cent. was approved.

W. AND J. GLOSSOP, LIMITED

SATISFACTORY RESULTS

The fifteenth annual general meeting of W. and J. Glossop, Limited, was held in London on July 19th, Mr Henry Stephenson, the chairman, presiding.

The chairman, in the course of his speech, said:—

Your board consider the year's results satisfactory, taking into consideration the restrictions which have been imposed—and are still maintained—on road expenditure. Turnover is much the same as last year, but keener competition and rising costs have caused a reduction in trading profits to £45,332 2s. 4d., as compared with £65,042 2s. last year. We are, however, able to recommend a final dividend of 15 per cent. (less tax) on the ordinary shares—making a total of 25 per cent. for the year, and a final dividend of 15 per cent. (less tax) on the employees' shares, which is the same as last year.

We continue to preserve and extend our plant and organisation so as to be in a position to cope with the increased business we ultimately expect, though such increased business has not materialised so far. The Government's economic policy has not favoured our operations and although increasingly vast sums are being collected from road users, there appears to be continued reluctance to allow road schemes to be developed on the scale required. Whilst I hesitate to forecast future results, and the immediate outlook is far from encouraging, I can only express my belief that circumstances will ultimately prevail which will compel a much greater expenditure on the road systems of this country, and when that time comes, we intend to take our full part.

The report was unanimously adopted.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

The Reporting Manager,
The Economist,
22 Ryder Street, S.W.1

Statistical Summary

EXCHEQUER RETURNS

For the week ended July 15, 1950, total ordinary revenue was £50,902,000 against ordinary expenditure of £55,895,000 and issues to sinking funds £510,000. Thus, including sinking fund allocations of £3,658,000 the surplus accrued since April 1st is £40,550,000 compared with a deficit of £27,291,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	Receipts into the Exchequer (£ thousand) April 1, 1949 to July 16, 1949	April 1, 1950 to July 15, 1950	Week ended July 16, 1949	Week ended July 15, 1950
	£'000				
ORDINARY REVENUE					
Income Tax	1388000	224,504	220,530	21,435	19,585
Sur-tax	120,000	25,200	25,200	1,000	600
Estate, etc., Duties	195,000	53,400	57,450	3,600	3,400
Stamps	50,000	15,000	14,415	1,000	900
Profits Tax / E.P.T.	270,000	60,060 / 16,900	52,320 / 3,900	4,000 / 600	2,950 / 200
Other Inland Rev.	500	70	50	...	...
Special Contributn.	4,500	9,700	1,770	500	100
Total Inland Rev.	2028000	404,834	375,635	32,135	27,735
Customs	870,650	253,914	249,278	13,671	14,782
Excise	713,150	166,800	177,500	4,700	4,400
Total Customs and Excise	1583800	400,714	426,778	18,371	19,182
Motor Duties	56,000	6,484	6,616	679	622
Surplus War Stores	35,000	27,901	10,446	...	...
Surplus Receipts from Trading	85,000	4,045	25,974	...	...
P.O. (Net Receipts)	...	...	...	...	...
Wireless Licences	13,000	2,240	2,450	...	...
Sundry Receipts	27,000				
Miscell. Receipts (in. Crown Lands)	70,000	5,369 / 18,863	4,628 / 19,760	... / 55	3,196 / 167
Total Ord. Rev.	3897800	870,450	872,287	51,240	50,902
SELF-BALANCING					
Post Office	172,150	41,750	44,900	2,450	2,200
Income Tax on E.P.T. Refunds	5,700	2,328	2,850	234	79
Total	4075650	914,528	920,037	53,924	53,181

Expenditure	Estimate, 1950-51	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1949 to July 16, 1949	April 1, 1950 to July 15, 1950	Week ended July 16, 1949	Week ended July 15, 1950
	£'000				
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	490,000	121,179	117,746	5,938	5,589
Payments to N. Ireland	36,000	8,974	9,463	...	...
Other Cons. Fund Services	11,000	4,931	3,612	250	256
Total	537,000	135,084	130,821	6,188	5,845
Supply Services	2918069	759,712	697,258	73,950	50,050
Total Ord. Expd.	3455069	894,796	828,079	80,138	55,895
Sinking Funds	...	2,944	3,658	160	510
Total (excl. Self-Bal. Expd.)	3455069	897,740	831,737	80,298	56,405
SELF-BALANCING					
Post Office	172,150	41,750	44,900	2,450	2,200
Income Tax on E.P.T. Refunds	5,700	2,328	2,850	234	79
Total	3632919	941,818	879,487	82,982	58,684

After decreasing Exchequer balances by £937,557 to £2,701,377, the other operations for the week increased the gross National Debt by £12,120,452 to £26,190 million.

NET RECEIPTS (£ thousand)

Cotton (Centralized Buying) Act, 1947, s. 21(3)	3,646

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1948	450
E.P.T. Refunds	96
Export Guarantees Act, 1949, s. 3(2)	13
Local Authorities Loans Act, 1945, s. 3(1)	7,100
Overseas Resources Development Act, 1948, s. 17(1)	
Overseas Food	200
Miscellaneous Financial Provisions Act, 1946:—	
Sec. 2(1) War Damage: War Damage Commission	3,000
Finance Acts, 1946 and 1947, Postwar Credits	342
	11,201

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	12,099	Nat. Savings Certs.	1,200
Tax Reserve Certs.	1,155	2½% Def. Bonds	175
Other Debt:—		3% Def. Bonds	420
Internal	10,753	Other Debt:—	
		External	2
		Ways & Means Advances	1,580
		Treasury Deposit Receipts	8,500
	24,007		11,887

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
July 16	2210·0	2288·7	343·8	2·0	1255·0	6099·4
1950						
April 22	2920·0	1959·2	447·6	...	455·0	5781·8
„ 29	2930·0	1917·9	436·3	...	455·0	5739·2
May 6	2960·0	1872·9	420·0	4·8	430·0	5687·7
„ 13	3000·0	1865·4	416·2	...	410·0	5691·6
„ 20	3020·0	1859·4	437·9	...	410·0	5707·3
„ 27	3050·0	1812·0	439·1	4·0	400·0	5705·1
June 3	3070·0	1858·2	431·2	...	390·0	5729·4
„ 10	3080·0	1765·2	413·2	...	380·0	5638·4
„ 17	3090·0	1784·8	411·9	2·0	370·0	5638·7
„ 24	3100·0	1769·7	421·4	4·0	350·0	5645·1
„ 30	4856·9		404·2	12·5	350·0	5623·6
July 8	3120·0	2034·9	387·4	...	375·0	5917·3
„ 15	3120·0	2046·9	380·9	5·0	366·5	5919·3

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
July 16	170·0	293·8	170·0	10 5·56	46
1950					
April 14	230·0	301·8	230·0	10 2·90	67
„ 21	230·0	306·4	230·0	10 2·82	65
„ 28	240·0	337·1	240·0	10 2·84	60
May 5	250·0	337·6	250·0	10 4·30	3
„ 12	240·0	315·0	240·0	10 3·03	68
„ 19	250·0	312·5	250·0	10 3·13	73
„ 26	240·0	293·5	240·0	10 3·47	77
June 2	240·0	343·5	240·0	10 2·64	57
„ 9	240·0	317·8	240·0	10 3·08	67
„ 16	240·0	299·6	240·0	10 3·33	75
„ 23	240·0	315·4	240·0	10 3·06	68
„ 30	240·0	302·4	240·0	10 3·21	73
July 7	240·0	306·4	240·0	10 3·19	72
„ 14	240·0	327·1	240·0	10 2·90	63

On July 14th applications for 91 day bills to be paid from July 17th to July 22nd were accepted dated Monday to Saturday as to about 63 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million are being offered for July 21st. For the week ending July 22nd the banks will be asked for Treasury deposits to a maximum of £25 million at 182 days.

NATIONAL SAVINGS

(£ thousand)

	Week Ended July 9, 1949	Week Ended July 8, 1950	Total, Apr. 1 to July 8, 1950
Savings Certificates:—			
Receipts	2,100	1,900	24,450
Repayments	2,650	2,600	36,000
Net Savings	*Dr. 550*	*Dr. 700*	*Dr11,550*
Defence Bonds:—			
Receipts	545	380	4,955
Repayments	904	1,085	15,348
Net Savings	*Dr. 359*	*Dr. 705*	*Dr10,393*
P.O. and Trustee Savings Banks:—			
Receipts	13,841	15,352	176,893
Repayments	14,959	15,325	185,802
Net Savings	*Dr1,118*	27	*Dr. 8,909*
Total Net Savings	*Dr2,027*	*Dr1,378*	*Dr30,852*
Interest on certificates repaid	533	567	7,742
Interest accrued	2,352	2,398	33,533
Change in total remaining invested	— *208*	+ 453	— *5,061*

BANK OF ENGLAND RETURNS

JULY 19, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1311,443,709	Other Govt. Securities	1338,267,635
In Bankg. Department	38,913,114	Other Secs.	704,150
		Coin (other than gold)	13,115
		Amt. of Fid. Issue	1350,000,000
		Gold Coin and Bullion (at 248s. 0d. per oz. fine)	356,823
	1350,356,823		1350,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	568,651,441
Rest	3,711,290	Other Secs.:—	40,037,637
Public Deps.:—	240,718,688	*Discounts and Advances*	*15,069,230*
*Public Accts.**	*11,978,526*	*Securities*	*24,968,407*
H.M. Treas. Special Acct.	*228,740,162*		
Other Deps.:—	395,323,334		
Bankers	*300,127,797*	Notes	38,913,114
Other Accts.	*95,195,537*	Coin	6,704,120
	654,306,312		654,306,312

* Including Exchequer, Savings Banks, Commissioner of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1949	1950		
	July 20	July 5	July 12	July 19
Issue Dept.:—				
Notes in circulation	1296·7	1302·6	1308·4	1311·4
Notes in banking department	53·6	47·8	41·9	38·9
Government debt and securities*	1349·2	1349·2	1349·3	1349·3
Other securities	0·7	0·8	0·7	0·7
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	11·4	13·4	18·6	12·0
Treasury Special Account	27·8	217·9	228·7	228·7
Bankers	297·0	292·4	282·9	300·1
Others	91·4	97·1	96·2	95·2
Total	417·6	620·8	626·5	636·0
Securities:—				
Government	345·8	537·6	553·4	568·7
Discounts, etc.	18·4	23·1	18·2	15·1
Other	23·5	24·0	24·5	25·0
Total	387·7	584·7	596·1	608·7
Banking dept. res.	58·2	54·3	48·5	45·6
	%	%	%	%
"Proportion"	13·6	8·7	7·7	7·1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,300 million to £1,350 million on June 27, 1950.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
July 13	63¾	72⅜	180 7	114 8
„ 14	63¾	72⅜	180 15	114 8
„ 15	Markets	closed	180 3	114 2
„ 17	63¾	72⅜	178 12	113 7
„ 18	63¾	72⅜	179 0	113 9
„ 19	63¾	72⅜	180 2	114 2

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(1949 Accounts)

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Toronto, July 19, 1950. By Order of the Board, J. R. BRADFIELD, Secretary.

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THE TRANSFER BOOKS will be closed from September 1 to 7, 1950, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board,

E. W. MORGAN, Secretary.

Registered address: 10, Old Jewry, London, E.C.2. July 18, 1950.

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E. W. MORGAN, Secretary.

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The Cost of Defence

THE statement on the Government's defence plans made to the House of Commons by the Minister of Defence on Wednesday had none of the drama and contained none of the arrestingly large round figures of Mr Truman's message to Congress of the week before. It was enough, however, to make it clear that there is to be a sharp increase in the burdens that defence lays upon the British people. The sum of £100 million that was mentioned by Mr Shinwell was described as "no more than a small part of the cost which would be involved fully to equip our forces to fight" and it is clear that this is only a beginning.

The contrast between $10 billion in America and £100 million in Britain is bound to attract comment. There is, of course, no reason why the speed and grandeur of the American reaction to the Communist aggression in Korea should not be used as a spur to keep British defence preparations up to the mark; on the contrary, it will do nothing but good. Nevertheless, a simple comparison of global sums of money, one of them more than thirty times the size of the other, may give a wholly misleading impression of the real facts. To form a fair judgment, it is necessary to know not merely the size of the increase, but where the starting point is, and to be able to relate both figures to the relative means of the countries being compared. The recent annual report of the Bank for International Settlements contains a useful table of defence expenditures in 1949 or 1949-50—that is, before the Korean incident—expressed as percentages of national income, from which the following figures are taken.

	%		%
United Kingdom	7·4	Sweden	3·6
Netherlands	6·1	Canada	3·0
United States	5·9	Switzerland	2·7
Turkey	5·8	Belgium	2·5
France	5·0	Norway	2·5
Italy	3·8	Denmark	1·9

The addition of $10 billion a year to the defence expenditure of the United States will bring the percentage to almost exactly 10 per cent. The British figure is certainly going to rise to over 9 per cent, and these statistical comparisons are not accurate enough to be pressed to within a closer margin than 1 per cent. For all practical purposes it is true to say that the British defence effort, which ever since the end of the war has been the highest, relative to the national resources, of any of the free nations, will stand comparison, as measured by expenditure, even with the newly proposed scale of American preparations. Where the principle of equal sacrifice requires much greater efforts is among those members of the Atlantic community other than the United States and the United Kingdom. That everybody deeply deplores the tragic need for heavier spending on armaments ought to go entirely without saying. But if any of the free nations are tempted to argue that they cannot afford to spend more, they

might be reminded that the Soviet Union, a much poorer country per head, manages, according to Mr Shinwell, to spend at least 13 per cent of its national income on armaments. If there is anything that the free nations cannot afford it is that their response should fall dangerously short of the challenge.

*

It would be wrong to say that Britain is now about to return to a war economy, since it has never properly emerged from the economy of the last war. Moreover, the extent of what is contemplated—at least for the present—should not be exaggerated. An additional slice of the national income amounting to something between 1 and 3 per cent of the total is to be devoted to the purposes of national defence ; by 1943, as compared with 1938, resources equal (in real terms) to some 56 per cent of the prewar gross national product were transferred from peacetime pursuits to defence. The shift that is now in prospect is thus a relatively small one. But it undoubtedly marks a reversal of the trend ; the economy which has with such painful slowness been working its way out of the wood will now have to turn round and retrace some, if only a few, of its steps.

It might have been supposed that, with such a gigantic object-lesson in the realities of war economics so recently to hand, the public mind would be clear on what is involved. But it is apparently not so, and the present moment, when the need for increased defence expenditure is for the first time officially confirmed, is not too soon to begin re-stating some of the basic principles that were grasped only with such pain ten years ago.

The first and most obvious essential is to insist that if more of the national resources are to be used for defence, fewer will have to be used for something else. The only circumstances in which this would not be true would be if the total available resources were about to be increased. It is true, as the Prime Minister said on Wednesday, that "the most satisfactory and the least painful method of tackling the new problems presented to us is by a more rapid increase of productivity." But the following sentences showed how little hopes he had of this happening. There is no very apparent reason why the Korean affair should have any favourable effect upon productivity, unless and until there is a willingness to relax the normal labour practices insisted upon by the trade unions ; indeed, if there is a general return to the allocation of raw materials, some part of the progress made in the last few years may be lost. It thus approaches very closely to absolute truth to say that if more is to be spent on defence, less will have to be spent on other things. This should, in fact, be obvious. But there is a noticeable tendency to qualify the principle. People tend to say "if inflation is to be avoided, other things must be cut down." But inflation is not an alternative to the necessity for cutting down ; it is one method, and a particularly blind, haphazard, inequitable and damaging method, of accomplishing the cutting down. With or without inflation, if the British people are to devote more of their resources to defence, they will have to devote less to their private consumption or to Government activities of a non-defence character or to capital outlays From that choice there is no possibility of escape whatsoever.

The next question is obviously to ask what, then, should be cut down. Economic reasoning supplies no absolute answer to this question. But common sense gives a very clear indication. Out of every pound of the British people's private income in 1938, something like 14s. 9d. was spent as its owners wished ; only the remaining 5s. 3d. was spent for the people by the central and local governments. Today the figures are about 11s. 4d. and 8s. 8d., and much of the 11s. 4d., though it comes out of private pockets, can hardly be said, in this land of licences and permits, to be "freely" spent.

If the British people were asked whether they would prefer that the additional 3d. to 6d. in the pound that rearmament involves should come out of their reduced free spending money, or be met by a reduction of some of the other ways in which the state already spends their money for them, can there be any possible doubt of the answer ? To cut the other expenditures of the Government is, admittedly, a painful matter for politicians to contemplate. But if they do not do so, then the increased cost of defence will have to be found by squeezing individual family budgets, which is certainly no less painful. It is all very well to use high-sounding phrases such as "guarding the work of social and economic reconstruction that has been undertaken" ; but what that means in fact is that the state should spend even more of the public's money for it. It is virtually certain that this is not what the citizens of this country, those who vote Labour as well as those who vote Conservative and Liberal, wish their representatives to do in their name. The increased defence expenditure must be met by economies in other forms of state spending.

*

The phrase just quoted was taken from the speech made at Enfield by Mr John Strachey last Sunday. (That is to say, the phrase was taken from the report of the speech, and from the absence of complaint it is perhaps legitimate to conclude that on this occasion the press had the good fortune to report him correctly.) Mr Strachey, of course, has his own way out of the dilemma of private *versus* public spending. He is reported to have said that any additional defence expenditure which became necessary would have to be undertaken

> very differently from the way it has been undertaken in the past. . . . It has often been the case that when heavier defence expenditure has been necessary, almost the entire burden has fallen on the people of this country. That is not necessary. It is perfectly possible that that burden should be spread justly among all the classes of this country and that the well-to-do classes should pay their full proportion and share in any burden that has to be undertaken.

These sentences, it will be noticed, are very craftily worded. Mr Strachey might claim that by "the past" be meant the War of Jenkins's Ear, and that when he said "almost the entire burden" fell on "the people of this country" he merely meant to assert that it did not fall on the people of Patagonia. But what any reasonable man would understand him to be suggesting—and the suggestion that he unquestionably meant to convey—was that in the war of 1939-45, too much of the burden was put upon "the people"—that is, the organised wage-earners—and too little on the well-to-do.

This suggestion is flatly contradictory to the well known facts. Indeed, so flat is the contradiction and so easily verifiable are the facts, that Mr Strachey must either be too stupid or else too utterly careless of the truth to be deserving of public office. All the relevant facts about what happened in the last war and the situation it has left behind it can be seen very clearly in the annual

White Papers on the national income, from which the following figures are derived:—

	1938	1944	1949
Wages, after deduction of direct taxes (£ million)	1,682	2,589	3,916
Do. at 1938 prices (£ million)	1,682	1,714	2,152
Do. expressed as 1938 = 100	100	102	128
All other private incomes after deduction of direct taxes (£ million)	2,906	4,298	5,198
Do. at 1938 prices (£ million)	2,906	2,846	2,856
Do. expressed as 1938 = 100	100	98	98½

There is not the slightest evidence here of "almost the entire burden" falling on wages. Indeed, the figures could be much more easily used to prove that virtually none of the economic burden fell on wages and that the whole lot was borne by others than those for whom Mr Strachey speaks. This may have been the right thing to do ; it was certainly accepted at the time without much protest even from those who were its victims. But it is monstrous that the record should be falsified for the purpose of engendering bitterness between the classes and encouraging the wage-earners to believe that they can be patriotic at somebody else's expense. In fact, Mr Strachey's forecast of the future is likely to be very nearly as mendacious as his account of the past. The cost of any additional defence expenditure—and all the more of any future war—is bound to fall very largely on what he calls "the people," if only because the combined effect of what was done in the two previous wars has been to leave them with such a large slice of the taxable income of the country.

The "well-to-do" will certainly be called upon, by whatever party has the responsibility, to bear at least their fair share of any new burdens. If Mr Strachey and his friends succeed in putting even more of the burden on them than last time, and even less upon "the people," the inevitable effect will be to reduce all incomes to the proletarian level. If this is the Socialist intention, Mr Strachey has, perhaps, done a service by giving the game away so clearly. If so, the majority of the nation which has never voted Labour will know what value to attach to the appeals for national service and national unity that the Secretary of State for War will doubtless soon be issuing.

Fuss about Formosa

FROM time to time public discussion of British foreign policy is thrown into confusion and uncertainty by the intervention of the clever Dicks. When the international situation is dangerous they can be counted on to increase the danger by asking whether risks are really necessary ; when it is intricate they will oversimplify the issues with a pretentious logic of the either-or variety ; when it is unpredictable they will state as certainties what are at best future possibilities. It is the application to foreign policy of the technique of the columnist, which solves the problems of the Foreign Secretary and the Chiefs of Staff in the course of a paragraph. If there can be a passing suggestion that the Americans are arrogant or dangerous allies, or that the British are no longer masters of their own actions, so much bigger is the splash made, so much livelier the controversy provoked, abroad as well as at home.

The question of Formosa has provided this week a choice example of this technique. It has been argued in the letter columns of *The Times* that Britain is in no way associated with President Truman's warning that the American fleet will oppose the invasion of Formosa by the Chinese Communists ; that the Chinese Communists will regard the intervention as aggression by the Americans ; that this would bring the Russians in on the Chinese side ; and that a major war would then ensue. Two questions are then asked: Have the British Government "told the United States unequivocally" that they would stay out of this major war ? If not, and if they intend to help the Americans, will they please inform the British people of their intention ?

In this argument there is not only confusion of issues but also omission of facts that are essential to any fair estimate of probabilities. The first is that the published text of the treaty of military alliance, signed between the Russians and the Peking Govenment in February, makes it clear that it comes into action only in the event of "one of the agreeing parties being subjected to attack by Japan or any state allied to Japan." This treaty, like those signed with the east European satellites, is designed to leave the Soviet Government free to avoid all overt military action in support of an ally that gets embroiled with the west in the cold war. There is no real threat to Soviet interests in the American defence of Formosa ; if the Russians can stand aside while the Americans land armoured forces in Korea, they can do just the same while American warships and aircraft try to stop the invasion of Formosa. It is Mao Tse-tung, not Stalin, who is committed to the success of this operation.

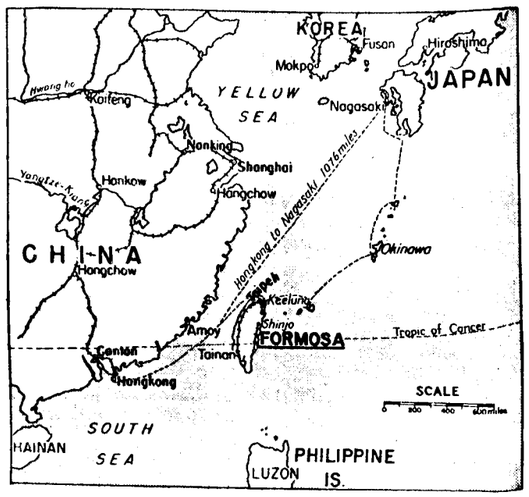
The second fact of importance is that the Chinese Communist attack on Formosa would be, both in fact, and in legal theory an attempt to decide by force what should be decided by international agreement. It is true that the restoration of Japanese-occupied Formosa to China was promised to Chiang Kai-shek in Cairo in 1943, but only as part of the peace settlement with Japan. As the Peking Government has declared null and void all arrangements made with foreign powers by the "traitor" Chiang, it can hardly invoke in one case principles it spurns in others. The American Seventh Fleet has, in short, been carrying out a thoroughly respectable police operation off Formosa ; admittedly, it is intervention in the Chinese civil war, but its purpose is to localise the battle now raging in Korea. Before the British public is asked to decide for or against the American action on a basis of incomplete facts it should be reminded of exactly what President Truman said on June 27th.

> It (Communism) has defied the orders of the Security Council of the United Nations to preserve international peace and security. In these circumstances the occupation of Formosa by Communist forces would be a direct threat to the security of the Pacific area and to United States forces performing their lawful and necessary functions in that area.
>
> Accordingly I have ordered the Seventh Fleet to prevent any attack on Formosa. As a corollary of this action I am calling on the Chinese Government of Formosa to cease all air and sea operations against the mainland. The Seventh Fleet will see that this is done. The determination of the future status of Formosa must await the restoration of security in the Pacific, a peace settlement with Japan or consideration by the United Nations.

The purpose of the American intervention could not be stated more clearly and simply. It is true that the British Government, having recognised the Chinese Communists, is left in an embarrassing position. But its action in according recognition was a mistake when it was taken ; and has become more mistaken since. It would be foolish in the extreme to cover up one blunder by making a bigger one.

It is at this point that the confusion of issues in the controversy that has started becomes clear. The question of supporting American action to protect Formosa against Chinese Communist invasion is one thing—and no question of active support appears to have arisen. The question of whether the Americans should be left to face the consequences of their action alone is another. If it is argued that they are running the risk of world war by persisting in their Formosa policy, the answer is that there is no need for world war unless the Russians want it. They are no more obliged to assist in the conquest of Formosa than the Americans are bound to hand it over. If, on the other hand, the Russians decided to come openly to the assistance of the Chinese Communists, it would be because they were ready to see the conflict that they allowed to begin in Korea spread everywhere. In that case there should be no doubt whatsoever of the British attitude, or, indeed, of that of all the members of the United Nations.

To ask at this moment that the British Government should define exactly where they agree and where they disagree with the Americans over a situation that may not arise, and the exact nature of which must be unpredictable, is to behave irresponsibly. The Russians are confronted in Korea with a situation probably quite different from the one they expected to exist a month after the Northern Communists attacked. It is probable that neither they nor the Chinese Communists have made up their minds about the next step ; indeed, their propaganda is virtually silent on the subject of Formosa. If anything could encourage them to make up their minds to take all the risks and extend the area of war in Asia it would be a public display of divided views and irresolute will in this country and the United States. The voice of appeasement that is being heard is coming from a quarter where it is an article of faith that nothing the capitalist Americans do can be wholly right ; the fact that they unhesitatingly shouldered so large a share of the burden of opposing armed aggression, while other members of the United Nations counted their money and their men, is resented instead of being applauded and supported. Some excuse must be found for quibbling and fault-finding. So Formosa becomes important. It is not a



problem of world politics so much as of psychology in Bloomsbury.

The British people cannot enjoy at one and the same time the benefits of collective security afforded by American power and the luxury of picking and choosing between the issues that arise in the cold war. If peace is indivisible, so must be the policy of resistance to aggression.

Local Government Efficiency

(By a Correspondent)

THE Local Government Manpower Committee announced in the final paragraph of their first report that they intended to "consider the methods of procedure and organisation for handling the various services at the Local Authority end" and for this purpose a Sub-Committee of the Local Authority Associations has been set up "to investigate, within the framework of the existing law, the procedure for the delegation of powers from County Councils to District Councils and other bodies."

It is not clear from this statement whether the whole procedure whereby local authorities conduct their affairs will be reviewed, or merely that part of their procedure which deals with the delegation from larger to smaller units of administration ; if the latter is the sole subject of investigation, it is unlikely that the sub-committee's researches will yield very profitable results. Fortunately, there is some evidence that more will be attempted. Civil servants, having listened to the laments of the local authorities and accepted with tolerable grace their suggestions for improving the central government, have now informed the local representatives where they think their own administration could do with a "shot in the arm." In a document, so confidential that many hundreds of copies have already been reproduced, they have drawn the attention of the city and county fathers to the beams which affect their vision. These include charges of insufficient delegation by councils to committees, or by committees to officials ; of councils and committees dealing with too much detail ; of excessive departmentalisation, overlapping and duplication of work; and that local government procedure suffers, among other things, from an insufficient distinction between the statement of policy, and its application to individual cases. They state also that efficient and economical executive action requires that someone be available to

give a decision on a point on which someone is urgently waiting for a decision, whereas the machinery of local government is almost deliberately designed to function in direct opposition to this thesis.

These last suggestions are of considerably more importance than the first. The roots of the matter lie much deeper than the question of delegation, which is less concerned with administrative economy than with the constant struggle for power—the same struggle which frequently drives local councillors and their officials to deplore the encroachment of Whitehall and makes the civil servant at the centre justify his centralisation by such euphemisms as "master plans," "financial control" and "national patterns." The tension which exists, sometimes called a "partnership in the common effort," between central and local authorities is, however, potentially benevolent in that it restrains either side from inflicting unbridled tyranny, whether petty or majestic, on the suffering taxpayer whose delight it is to pay the salaries of both participants in this contest of gods and men.

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The study of delegation may, or may not, result in administrative economy. A more fruitful field for examination is the procedural methods by which local government services are administered. These methods have frequently been decided either on the assumption that democracy means the detailed control of everything that happens in its name, or on the basis that no one person, be he elected or official, shall have open authority to make responsible decisions *de jure* however much he may enjoy this privilege *de facto*. Consider the average procedure of a county council or county borough at the present time. It may well be spending about £8,000,000 a year and employ six or seven thousand persons. It may be responsible for the education of 75,000 children, the maintenance of several hundred miles of roads, the administration of justice, many public health functions, town planning and possibly housing. It may be undertaking capital projects of an annual value of several million pounds. The day-to-day running of this considerable concern is in the hands of an archaic combination of paid servants and groups of amateur enthusiasts elected by the local inhabitants. It is not always realised that the multitudinous decisions to be made, from the repair of a burst pipe to the expenditure of £250,000 on a new school, are controlled by almost the same procedure. A committee of one sort or another has the facts placed before them, frequently in print, and the tempo of their decision is determined by the pressure of the agenda and the need to be home for lunch.

The members of a public authority may between them spend literally thousands of hours a year sitting round tables and lifting their hands in approval or negation, while a senior official may well attend over 100 meetings a year in order to explain, cajole, flatter or threaten his employers to do what, in a comparable industry, would be done on the sole decision of a personnel manager, or even a works foreman. This identification of democratic responsibility with the exact control of expenditure impedes the machinery of government and makes it wasteful and expensive. Decisions pile up against a dam and are not made until the flood waters are released and, even then, nothing happens at once because too many decisions have been made on one occasion and it will take time to carry them out. The only efficient method of committee control would be for the members to sit in relays from 9.0 a.m. to 6.0 p.m. for five days a week receiving a continuous series of reports on everything from the lay-out of a village green to the purchase of a stair carpet for a Children's Home. As fast as they made their decisions, they could then be put into effect.

Unfortunately, this partiality for financial control has resulted in an exact reversal of the theoretical relationship which should exist between the elected members and their paid staff. Theoretically, the committee decide on the policy and the officers carry it out ; in practice, the major decisions of policy are initiated by the officers and the members dabble in the administration in so far as they can understand it. This understanding is frequently limited to matters which cost, in money, the sort of sum that the member has handled either in his own private life or in the businesses with which he has been associated. Scores of examples could be quoted by any local government officer of occasions when committees have spent a great deal of time debating items costing between £50 and £100 but have passed without comment projects involving five or six figures.

It is, of course, unfair to compare government with large scale business or industry, because government, however inept, is trying to make democracy function as well as run an efficient service. Any business, however, which grew from a concern spending £100,000 to £10 million a year, would alter its organisation and method, but there has been virtually no comparable alteration in the practices of local authorities, although their expenditure has grown in a similar proportion.

In the recent debate in the House of Commons on the attempts by Luton and Ilford to secure county borough status, it was alleged that local government was becoming increasingly inept, because the whole structure needed reform. But local government difficulties are not primarily those of function or area ; they are those of the machinery by which they discharge their duties. The recent introduction of the equalisation grant has done much to enable the poorer authorities to provide the financial resources necessary to discharge their duties, but it will need more than an alteration in fiscal policy, or the work of a Boundary Commission, to make them alter their outmoded administrative methods—methods which are as common in a large prosperous all-purpose authority as they are in the smallest of rural district councils. It would be much better to try to make the existing system work efficiently rather than to tear the whole structure to bits and to recreate a new pattern of local government performing its functions in the same elephantine way.

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The main object of local government is to enable the local people to feel a sense of responsibility for the administration of their local services, to administer those services efficiently in the light of local knowledge and to enable the local citizen to feel that he can get at those who are making the decisions that affect him personally. None of these objectives is attained by the identification of local responsibility with the detailed control of administrative expenditure by elected representatives, especially when this is at the expense of adequate consideration being given to the policy that produces the administrative action.

Although the cries of dissent and indignation already

echo in the writer's ears, it is suggested that local government might well adapt its procedure more closely to that of the central government. On the assumption that the full council meets monthly, bi-monthly, or even quarterly, one full session should be devoted to each of the major services administered, much in the same way that Parliament deals with these services at the time of the annual estimates. On such an occasion, the whole policy of the authority should be debated and on this, as at the other meetings, time should be given for any questions to be asked on any matter or decision on which executive action has been taken. It should be redundant to add that proper notice of these questions will produce a more coherent answer. Broadly the same procedure should be followed by the main committees, which should devote their regular meetings to the discussion of particularly important aspects of their work with, again, adequate opportunity to ventilate complaints and grievances. Subject to the general decisions of policy laid down by the full council or its committees, the job of day-to-day administration should be left to the technical experts and administrators appointed for the task, subject to the approval, in certain circumstances, of the chairman or a small executive committee of the main body.

These chairmen, whose technical function is only to preside, but who might usefully, in their own way, play something of the part that a Minister does in Parliament, should be openly recognised as responsible for major administrative decisions within an accepted policy. They would answer for their respective departments at full meetings of the council and, by meeting together, would constitute something in the nature of a cabinet. This would have the additional advantage of ensuring that at least a small group of the more responsible elected members knew what was being planned on a wider front than their own particular concern, and would prevent blind competition among the various services for the inevitably restricted amount of money or materials available. To alter the analogy, they would become, so to speak, the directors of the firm. The officers would represent the top technicians employed by the undertaking, and responsible, in the first place, to the directors. The full council would represent a rather more active body of shareholders than is usually found at company meetings.

This is only the roughest outline of an attempted solution, but some solution will have to be found whereby the adequate democratic control of policy can be reconciled with the need for efficient administration. What is needed is not so much to alter the design of the bodywork of the administrative vehicle as to increase the power output of its engine. At present it fires on woefully few of its cylinders.

Apartheid in Practice

THE Group Areas Bill, which was passed by both Houses of the South African Parliament at the end of last month, is the most important development in South African politics since the South Africa Act of 1909. It is a long and extremely complicated piece of legislation which will provide a headache—and a source of income for lawyers—for many years. It is Dr Malan's attempt to solve the racial problems which have defeated all his predecessors ; it is the embodiment of his controversial policy of *apartheid* ; it is the bogey whose growth most Africans and some Europeans in the rest of Africa have watched with fear and suspicion.

Shorn of its details, the Bill divides the population of the country into four main racial groups: Europeans, Natives or Bantu, Asiatics and Coloureds. Each group is to be allotted areas from which the others—with a number of important exceptions—will be excluded. The non-European groups will in time be given a measure of autonomy, but there is no question of their participation in the central parliament or in the central government.

It is not the purpose of this article to repeat the arguments against the principle of the Bill but to examine what its effect is likely to be in practice. The Nationalist Government claims for it, apart from anything else, that it is the only practical solution which any South African government has so far put forward for South Africa's racial problems. It is indeed true that no other South African government has succeeded in this sphere of domestic politics, but a closer examination of the Bill makes it difficult to substantiate the claim of practicability.

Past schemes for the segregation of the different races in South Africa have been stillborn chiefly because of economic reasons. All four of the main racial groups are interdependent for their livelihood ; the economic forces which bring non-Europeans into European areas or which encourage Europeans to seek markets among the non-Europeans are well-nigh irresistible. The Bantu and the Coloureds in particular depend almost entirely on the Europeans for employment and for the tiny proportion of the national wealth they enjoy —the native reserves are a standing monument to the failure of their inhabitants to be even self-supporting, much less to develop an expanding economy. For their part, the Europeans have obtained a source of cheap labour upon which their economic strength depends. The gold mines, for example, mining low grade ore, would be far less profitable and possibly even uneconomic were it not for the comparative cheapness of native labour. Total segregation, therefore, would mean an intolerable burden on the European population, misery and a much greater degree of poverty for the non-Europeans, and the probable collapse of the economy of the country.

The claim of the Nationalist Government for the practicability of its solution rests chiefly on the clear recognition in the Group Areas Bill that total segregation is impossible. There is no question of Europeans being deprived of non-European labour. Provided they are employees of Europeans, non-Europeans may occupy (but not own) premises in a European area. Similarly, Europeans may trade (and own property) in non-European areas on the grounds that non-Europeans will probably lack the necessary capital for trading and for buying property. There is no doubt that these provisions coincide with the economic realities of race relations in South Africa—with the exception of the Indians whose capitalists and traders are apparently to be driven in upon themselves and so, very likely, out of business. The exempting provisions are probably essential if the Bill is to work at all, but they would seem to invalidate the fundamental conception of *apartheid*.

What is likely to happen in practice ? In Natal, the Indians are already effectively confined and cannot own or occupy further property in European areas, but they may well be driven out of some of their present properties. Their numbers are also steadily increasing. They will have nowhere else to go unless the Government makes special provision for them, which can only be done at the expense of one or other of the remaining racial groups. On the Rand, the gold laws have kept the Indians in fairly compact groups, but Africans and Coloureds occupy congested areas around which new European districts have grown up. The thousands of non-Europeans in these areas will presumably be moved elsewhere. In the Cape, there are mixed areas where Europeans, Natives, Coloureds and Indians live closely together. Again, if such areas are unmixed, where will those who have been ejected go and how will they live when they get there ?

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Dr Donges, the Minister of the Interior, who was responsible for seeing the Bill through Parliament, has suggested that about 20 per cent of existing properties will be affected by ejections and forced sales. If, as promised, the process is extended over a long period, a state of uncertainty will reign. The Bill provides, on paper, for the removal of groups from one area to another and for the legal procedures for the forced sale of properties, but there is no indication in it of how the enormous administrative and other problems involved in such removals are to be met.

The most serious defect of all in the Bill is the refusal of the Government to accept responsibility for finding alternative accommodation for those who have been ejected from a proclaimed area. Dr Donges said that the existence or absence of alternative accommodation for ejected persons would be a material factor which would be considered before an area was proclaimed for any particular group, but this is a far from adequate guarantee that those who are ejected will be properly cared for. Moreover, no financial compensation will be paid to anyone who suffers loss as a result of the Bill. Thus, if, for example, it is decided to remove a hundred thousand non-Europeans from the Johannesburg townships —a decision which may already have been made—either new homes will have to be provided for the non-Europeans, at a cost which the Johannesburg Council cannot easily afford, or more "shanty towns" will be erected on the open veld, which means more crime and disease. Even the Nationalists might baulk at such a prospect.

It would, however, be contrary to the character of the Nationalists to abandon a policy to which they are so firmly committed. Their desire for *apartheid*, like their wish to become a republic, is inspired by a genuine belief that it is the best thing for the country in the long run. Furthermore, there are a large number of South Africans who do not support the Nationalist party but who nevertheless believe that *apartheid* is the only satisfactory solution of the racial problem—and not only that of white against black but also of white against white. It may be that, with such support behind him, Dr Malan will decide to ride roughshod over the economic obstacles in his path and damn the cost so long as some degree of segregation is obtained. But he cannot properly claim that the Group Areas Bill is any more workable than previous schemes for segregation.

NOTES OF THE WEEK

Manny, Get Your Gun

The speech by Mr Emanuel Shinwell, the Minister of Defence, at the opening of Wednesday's debate represents a great advance, both in clarity and candour, on previous government statements on defence. He gave the figures of Russian military strength, which should convince even the most optimistic ostrich that adequate defence forces are now the highest priority for the western nations. He announced that the United Kingdom will make ready a self-contained military formation, presumably a brigade or divisional group, for the Korean theatre, and that measures to improve the production and modernisation of weapons would be accelerated at the cost of an additional £100 million to the annual defence budget. The decision to lend a hand in Korea has given great satisfaction in the United States, although the British force will achieve little practical improvement in redressing the grave shortage of American infantry in Korea if the time needed for assembly and dispatch is to be as long as Mr Shinwell's statements implied. The decision to speed up production of new material and the reconditioning of stocks is also very much to be welcomed. The emphasis is to be on increasing the reserve of fighter aircraft—an obvious necessity in view of the extremely limited number of new first line aircraft. But it will be possible to breathe more easily only when the accelerated production programme has resulted in a greatly increased number of fighters, fighter bombers and centurion tanks actually in the hands of operational units.

On the wider issues of defence both Mr Shinwell and the Prime Minister showed that the spirit of Micawberism still lingers. Mr Shinwell admitted that

> the forces at present available, or in sight, fall a long way short of requirements estimated even on the most conservative basis.

Recruiting for the army and air force is causing grave concern, the stocks of reserve equipment are unbalanced, the new measures for production and re-equipment are no more than a fraction of what is required. But the present Ministers have been in office for five years and one does not have to approve of Mr Churchill's sour attitude in the debate to demand that they give more adequate reasons for having produced defence forces that are not only inadequate—a common failing in democratic nations—but also of the wrong size and shape. The truth is, of course, that the Government, while by no means neglecting the problem of defence, have since the war chosen the easy course of basing their policy upon the hope that there would be a long breathing space before military forces need be actively deployed again. Now that that assumption has been exploded, an apprehensive Cabinet is attempting to warn the nation without losing too much face. History would suggest that nothing less than complete candour will make the nation come to the rescue of the Government.

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Working the Atlantic Pact

"Tangible results" by September are what is asked of the Atlantic Council Deputies who have been meeting in London this week. Those two words clearly mean now some-

thing very different from what they meant in May, when it was agreed to appoint deputies who would ensure that all the plans and commitments of the Atlantic Pact governments were co-ordinated and their work made effective. If it was fairly clear then that the interlocking military and supply organisations of the Atlantic Pact and Brussels Pact were cumbrous and inefficient it should be crystal clear now. And if there was urgency then about seeing that plans became reality, the urgency is now redoubled.

It is said that the deputies will have been chiefly concerned with problems of organisation. If that is so, it is to be hoped that they will have considered three points that cause much concern among their military advisers. The first is that the occupation forces in Germany—which, in fact, defend western Europe—have no clear connection with Lord Montgomery's command and planning headquarters at Fontainebleau. The second is that the head and soul of Atlantic defence is in the standing group of American, British and French officers in Washington, while supply and finance are dealt with in London. The third is that the planning of defence in western Europe, which is clearly one theatre, is split up among three regional planning groups in which too many governments and interests have their say. Such an organisation could not possibly function efficiently for three days of hostilities ; and the test of efficiency is the only one that should be applied in the present situation. It is to be hoped, too, that the American chairman, Mr Spofford, and his colleagues will be given real power by their governments to get things done quickly.

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Civil Defence and the Bomb

Since 1946 the Civil Defence Department of the Home Office—much reduced in funds and staff—has been conducting in Japan and Germany studies of the effects of heavy air attack, whether by atomic or "conventional" bombs. While very much the same people who said in 1938 that there was no defence for the civilian against German bombing have been saying that nothing can be done against atom bombs, scientists and officials have been collecting evidence that shows that this is not true. A body of administrative and technical evidence has been built up, out of which has emerged a civil defence doctrine comprehensive enough to justify the formation of a civil defence staff college. Some of what has been taught and discussed there has now been simply and clearly summarised under the title "Atomic Warfare. Volume II of the Manual of Basic Training in Civil Defence."

A third of the 40 pages of text consists of frightening but highly instructive photographs of what the bomb did to buildings in Nagasaki and Hiroshima, and there is an appendix which might be entitled "atomic physics without tears." The purpose of this, as indeed of the whole pamphlet, is to enable the civil defence volunteer to understand and speak with authority and confidence about a subject on which popular comment is either defeatist or melodramatic. Its lesson is quite clear: atomic bombing will cause serious casualties and damage, but both can be substantially reduced by organised preparation, shelter and training. The main problems presented by the atomic bomb are not new—blast, fire, rescue work, evacuation ; against the new factors of heat flash, and the effects of delayed or immediate radioactivity, research has produced detection apparatus, equipment and principles of medical treatment which are described in detail.

This pamphlet says little that is convincing about the effects of bombs—more powerful, presumably, than those dropped in Japan—on the working life of an industrial centre or of the immense problems of clearance and restoration that would follow ; that is presumably subject for another publication. But it does provide the kind of facts and argument which should convince the ordinary citizen that civil defence training is worth having. It is encouraging to note that the rate of recruitment to the Civil Defence Corps has now risen to 2,300 a month, as against a rate of 1,500 at the beginning of the year.

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Narrow Margin in Korea

The news from Korea continues to be disturbing. The Americans are being steadily pressed back by numerically superior infantry in country where heavy equipment and aircraft seem to be able to do little to redress the balance of numbers. As British forces learnt in Malaya, modern western armies with all the paraphernalia of complicated supply organisations and using tactics learnt on Salisbury Plain or at West Point are no match against steady infiltration in unfriendly country. The situation may improve once the Americans can fight in open country again, but they clearly need large reinforcements of infantry if they are to be able to hold their ground, let alone start pushing the North Koreans back to the 38th parallel.

Unfortunately, it seems unlikely that the help which has been promised from other countries will reach Korea in time to affect the situation in the immediate critical period. Other means of strengthening the American position will have to be found. The possibilities of naval and air support have not yet been exhausted. The carriers operating off the coast should now be able to find far more targets than hitherto and to exploit their great mobility more fully. The North Korean troops are apparently living off the country they have overrun ; their supplies of food are scarce and every air attack on those supplies will weaken their ability to fight. There may be other similar weaknesses which General MacArthur can probe and thus make it easier for his infantrymen to hold up the North Korean advance. The fact remains, however, that the Americans are still fighting a delaying action, and the need for more troops, well but lightly armed, must be met with the greatest possible speed if the final defence zone round Pusan is to be held and expanded.

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More Light on the Schuman Plan

Some of the original vagueness of detail about the Schuman plan for pooling coal and steel in western Europe is gradually lifting. In his statement before the National Assembly on Tuesday, the French Foreign Minister, M. Schuman, added two new pieces of information which help to fill in the general outline.

Alongside the high authority there is to be ranged a committee of ministers from the six participating countries. The two bodies are to hold periodic joint meetings and, although the powers and tasks of the new committee were not defined by M. Schuman, it can be assumed that the ministers will concern themselves with ensuring that the high authority works over a much wider range than the interests of the coal and steel industries.

A second new feature of the plan, implicit in M. Schuman's speech, is that the high authority will conduct its operations through "natural" local units of the coal and steel industry ; in some cases these units may stretch across national boundaries, and in others a number of such units may exist within the borders of one nation. The assumption in the past has been that the high authority would deal with national groups. This decentralised form of organisation would serve many useful purposes. It might make internationalism a reality at the base of the pyramid as well as at the top ; it might also be a useful weapon for breaking up the cartels both of the Ruhr and the French steel industry.

M. Schuman expressed his regret at the absence of Britain from the councils of the six governments ; but he is still showing little readiness to alter the structure of the plan sufficiently to meet the criticisms of the British Government. British reluctance to enter the organisation will only start to yield if the high authority is unambiguously subordinated to governments. That may never happen ; but since Britain and five of the Schuman plan countries are members of the Atlantic pact, it is likely that, at least where defence is concerned, there will, in fact, be very close association between the coal and steel industries of Britain and those of the Six.

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Back to Strasbourg

The portents are that British foreign policy may have another rough passage during the meeting of the Council of Europe that begins next week at Strasbourg. With Dr Dalton in charge of the British delegation and with Mr Bevin disinclined to pursue the discussion of the Schuman Plan in an atmosphere where generalisations flourish both before and after lunch, it is important that the British should make one or two contributions that are imaginative as well as solid.

There are two ideas that suggest themselves: the first is that the meeting of minds—which is still the most valuable feature of the Strasbourg occasion—should produce some practical schemes for getting young Germans in large numbers to work, travel and study in western Europe. Someone has to take the initiative in this vital matter, and the Council of Europe is in a good position to do so. The second is that delegates should face quite honestly the need to explain to voters what it is they are trying to do, and what would be the consequences to the mass of working people of the various economic projects that will be discussed during August. There is this to be said for the Labour Party pamphlet on "European Unity" that it did break away from the political and intellectual dishonesty that has marked too much of the discussion elsewhere.

This year's Assembly will be epoch-making if for only one reason—the reappearance of a German delegation in the public proceedings of a European body. The attitude and activity of these eighteen representatives of the Bonn Parliament will be watched with the greatest interest. It will be most unfortunate if this opportunity for reconciliation is spoiled by demonstrations of self-pity and propagandist zeal such as Germans abroad are prone to indulge in. But other delegates will do well to remember that these Germans will also be watching carefully to see how the democracy of the west works in practice, and whether they are taking part in what is really a going concern. This Strasbourg session must be much more businesslike and realistic than the first if it is to hold people's respect and attention.

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Labour's Agenda

The preliminary agenda for the Labour Party's conference in October, which has been published this week, contains as large a number of fiery resolutions as in previous years. It is to be hoped that the general run of Labour supporters have a more percipient view of national and international affairs than the small minority in the constituency associations and trades unions on whom the framing of such resolutions usually devolves. Most of the forty-three resolutions on wages, prices and profits demand action from the Government to penalise profits, to redistribute the national income further in favour of the workers, and to reduce prices by legislative action, and in addition there are fourteen resolutions urging the Government to adopt a more socialist policy. There are twenty-seven resolutions on foreign affairs, most of which demand an end to the cold war and collaboration or agreement with the Soviet Union. These resolutions, like those on economic policy, are merely a way of expressing resentment against the cold hard world of reality.

It is interesting to observe that the more fire-eating and the more unreal resolutions come from constituency associations, not from trades unions, and more often from suburban and residential than from industrial areas. Indeed the only resolution drawing attention to the precarious basis of Britain's economic recovery comes from the National Union of General and Municipal Workers. This division underlines a tendency which has been discernible at Labour Party conferences, that the Left wing of the Labour Party derives the impetus for its criticism of the party executive and of the Government from enthusiasts in the constituencies, many of whom, from their geographic locus, cannot be working class. The majority of the trades unions by contrast are content with very little general criticism of the Labour Government's policy both at home and abroad. What effect these resolutions will have upon the future of Labour policy it is difficult to tell—five years in office have made the party executive much less sensitive to pressure from below. But one thing is quite certain, that if the executive heeds the voice of the left wing of the Labour Party and decides on a policy of "more socialism," it may get an impressive demonstration of enthusiasm at its conference in October, but it will not get the votes of the majority of the electorate when the election comes.

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Colonial Week

This is the time of year when colonial affairs are thrust upon the public's attention. The annual debate in the House of Commons on the colonies in general, which took place on July 12th, has been followed by a much more concentrated, and therefore more valuable, debate in the House of Lords this week on the economic development of Africa. In addition, there has been published within the last week the annual report of the Colonial Development Corporation, the annual return of schemes made under the Colonial Development and Welfare Acts and a Colonial Office report (Cmd. 7987) on East and Central Africa in the last five years, 1945-50.

Yet, in spite of all the talk and documentation on the colonies, the basic question of the future of British colonial policy remains unanswered. It has become a truism to say that the grant of responsible government must be accompanied by economic progress if it is to be well founded. Nevertheless new constitutions, each carrying the colony concerned farther along the road from dependence to independence, are being granted all over the colonial empire—at the beginning of this week the Windward Islands, a fortnight ago Sierra Leone. Economic development has obviously not proceeded at anything like the same pace. It is quite true that the amount of capital investment that has taken place in the colonies in recent years is far greater than is perhaps generally realised. In the House of Lords debate, Lord Hall pointed out that, at the present rate of expenditure, the £120 million granted under the Colonial Development and Welfare Act of 1945 will have been exhausted by the end of 1954. The ten-year development and welfare plans approved for the African dependencies will cost, in all, about £135 million. Actual investment in Africa from all sources, public and private, was estimated by Lord Rennell as £120 million in the last five years—including the £35 million sunk in the East African groundnut scheme. But, in spite of this investment, the African dependencies—and most of the other colonies—are still economically very backward. They may be financially sounder because they are still enjoying high prices for colonial produce, but in most cases their productivity is as low as ever.

The fact has to be faced that political changes are far outstripping economic progress—inevitably so, because, as the groundnut scheme has proved, colonial economic devel-

opment cannot be rushed. What, therefore, is to happen? Are we, in a few years' time, to be faced with self-governing colonies, which have neither the resources nor the leaders to assure their economic and financial stability? Exactly how far is the present policy of constitutional reform intended to go? This is the uncertainty which Government spokesmen in colonial debates have still not resolved.

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The Nigerian Constitution

There are several points of importance about the proposals for Nigeria's new constitution, the background of which was described in an article in *The Economist* of December 3, 1949 (page 1242). First is the care that has been taken in associating the people of Nigeria with the framing of the proposals. The initiative for constitutional reform came from the Governor, but the whole procedure of discussion and consultation, from the villages upwards to the provinces and regions and finally to a general conference, whose members were elected by the regional conferences, was designed to forestall any suggestion that the constitution was being "imposed" by an alien government.

The second interesting feature is the considerable amount of autonomy to be given to the regions. Regional legislatures were established under the Richards constitution of 1947. Now there are to be regional executive councils as well, consisting partly of official members but with a majority of Nigerian ministers drawn from the regional legislatures, which themselves will be more representative and have more powers. But it is not intended by this emphasis on regional autonomy to encourage Nigeria to break into three separate parts. On the contrary, it is also proposed that the central legislature should continue to legislate "for the peace, order and good government of Nigeria"—in the words of the Secretary of State's dispatch—without restriction. It follows that to begin with there will be considerable overlapping between the functions of the central and regional legislatures, and it is to be expected that the parcelling out of these functions will be a main issue of any future constitutional reform. In addition to the legislature, there will also be established at the centre a Council of Ministers, to take the place of the existing Executive Council. It will consist of the Governor as President, six official members, and twelve Nigerians, who will be Ministers, nine of them with portfolio. The Council's functions will be to formulate policy and direct executive action.

A third point of importance is the attitude of the largely Moslem North to the composition of the central legislature. It is claiming half the seats on the basis of its size and population, a claim which is being contested by the Eastern and Western Provinces. The compromise that has been put forward is that the legislature should consist of two chambers, in one of which—the upper House—the provinces should be equally represented, the composition of the other being based on population. The different provinces have still to agree on this proposal—which in itself will create further problems—and the publication of the Secretary of State's dispatch, to the effect that the British Government agrees to the proposed constitution, is intended to stimulate agreement. The decision, therefore, now rests with the Nigerian people.

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Titoism in the Ruhr

The German Communists in the eyes of the Kremlin are still very strictly on probation. The third congress of the Socialist Unity Party (SED) held in Berlin last weekend laid bare the extent to which they have so far failed to reach the standard set by their taskmasters. Max Reimann, the leader of the western Communists, had to repent publicly for the failure of his KPD in the Federal Republic. He has failed to win the Social Democrat workers for a united party; the Communist vote was halved in the recent Rhine-Ruhr elections, and only 2,000,000 signatures were secured to the "peace" appeal—a figure which compares with 17 million, or over 90 per cent of the total population, who are said to have signed in Soviet Germany. Wilhelm Pieck, likewise, had to promise in the presence of Suslov, the Cominform leader from Moscow,

> to drive out of the ranks of the KPD the agents of imperialism, to remove from the leading posts in the Party the opportunists and pessimists who lack fighting spirit and confidence. . . . Ruthless struggle against Trotskyite and Titoist elements inside the KPD and the Socialist Unity Party is one of our most important tasks.

The need for this new purge was underlined by the fact that, simultaneously, there was being held in the Ruhr a Titoist conference of Communists expelled from the Party for lack of subservience to Moscow. The Germans, unreliable even in the days of the prewar Comintern, have thus become the first Communists outside Jugoslavia to form an organisation that is independent of Moscow. Even in Russian-occupied Germany the Socialist Unity Party has not yet won the right to call itself a "party of the new type"—a term which is applied by Moscow to the parties which rule the satellite states on Bolshevik revolutionary principles. German national characteristics and the legacy of the Nazis are retarding the development of older workers into reliable allies of Russia; success with the young is another matter. Pieck was forced to admit that the SED has not secured sufficient backing in the zone from the industrial workers, who should form a majority in any Communist organisation. The trade unionists show true German readiness to work themselves to the bone, but lack political zeal.

* * *

Korean Technique for Germany

In other respects, the SED congress was extremely disquieting. Korea has been made by the Kremlin into a turning-point for the German Communists, who are now presented with "the absolute necessity" of forcing the withdrawal of the western occupation forces. If this could be achieved, then, obviously, events would be made to take the same course as in Korea. The Premier, Grotewohl, has now called for civil disobedience in the Federal Republic and in western Berlin. To this demand he has attempted to give a "legal" basis by declaring that the continued presence of the western forces is a breach of the Potsdam Agreement, and constitutes "American intervention"—an ominous phrase which recalls Moscow's version of the Korean conflict.

In spite of the nonsense talked by Communists about "misery" in western Germany as the "result" of Marshall Aid, it was admitted at the Congress by one of the leading Party organisers, Dahlem, that they were faced by an "enormous task" in making the western Germans realise the "danger" from America and the "true friendship of the USSR." Nevertheless, President Pieck made the confident forecast that "there will certainly be an eruption in the west, though perhaps not immediately." In the meantime, the Communists must redouble their efforts to bring it about.

* * *

It seems advisable to state, in response to a number of enquiries, that the Editor of *The Economist* has no connection, and has never had any, with the British Peace Committee or kindred bodies. It is a matter of mortification to him that an unfortunate similarity of names should mislead anyone into thinking him capable of lending his support to activities which he regards as transparent devices of Soviet imperialism.

New Soviet Air Commander

The fact that control of the Soviet Air Force has changed hands at some time during the last year should not be allowed to pass without comment. Marshal of the Air Force Konstantin Vershinin, who had been Commander-in-Chief since 1946, has been displaced by his deputy, a notoriously pushful and politically minded character, whose experience has been mainly in the Far East—Colonel General Pavel Zhigarev. The fact that this most unpopular officer should have attained such a rank shows how few have been left to choose from by recent purges in the higher ranks of the armed forces.

Zhigarev is 50 years old and is considered by his fellow officers to have only mediocre military talents. He was deeply implicated in the Tukhachevsky plot against the regime in 1937, but decided to turn traitor after having covered his tracks with remarkable skill. Since then he has been regarded by the Party as one of the most efficient snoopers in the Soviet Air Force, and has been responsible for the downfall of a number of senior officers. Marshal Vershinin appears to have been his latest victim. It is impossible to judge what political or military significance the appointment may have; but it is another reminder of the type of man who can get into the top posts of the Soviet Union.

* * *

Jekyll and Hyde Marketing

The innocuous-sounding Tomato and Cucumber Marketing Scheme had a rough passage from Labour backbenchers in the Commons last week, and it was not only the representatives of the Co-operative movement who feared the effect on the interests of consumers of setting up a producer-controlled board with wide powers. The Minister of Agriculture's plea that his party had always been in favour of "orderly marketing" rang somewhat hollow. The Wool Marketing Scheme was approved at the same time, and other marketing schemes, promoted by the National Farmers' Union, will follow. One for peas is at present under public examination, and a much more ambitious scheme for the marketing of fat stock (a guaranteed commodity) is a possibility.

It is true that the marketing of horticultural products in Britain presents a wasteful and chaotic spectacle. The 80,000 growers send haphazardly all over the country, while the combination of a large number of distributors with a small number of main markets increases costs. Covent Garden is an expensive bottleneck from which no less than 40 per cent of produce is consigned again to other markets. The result is that gluts and shortages occur concurrently in different areas, and that consumers may be faced with high prices at the same time as growers are denied a market. The case for any type of marketing organisation which would reduce the costs of distribution is therefore very strong.

But will the proposed Tomato and Cucumber Marketing Board help towards this objective? It is purely a producers' board, and as such will not interfere (nor should it) with "the normal channels of distribution." It may do good work in improving methods of grading and packing, and in organising market intelligence. But its main function is likely to be that of a producers' pressure group, endeavouring—through the manipulation of supplies and prices, and by bringing influence to bear on the regulation of imports—to secure better terms for the grower. It is true that the Minister is to appoint a small minority of the members of the board (most of whom are elected by the producers) and that he has strong reserve powers to protect the public interest. But the Minister in this case means the Minister of Agriculture—and no one who holds that office is likely to give his first thoughts to the welfare of consumers.

* * *

Rent Rebates Analysed

The high cost of housing has recently produced a crop of suggestions on how to overcome or counteract the economic and social difficulties which follow from it. Rent rebates are one of the counteracting methods and there can be no group of people more competent to discuss it than the Society of Housing Managers. This they have done in an excellent pamphlet,* which is as lucid as it is brief. Unfortunately, with a timorousness unworthy of the successors of Octavia Hill, they have avoided any final conclusion about whether rent rebates should be more widely applied.

Until the society sent out a questionnaire in 1949 no information about rent rebate schemes more recent than 1939 was available. Of the 1,470 local housing authorities approached by the society 971 replied. Of these only 78 were applying a proper rebate scheme, 72 gave rebates in cases of special hardship without a sound scheme, 52 had abandoned schemes, and only six had new schemes under consideration. These figures show that rent rebates are not popular with housing authorities.

Over the last eleven years the purpose of rent rebates has changed. In the past they were used to help the "submerged" families. Rebates were paid mainly to the unemployed, the sick and the aged. Now the National Assistance Board will pay for these classes any rent which it considers reasonable; old-age pensions are more generous; unemployment is low. Instead of protecting families suffering from great hardship rent rebates are required mainly to bolster normal families in the lower wage groups against the effects of a period of very high building costs. The fact that many council tenants can now afford the economic rents of council houses increases the case for attaching the subsidy to the occupants rather than to the houses.

On the assumption that the present housing policy will continue, there are great attractions in extending the system of rent rebates in order to share out the housing subsidies according to need. But the analysis of existing schemes which the pamphlet contains shows how complicated and difficult the schemes are to apply. A great deal of effort is wasted in making the schemes too perfect: equity is achieved at too high a cost and at the sacrifice of the tenant's co-operation. Yet certain schemes have been found to be workable and could be more widely applied. In the absence of other changes in housing policy rent rebates are a partial remedy, and the pamphlet well deserves to be studied by all those who would apply it.

* * *

Foreign Capital for Southern Asia

The recent foundation of a Philippine Association by businessmen of all nationalities in the Republic has drawn attention to the country's urgent need for capital investment from abroad. Since the war the Philippines have had more of a spending spree, and have run through more United States dollars with less to show for them, than any other territory of the same size. Today the Philippines lie within the belt of Pacific countries over which the mantle of protection against the Communists is being firmly cast by their former ruler, the United States. But they also belong to the fringe of South East Asia where Communist tactics of infiltration are being vigorously pursued, and not

* Rent Rebates. A review. April, 1950. 1s.

without success. Already the problem of raising economic standards by capital development is, therefore, being keenly studied.

The rich flow of American subsidies to the Philippines, in the form of extensive payments for war damages and other claims, will come to an end next year. When it does the Philippines will almost certainly face an acute shortage of foreign exchange unless immediate measures are taken to readjust the adverse balance of trade. Yet the problem itself is—or rather ought to be—almost absurd. Speaking last month, one of the founders of the Philippine Association, Mr Gerald Wilkinson, claimed that "the natural resources of the Philippine Republic are far richer and more varied than the United Kingdom's," while the population is very much smaller. Addressing a mixed audience of Filipino officials and foreign and Filipino businessmen, Mr Wilkinson then put his finger on the great weakness in any scheme for attracting foreign capital, namely

> fear of the unknown intentions of each of us toward the other: fear in the minds of some legislators and some domestic interests that foreign capital may deprive, rather than enrich, the Filipino people: fear by our foreign businessmen that there is a rising intent to legislate them out of business and to expropriate by law a growing portion of their activities for transfer to others.

Mr Wilkinson went on to point out that Britain has for centuries profited from the entry of skilled foreigners. He also showed by means of an actual example how a foreign investment, which may cost 250,000 pesos a year in foreign exchange for the repatriation of interest, pumps from eight to twelve times that sum into local circulation as payment for labour and raw materials, to subcontractors and, not least, to the local government in taxation. Both the advice given and the complaints made by Mr Wilkinson apply generally to every under-developed country in southern Asia.

* * *

Mr Mackenzie King

With the death of Mr Mackenzie King all but one of the great figures who created the present pattern of Commonwealth relations have passed from the scene. His attitude to the Commonwealth, his insistence on the integrity of Dominion sovereignty at the expense of the unity and cohesion of the Commonwealth as a whole aroused from time to time criticism and not a little resentment both in Britain and in the other dominions. But in fact since nationalism is a force that can only be ridden not curbed, Mr King may be judged a more percipient statesman than his critics have allowed for. In any case the idea of the loosely associated Commonwealth of white nations to which the statute of Westminster gave expression can be seen in retrospect to have been in part founded on a contemporary illusion shared by almost every statesman about the growing safety and sanity of the international order. The necessity for all free nations to co-ordinate their actions and merge their right of independent action in higher forms of association has been made painfully clear in the last few years, and Canada has been as quick to recognise this as any other nation.

Mr Mackenzie King's most outstanding achievements were threefold. In the first place, he carried on and strengthened the work of his master, Wilfrid Laurier, in achieving the highest degree of national unity which is possible in a country of many diverse races and in which the aspirations of the two main groups, the English Canadians and the French Canadians, are rarely in harmony. By infinite patience, by adroit political manœuvring, by never imposing a strain which the unity of the Canadian people would be unable to bear, he preserved and greatly strengthened Canada's internal cohesion. Those people in Britain and the rest of the world who were maddened by his capacity for evasion and double talk, and those among his countrymen who chafed beneath his inability or unwillingness to give expression to the heroic and adventurous character of the Canadian people, were inclined to forget the intractable material with which he had to work. If government is the art of the possible, Mr King must be considered a great artist. His second great achievement was to create and wield a first class government machine. He was almost continuously concerned with the business of government, first as a civil servant and then as a politician, for nearly fifty years and few political leaders—not even Mr Churchill—have had such mastery of the relation between policy and administration. Finally, by making the United States, and in particular President Roosevelt, aware of the existence and potentialities of Canada, he did a great deal to explode the myth, so strongly entrenched in American minds, that the Commonwealth was a trick of British diplomacy which the United States must do its best to unmask.

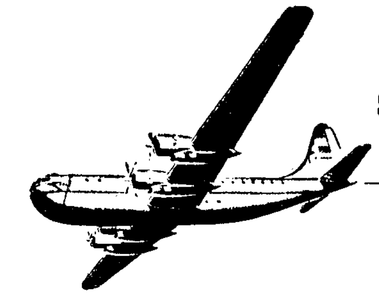
Shorter Note

The High Court has held that the trade description "vinegar" properly applies only to vinegar produced by the double fermentation of malt, wines, cider or spirits. It cannot be applied to other liquids such as those produced by a solution of acetic acid and caramel and known as "non-brewed vinegars," despite the wide sale of these liquids and despite the fact that the term "non-brewed vinegar" has been used by the Ministry of Food as an official description of these liquids. It therefore upheld a conviction imposed on a manufacturer of such liquids for selling them under a false trade description contrary to the Merchandise Marks Acts.

Death of the President

Late accounts have brought the unexpected intelligence of the death of General Taylor, the President of the United States. We had received no previous intimation of his being unwell, and his sudden decease, at the comparatively early age of 64, is ascribed to cholera and political chagrin. The first cause is ample of itself, when the disease gets hold of a veteran whose constitution had probably been damaged, or at least hardly used, in backwood clearances and Indian warfare, and the second might well have existed without preying much on the mind of a man accustomed to contention. . . . He is the second President who within the short period of eight years has died in office, subjecting the constitution of the States to the severest test of its efficiency likely to be encountered in the ordinary run of human affairs. The result amply justifies the sagacity of its founders. As Vice-President Tyler succeeded to General Harrison, and carried on the Government with ease and security till the period of electing another President, so Mr. Millard Fillmore, recently Vice-President, has succeeded to General Taylor, and will hold the Presidency till the time comes for another election. With quite as little or perhaps less disturbance than takes place on the death of a monarch leaving behind him a successor ready to take his place, the vacant Presidency is occupied in the States; and with a change of Ministers, made necessary by the discredit into which the Cabinet has fallen, the affairs of Government will go on much the same as before. Where a wisely devised system makes the Government correspond to the nation or identical with it, and where the people at large take part in administering its affairs, the death of an individual, however influential, is of comparatively little consequence. The system depends on no one man; the ever living and slow changing nation carries on the government as it carries forward its own continued existence, and policy only changes as parties change or as the nation itself changes.

The Economist
July 27, 1850



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40	2	3	4	2	7	4	2	3	8	2	3	4
45	2	5	8	2	8	4	2	6	0	2	5	8
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Letters to the Editor

South-West Africa

SIR,—In your Note of July 22nd on the subject of "The Status of South-West Africa" you indicate that the exact legal status of this territory is not easy to define. The point is of interest because it might very well arise again in connection with other territories that were placed under mandate in the first world war. What actually happened was that Germany under Article 119 of the Peace Treaty renounced all her rights and titles over her overseas possessions in favour of the Principal Allied and Associated Powers—not, it should be noted, to the League of Nations. The Principal Allied and Associated Powers consisted of the United States of America, the British Empire, France, Italy and Japan. The sovereignty, therefore, of these territories was presumably vested in these powers. So far as I am aware it was never transferred to the League of Nations, nor does there appear to be any evidence that it was transferred in respect of each particular territory to the mandatory power. It therefore seems that it is still vested in those powers jointly, unless the late world war is regarded as having any effect on the participation of Italy and Japan.

Further than this, the mandate was not drawn up by the League of Nations, but by the individual mandatory powers and submitted for approval. The treaty did not confer on the League of Nations any other right than that of receiving an annual report in reference to each particular territory. A permanent Commission received and examined the reports, but the League apparently, however much it might have disapproved of any report, had no power whatever to do anything about it.

The Trusteeship Council of the United Nations, on the other hand, has very considerable powers, but the United Nations Charter, as confirmed by the finding of the International Court of Justice, constitutes the handing over of such territories to the Trusteeship Council as an entirely voluntary action. As this has not been done in the case of South-West Africa, it is possible for the United Nations to claim that as the successors to the League they have the right to receive the report, but beyond this they can apparently make no claim whatever. Legally speaking it would seem that the territory is the joint possession of the United States of America, the British Empire and France.

Yours faithfully, W. A. WELLS
9 *Victoria St., S.W.1*

Financing the Hospitals

SIR,—May I comment on the "spending madness" and "over-estimating" to which Mr McLachlan refers in his letter of July 22nd? The combination of war and the impending health service, with the possible anticipation of rebuilding, meant that many hospitals had had very little spent on their development in recent years. Many of the hospitals taken over by the state needed a great deal spent on essential improvements. Shortage of steel, timber and other materials prevent major structural alterations and what has been spent has been the minimum necessary for amenity and efficiency. The bulk of the "spending madness," as reflected in the budgets, has been due to the increase in salaries and cost of maintenance.

It is indeed likely that hospitals have over-estimated their requirements. Over-budgeting automatically accompanies a fear of Ministerial cuts, which might endanger the level of service to the public. Again, with no contingency fund, over-budgeting is almost inevitable. A petrol pump at my hospital failed, after many years of service, but its demise had not been anticipated in the budget and it could be replaced only at the cost of some other item. Obviously, officers in future will be encouraged to ask for the replacement of machinery unnecessarily soon. The necessity of budgeting in great detail a year ahead also encourages over-estimating. Hospitals, unlike schools or post-offices, are constantly faced with changing expenditure due to medical research. It is quite impossible to anticipate these changes a year ahead and this must encourage over-budgeting.

I feel the present financial arrangements are fundamentally unsound and the modification of the system might well effect a substantial saving without loss of efficiency. Mr Wetenhall comes to the crux of the problem. Greater flexibility is needed for hospital management committees. Detailed budgeting of small items is quite unnecessary and could be met from a general improvement and contingency fund. The present system means that items of expenditure tend to be judged primarily on whether or not they have been budgeted and only secondarily on their intrinsic merits.

The present financial arrangements may be administratively tidy but they have effectively removed the stimulus to economy. The financial system must be such as to encourage the hospital management committee to economise, who, in turn, will stimulate their staff. Economy is an attitude of mind and, in practice, a painful discipline which needs constant stimulus and incentive, and some local benefit must be allowed to accrue from the hard work involved.

Yours faithfully, F. AVERY JONES
43 *Cleveland Square, W.2*

West African Press

SIR,—It would appear from a recent debate that the Home Government do not sufficiently appreciate the harm done by the daily outpourings of a large section of the West African press. The constant misrepresentation, slanders and impertinent sedition which characterise a large proportion of the press in the Gold Coast and Nigeria are matters of very profound concern. Towards the end of last year, one Gold Coast broadsheet used the term "The Son of Man" as a reference to its own political leader, and prayer forms have been adapted to glorify the same politician and his dogma.

These scurrilous publications are practically alone in the field, there being hardly any moderate press. Further, the African has an immense respect for education and all its fruits, and the printed word enjoys an unquestioned authority. Perhaps this last statement has to be qualified as Government releases are automatically assumed to be wrong by a large proportion of the people. The technical poverty of the papers is also important. Frequently there is no connection between headlines and text; articles are freely adapted from other newspapers, and too often the text bears no relation to the true context.

It is true that repressive measures are repugnant, but some action is required. Apart from the obvious course of more libel and sedition actions, a vigorous campaign of denials and official statements correcting false accounts in the local press might be considered in preference to ignoring the falsehoods and insults appearing daily.

Something could be done, also, to eject from the precincts of public buildings those of the official letter writers who seem to spend most of their time in reading these broadsheets—for a fee—to their illiterate brethren. Surely there is no need to give such people shelter at the taxpayer's expense?

It is sad indeed that such measures should be advocated, but until the African press can learn the difference between liberty and licence, it is necessary for Government to protect itself and the law-abiding majority against the constant stream of foul abuse which forms the only substance of so many broadsheets and other publications in West Africa today.—Yours faithfully,

HUGH ROM
68 *Compayne Gardens, West Hampstead, N.W.6*

Attack on Queen Victoria

SIR,—If *The Economist* were *The New Yorker* we should all know what happened to the person "who turns out to be a Mr Pate." Is there any record of his raising a large family in Australia, or of his being hanged? The suspense is terrible since all that one can safely assume is that he did not resume being a lieutenant in the 10th Hussars.

Yours faithfully, J. A. MACLEOD
British Embassy, Bogota, Colombia

[In case there are other readers in a similar suspense, may we say that it was reported in *The Economist* of July 13, 1850, that Mr Pate was sentenced to be transported for seven years. He escaped whipping on account of his family. The trial is of interest because the McNaghten Rules, then seven years old, were cited. It was held that though Mr Pate "had been out of his mind for a considerable time," he yet knew that he was doing wrong and so remained accountable and punishable.—EDITOR.]

Books and Publications

Notes for a Sermon

War or Peace. By John Foster Dulles. *New York: Macmillan. London: Harrap.* 274 pages. $2.50 or 15s.

Mr Dulles has written a book that is useful and important without being good. It is important because the author has been close to the heart of American foreign policy planning, knows the reasoning as well as the motives behind it, and might one day be a Republican Secretary of State. It is useful because it will give the British reader the kind of picture of American effort as a Great Power since the war which his newspapers have been either unwilling or unable to provide; it will also tell him much more pungently than his own statesmen have yet done the dangers of the world we live in.

The book is not good because the principle of arrangement changes from chapter to chapter: now it is chronological, now dictated by the author's train of thought, now by the scheme of four parts. This is quite simply a brief presentation of "the enemy"; an excellent survey of "the policies we have"; a frank and quite modest attempt to add up the "five year score"; and nearly a hundred pages—fifty too many—about what still needs to be done. The style sometimes reminds one of notes for a sermon, and has none of the fluency and felicity of phrase that distinguish Mr Acheson's speeches. Some of it is clearly intended for those sections of the American public who do not like paragraphs more than seven lines long.

In one respect, however, Mr Dulles has done an outstanding service for all those people outside the United States who care to read him. He gives—perhaps unconsciously—a faithful reflection of the mind of the American public man shouldering his world responsibilities with a curious combination of tough realism and genuine aspiration towards a better world—a world which will be in many important respects just what an American likes to think the United States is at its best. Communists call this imperialism but the word is completely misleading. There is a final chapter on "Our Spiritual Need" which is really eloquent in its protest against the materialism not only of the Communists but also of many of their principal opponents.

For the historian of the postwar years there is nothing new of importance in Mr Dulles's account of events; but this book does give as handy a summary as has yet appeared of the acts of Soviet policy, both in conference and outside, that convinced American statesmen by the end of 1946 that co-operation with Moscow was impossible. As they are here presented, in series, they make the perversity of Soviet policy in killing American isolationism and giving the Western World something to marvel at. It is as baffling as Stalin's refusal to believe in 1941 that he was going to be attacked by the Germans. If Mr Dulles, and others who think like him, see the world too much in terms of gigantic Communist conspiracy, it is the fault of the Russians not of the Americans.

Romance and Figures

Chance and Choice, by Cardpack and Chessboard, Vol. I. By Lancelot Hogben, FRS. *Max Parrish.* 417 pages. 50s.

Teachers of statistical method are faced with a major dilemma. If they try to avoid the mathematical and philosophical theory of the subject, their students are liable to emerge from their courses with a knowledge of the rules of the game but no genuine understanding of the circumstances in which it is safe to apply them. If the mathematics and philosophical discussion are given full play, the students are liable not to emerge at all. It is very hard to find a middle way, and harder still to write a book about it, if only because students of statistical method vary so much in the amount of mathematics they can command. The problem is enhanced for economists, as compared for example with chemists or biologists, by the fact that they often come to their studies with no previous mathematical training. Indeed they come with an understandable distrust of the power of mathematics to produce any results in their subject which are not attainable more simply by non-mathematical arguments.

In this book Professor Hogben applies his unique expository gifts to the problem of instructing the student of statistics and probability to understand How To Do It and Why To Do It, without requiring more than goodwill and application on the mathematical side. It is not a statistical version of "Mathematics for the Million" but a serious textbook whose object is to enable the reader to use statistical methods for himself, not merely to understand broadly what happens when other people use them. This first volume deals mainly with large-sample theory. A second volume on small samples and the refinements of logical inference in probability is promised later.

The book opens with an introductory chapter on the algebra required to deal with probability and some approximative formulæ for the sums which arise. Chapter 2 develops the theory of choice with the aid of illustrations drawn from packs of cards and other apparatus of simple games. Here and throughout the book is lavishly illustrated with diagrams, often in two colours, Professor Hogben being a confirmed believer in the pictorial method of presentation. With the elementary laws of chance established the author goes on to discuss the testing of hypotheses, significance and confidence, and the recognition of significant differences between classes. Chapters 8 and 9 develop the theory of correlation, association and concomitant variation generally; and the book concludes with a review of sampling systems. There are many examples and exercises, an indispensable adjunct to any statistical textbook. The author's object has been to make each volume complete in itself and it might have been an advantage to provide this volume with an index.

Professor Hogben can invest even the binomial theorem with an atmosphere of subdued excitement, and the freshness and originality of his treatment, though it will arouse opposition among the orthodox, evinces the enthusiasm he himself feels for his subject.

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With a foreword by WINSTON CHURCHILL
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The Fourth Republic

The Reshaping of French Democracy. By Gordon Wright. *Methuen.* 297 pages. 15s.

Mr Wright, who is now Professor of History at the Oregon University, has written an excellent narrative of political events in France from the Liberation to the launching of the Fourth Republic in October, 1946. His book besides providing the general information necessary to an understanding of this confused period is much enlivened by the comments of an eye-witness since Mr Wright spent two years as Secretary at the United States Embassy in Paris.

Mr Wright appreciates the divergencies in France's political philosophy which have hitherto prevented the modernising of her institutions. Thus his account of the search for a new system of government undertaken by the very different resistance elements within and outside France during the war is especially interesting. General de Gaulle, the central figure in this formative period, far from appearing as a clerico-corporatist of the Pétain type, is revealed as an uncertain groper after new political forms. For the Nietzchean side of his character (Mr Wright quotes from the General's prewar writings) is undeniably balanced by a juridical scrupulousness usually foreign to dictators.

Monarchy and "fascism" being ruled out for different reasons, the republican debate turned upon whether to introduce a kind of presidential democracy with the executive strengthened in relation to the legislature or to revive the older "conventional" republic in which government would be carried out by the Assembly itself through its steering committees, no independent executive at all being permitted. The Communists, having waited until 1944 to declare their position, flatly rejected the former solution and pronounced for the latter, which they evidently regarded as the most suitable method of transforming bourgeois democracy into the Soviet system. In the event, as the world knows, France received a constitution giving as little promise of cabinet stability as that of the Third Republic. The change has been in the personnel not in the practice—if the emasculation of the Senate be excepted.

Mr Wright's survey of the period is naturally confined to the political manœuvrings in Paris. He fails to stress the importance of provincial government and, above all, of the prefectural system. For, in a sense, parliamentary disunity is normal in France and to hope to change it decisively by governmental device was probably, and may still be, a vain aspiration. But the relatively smooth functioning of the municipal and departmental councils under the authoritative eye of the prefect has in fact been an important contributory factor to French recovery. In all probability, French democracy cannot be really reshaped until the Third Republican parties lose their following. General de Gaulle himself seems to have realised this after his fruitless experiences in constitution making. His negative achievement may be measured by the fact that the Communists did not gain control of any key ministry after the liberation. The years to come will show whether he or any other leader will be capable of establishing a majority party of the centre. Then only will come the time for further tinkering with the constitution.

Second Thoughts

Betrayal in India. By D. F. Karaka. *Gollancz.* 253 pages. 12s. 6d.

Mr Karaka has written an entertaining book. Whether he has proved his theme—that Congress has let the new India down—is another matter. For Mr Karaka writes so well and mostly so reasonably that he sometimes spoils his own case by bringing in petty instances of the kind of local bribery, inefficiency and abuse of power which would occur under any new regime. Nor is it ever very clear—and here Mr Karaka is in the difficulty that the whole Indian electorate will be in next year—just what party the author would like to see replace the Congress party.

But, these questions apart, Mr Karaka has given a thoughtful and sensitive account of the development of India since just before partition, against the background of his own impressions at the time. Educated at Oxford—where he was the first Indian to be President of the Union—he has produced a sober challenge to many accepted ideas. Whether they agree with it or not, his book should inform as well as interest all who follow India's affairs.

The Compleat Small Farmer

Farmer's Progress. By George Henderson. *Faber and Faber.* 230 pages. 10s. 6d.

Mr George Henderson's first book "The Farming Ladder" was more than a success story. It showed the impact that intelligence and the ability to work long hours can make on an industry now generally considered to require, in addition to such qualities, ever increasing quantities of capital and technical training, since Mr Henderson started without capital or technical training in any appreciable quantities.

"Farming Progress" is, as its subtitle indicates, "A guide to farming" and this time Mr Henderson sets about his task on a wider basis than his own experience. It has many of the qualities of the earlier book and is full of sound common sense on farming methods, on farm management generally, and on taking a farm. But when Mr Henderson gets away from the firm ground of his own considerable achievements he is inclined to be provocative and often gets into deep controversial waters. In his statements on the agricultural policies of both the major political parties, the Agriculture Act, and the National Agricultural Advisory Service he is outspokenly critical. He has hard things to say about economists, but no harder than the things he reserves for some of his fellow farmers. In spite of such irritations this is a book that should be read by both economists and farmers, quite apart from any desire to improve their knowledge of the technicalities of husbandry, for Mr Henderson's book is an outstanding example of the small farmer's approach to life and work.

That such views and methods of work can survive and succeed in as highly an industrialised a country as Great Britain is surely not without significance. The qualities of the peasant mentality, love of the soil, tenacity, frugal independence and a capacity for hard work are likely to be ignored in a highly developed and complex civilisation. But for the world at large it is probably still true to say in the words of Dr Venn, "The intimate character of man's association with the land cannot be better illustrated than by saying that the 'typical' human being is the peasant farmer." Western civilisation neglects this fact at its peril. It is in such a context that this book might well be read by those who have no intention of farming themselves.

Principles or Sense

Large-Scale Organisation. Edited by G. E. Milward for the Institute of Public Administration. *Macdonald and Evans.* 230 pages. 16s.

This series of thirteen papers must have been appallingly difficult to edit; they are certainly difficult to review. In the introductory essay Mr J. R. Simpson, the Director of Organisation and Methods at the Treasury, asks all the questions which a study of the day-to-day organisation and management of large industrial undertakings and public services might be expected to answer; these questions range over the usual topics of the seat and nature of control, the desirable extent of decentralisation, the composition of the controlling group and so on. There follow descriptions of the organisational system of four public departments (the Ministry of National Insurance, the Post Office, the LCC and the Board of Inland Revenue), two nationalised bodies (the Bank of England and the Transport Commission) and three giant private enterprises (Unilever, ICI and the Midland Bank). All of these are written by high officials of the bodies concerned and most of them are frankly factual business memoranda with organisational charts attached. In the final essay, Sir Charles Renold (chairman of the Institute of Management) tries to sum up the series and records as his "chief impression" that "very little in the way of general principles has emerged." The bald truth is that once a body has grown too large for one chief executive to be the centre of all decisions (as all the bodies here reviewed have done) the extent to which initiative and responsibility can or should be diffused down the line depends on too many widely differing "determinant considerations" (to use Sir Charles Renold's term) for any comparison of different systems of large-scale organisation to yield much fruit. There is no exact science of public administration; there is simply a general need for good administration.

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By ALEX COMFORT. "Should be read by all people who claim to be well informed. The attitude of society is changing, and it is well that those responsible for our laws should have some idea of the nature of that change. An excellent little book."—*Manchester Guardian.* 8s. 6d. net

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AMERICAN SURVEY

The New Commitment

(From Our American Staff)

THE commitment which President Truman proposed to the American people ten days ago was a long-term one. The share of the national resources it is proposed to allocate to defence cannot be delivered without curbing civilian demand. To clear a right of way for the new arms programme, without undue inflation, will mean accepting a degree of economic control for a long time to come. Both the President's Message to Congress and his broadcast to the people set forth in some detail the record of events in Korea, emphasising that the use of American troops there was to carry out a United Nations police action. Both suggested that the Korean invasion may well have revealed the pattern of the future:

> The attack upon Korea makes it plain beyond all doubt that the international Communist movement is prepared to use armed invasion to conquer independent nations. We must therefore recognise the possibility that armed aggression may take place in other areas.

Both emphasised that there is a limit to the number of little fires that can be lit without causing a world conflagration:

> Those who have it in their power to unleash or withhold acts of armed aggression must realise that new recourse to aggression in the world today might well strain to the breaking point the fabric of world peace.

In other words, the President told the American people that the least the United States must do is to make ready to counter Communist outbreaks in a number of widely-scattered trouble spots. Vastly more than that may be required to assure American security. To an unprecedented extent, the President's listeners agreed with him. In the months before America's entry into the two world wars, emotion choked every argument; those who held that American interests were not involved were a determined group that could not be said, with any certainty, to be only a minority. Until after the sinking of the *Lusitania* in the one case, until the attack on Pearl Harbour in the other, there were two sides to the issue, both deeply felt. This time, there is a minimum of emotion; no one argues that the United States could have ignored the challenge.

The Republicans, whose bipartisanship has hitherto stopped at the international date line, have now no real choice: they can side with the Communists or with the Democrats. They cannot complain of the decision to undertake the war; they are reduced to criticism of the conduct of hostilities. And even here their freedom is limited. The ability of the North Koreans to launch a surprise attack, and the poverty of American equipment during the first phase of the fighting, would normally afford tempting targets; but shafts directed toward them risk piercing the aura around General MacArthur.

And in respect to the measures of preparedness Mr Truman proposes, the Republicans are no better off for an issue. In this campaign year it might be dangerous to invite charges of supporting a policy of too little and too late. The resentment expressed in the cloakrooms against Mr Johnson, the Secretary of Defence, as the man whose economy knife cut away the muscle as well as the fat of the forces, would have the ring of a good issue, if the ring were not muffled by echoes of economy-minded Republican votes. The tally on the $1.2 billion Military Aid Bill, passed by the House two hours after delivery of the President's Message, with Mr Marcantonio as the sole dissenter, measured the initial unanimity of response. Last year the corresponding Bill had 122 opponents.

So, though Senator Taft affirmed that the controls requested go "far beyond any necessity we know of at the moment," and Senator Wherry declared that the President's programme "would nationalise the economy," the Defence Production Bill of 1950 was immediately introduced, and hearings begun both on the economic controls recommended by the President, and on an authorisation to increase the size of the armed forces.

*

The reaction of the business community to most of the President's programme, including credit controls, has been outspoken and favourable, though the Chamber of Commerce holds that no new tax legislation should be introduced until the shape of things is clearer. In respect to allocations, Senator Taft's eagerness to avoid controls runs counter to the wishes of major industries; the producers of steel and other basic metals are far from eager to have to discriminate on a voluntary basis among their would-be customers. Equally satisfactory is the response of the group of nine labour leaders, appointed to represent the various segments of the trade union movement, who met Mr Symington, the chairman of the National Security Resources Board, on July 11th. The main concern of this group is that labour should have a voice in the planning of production, dealing with general policy. In the last war, it was restricted to an advisory role on labour matters. Had the nomination of Mr Symington's former colleague, Mr Robert J. Smith of Texas, to be the vice-chairman of the NSRB not been far advanced, a vigorous effort would have been made to secure that post for labour. A second major concern of the trade unions is that any steps toward a wage freeze, a no-strike pledge, or direction of labour (much more likely in an economy adding war production to very high-level employment than in an economy with slack as in 1940) shall be accompanied by effective controls of profits and prices.

Among the general public, the first reaction has been to accept the new way of life as inevitable and then go out and buy whatever seemed hardest to do without last time; a car,

"AMERICAN SURVEY" is drawn from three sources. Articles described as "From Our American Staff" are the work of a small group of regular correspondents, resident in the United States. Articles with some such attribution as "From an Industrial Correspondent" or "From a Correspondent in Ohio" are from outside contributors. Everything printed without attribution is prepared in London.

a set of tyres, a sack of sugar, a supply of sheets, or a pair of nylons. Against the abundant figures of the mid-year crop report that came out just as this spree was getting started, the public's determination to "stock up before the hoarders get it" appeared misguided; in his fireside chat, Mr Truman's reproof was expressed in the homely words that every American child has heard from his grandmother: "Perfectly ridiculous!"

Mr Brannan, the Secretary of Agriculture, has reminded the Chairman of the House and Senate Agricultural Committees that he holds, without power of disposing of them, supplies of perishable commodities purchased under the farm price support programme amounting to one pound of butter, two and a half pounds of dried milk, and two dozen eggs for every man, woman and child in the country. Hearings are now going on to determine what to do with them. Price rises in the basic commodities, such as cotton, are being slowed down by the withdrawal of the supplies placed under government loan by farmers last year (of about 3,000,000 bales under loan, more than 2,000,000 have been redeemed) and by reductions in the stocks from the 1948 harvest to which the Commodity Credit Corporation holds title.

Since a boom was already under way before the present buying wave started in both agricultural and industrial commodities, the inflationary danger is recognised to be real. Whether it can be kept within bounds without far-reaching controls will probably depend on how much further prices are pushed up before the powers requested by the President are granted.

Solid as is the support of the new commitment the United States has undertaken, there are new elements in it that cause uneasiness. European states are accustomed, as the United States is not, to living within reach of powerful potential enemies and to the dispatching of military forces to fight in far parts of the world. Among these nations, Britain knows what it is to stand alone. A further anxiety is the fear of the unknown that accompanies the knowledge of the atom bomb. This is shared now by all countries, but felt most keenly in the place of the bomb's origin. But these are part of the new conditions of American life. The preparations set in motion in the last fortnight are not preparations for meeting a temporary emergency. They are preparations for lifting the national defence effort up on to a plateau, which will serve as a long-term foundation for American security.

American Notes

Men for the Arms

The omnibus appropriations Bill will be a double-decker by the time it returns to the House, if it is held up in the Senate until the President's latest request for $10,517 million can be added to the $13,294 million already allowed by the Senate Appropriations Committee for defence next year. The House itself was slightly less generous, but that was before Korea and now, if it takes the advice of Mr Vinson, the chairman of its Armed Services Committee, it will force more upon the President than he has asked for. But it is doubtful if he could spend more in the next few months. It takes time to place contracts and expand facilities, even though some at least of the preliminary plans are probably already made, since it is reported that a substantial expansion of the forces had been intended next year, in preparation for the anticipated crisis in 1952.

The present request contains $2.6 billion for the Navy, $3 billion for the Army and $4.5 billion for the Air Force. Broken down into items, the largest sum is again for flying, $3.3 billion for aircraft, with $2.5 billion for maintenance of plants and facilities, and $2.6 billion for guns, electronic equipment and the tanks which Korea has shown to be so desperately needed. Requirements for Korea are, of course, to be given urgent priority, but the estimates also provide for "an early, but orderly, build-up" of the forces to "a state of readiness designed to deter further acts of aggression." Why they are not already in such a state, after having nearly $50 billion spent on them in the last four years, is a question that is engaging the critical attention both of Congress and the press.

Except in the case of the Navy which, according to Mr Vinson, will be able to send 48 more ships to sea, including nine aircraft carriers, two cruisers and 32 destroyers, no details are yet available of what the new appropriation will mean in terms of arms. In terms of men, it will mean an addition of 600,000 to the total of 1,506,000 originally planned by the forces for the 1951 fiscal year. The Navy proposes to raise its strength to 579,000 officers and men from 375,000, the Marine Corps to 109,000, the Air Force to over 500,000 and the Army to about 830,000 from 592,000. Marine Reserves have all been ordered to report and the other services are expected to follow suit before long, although so far they have only called up selected individuals from their Reserves. The Army, however, has summoned a number of specialised units of the National Guard and will probably ask for more conscripts as soon as the selective service system has delivered the first batch in September. In Washington civil service hiring rules have been suspended in order to allow the defence agencies to rebuild their civilian staffs, and there is talk of a six-day week for federal employees.

It is the electronics engineers, the maintenance men and others with special skills that the services require urgently and these are the men that industry too must have if it is to increase its output of aircraft, tanks and guns. Few, if any,



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skilled workers are to be found amongst the 3,300,000 unemployed and already there are manpower shortages in Detroit. The Department of Labour is conducting a sample survey in various centres to find out how many men would be taken away from essential defence industries by full mobilisation of the Reserves.

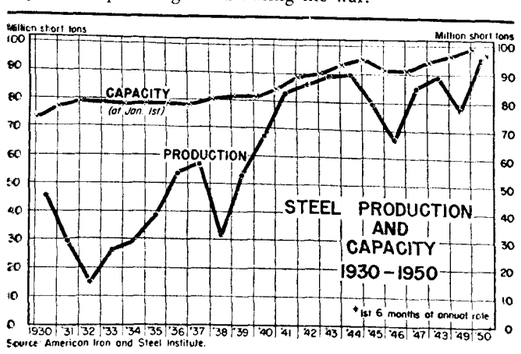
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Hobson's Choice on Taxes?

When the President and Senator Taft sing a duet on the immediate need to increase taxes, it is hard for Congress to turn a deaf ear, though the committees that write the tax Bills have done their best. The President, stung, perhaps, by the cynical assumption that the Democrats would postpone the reckoning until after the elections, has asked, as an interim measure, that an additional $5 billion in revenue be raised by increasing taxes on the 1950 income of corporations, and by lifting the withholding tax on individual incomes from 15 per cent to 18 per cent, beginning with income received in October. This would sweep most of the Republican tax relief measure of 1948 into the discard, along with this year's House-passed Bill, whose skeleton, it is suggested, would make a handy peg on which to hang the new levies.

The tax request is only a first instalment on the new level of defence spending; the Secretary of the Treasury has promised that a more "comprehensive" measure will be submitted in about three weeks. But the interim increases would offset most of the new defence spending that can be done this year, while permitting more leisurely consideration of the long-term changes in the tax structure that may be needed when a prospective deficit of over $5 billion is compounded by rearmament. Among these may be the revival of the excess profits tax so popular with labour.

If Congress complies, it will not be because it loves financial prudence so much as that it detests controls even more. Both the President and Senator Taft have underlined the unpleasant choice. The alternative to a tax increase large enough to offset the new inflationary forces that will be generated is the proliferation of controls, perhaps to the retail level. The Republicans are already complaining that the powers of allocation and requisition in the Defence Production Bill constitute a blanket grant of authority and go beyond the powers granted during the war.



Though compulsory powers are requested in the Bill, a trial may first be made of the system of voluntary allocations used after the war. This guaranteed a limited supply of steel to essential users such as freight car builders, who may again be found near the top of the queue. Mr Sawyer, the Secretary of Commerce, whose department formerly administered this machinery, with the aid of advice from the steel industry, has named tin, aluminium, copper, and steel as today's most serious bottlenecks.

The trouble in steel is not that it is scarce, but that the appetite of the durable goods industries is insatiable. The capacity of the steel mills passed the 100 million ton mark on July 1st; in 1944 about 50 million tons of a then production of 89 million tons was enough to support the peak of the war effort. The industry is now turning out about 13 million tons more than the rest of the world—including Russia—did in 1949. Yet even before the new military inquiries began, Detroit was pinched, and cutting back production, for lack of steel and non-ferrous metals, while Europe was being combed for scrap. Convinced that its crowded order books are no temporary phenomenon, the industry determined, even before Korea, to add another 3,600,000 tons to its capacity by 1952, in addition to a 2,000,000-ton expansion already scheduled. This may checkmate the Administration planners who believe that an industry running at or over its theoretical capacity is underequipped to sustain an expanding economy and should be helped to grow by the government, whether it likes it or not. The industry would, however, not be averse to government aid to speed-up the extraction of iron ore from low-grade reserves. The depletion of domestic ore reserves might be the industry's Achilles heel if war cut off its supplies from new finds overseas.

* * *

Three's Competition; Two's Some

Trans World Airlines may have a more impressive name than Pan American Airways, but it carries less weight in international aviation and apparently also in the White House. That at least is how Washington explains the President's second thoughts on whether PAA should be allowed to buy American Overseas Airlines. The Civil Aeronautics Board, after eighteen months' consideration and against the advice of its special investigator, refused its permission; Mr Truman first accepted this refusal and then unexpectedly ordered the board to give its approval at once. Its chairman, Mr Joseph O'Connell, resigned rather than do so and both TWA and other aviation interests are contesting the legality of the President's interference, so far without success.

The board originally objected to the merger because it would tend towards monopoly, since it would leave only two instead of three United States airlines regularly crossing the north Atlantic; even now Pan American has not got its ointment without a fly. To ensure competition in flights to the principal traffic points in Europe, Mr Truman insisted that both remaining American airlines be authorised to serve all the major centres. PAA is therefore losing the exclusive rights in London and Frankfurt which it had hoped to buy with AOA, but it will be able to fly to Paris and Rome, hitherto a monopoly guarded so jealously by TWA that not even the claims of Holy Year pilgrims could break it. To TWA the new arrangement seems not a fair exchange, but robbery by a rival that it has little hope of defeating in open competition.

TWA's despondency is explained by Pan American's size —"not a business but an empire"—and ruthlessness. Already PAA carries 38 per cent of America's transatlantic air traffic, which is in its turn 70 per cent of all such traffic, and it will have 67 per cent if it can hold on to all of AOA's share. Pan American's directors must think it can or they would hardly have paid the record sum of $17,450,000 for an unprofitable undertaking which American Airlines, the majority shareholder in AOA, was anxious to get rid of. TWA's financial position is said to be little stronger and its apprehensions are perhaps sharpened by chagrin that it did not get the first offer from PAA. In spite of the great expansion in air travel, America's transatlantic airlines have become increasingly dependent on government support in the form of airmail subsidies. One of Pan American's chief arguments for the merger was that it would save the country $9,000,000 a year in airmail payments. Although this argument is not entirely convincing, the President cannot be blamed for trying to have economy and competition, too.

By making the attempt, however, he may also have made the choice he refused to make in 1945, when Mr Trippe of PAA tried to convince him that only a single airline, the "chosen instrument" of the government, could compete successfully with subsidised foreign companies in overseas operations. The franchises then granted to the American transatlantic carriers come up for review in 1952; by then, if TWA is justified in its fear that it cannot survive the concentrated competition of PAA, Pan American Airlines may become the chosen instrument by default, a possibility which its directors are unlikely to have overlooked.

* * *

Contempt of Congress

The Un-American Activities Committee of the House has raised to fifty-seven the number of contempt citations it wants the House to approve—a bumper crop compared with thirty authorised between 1940 and 1947. Most of these baulky witnesses refused to answer when asked if they were, or ever had been, members of the Communist Party. They took refuge in the Fifth Amendment, which says that no man shall be compelled to testify against himself. The futility of seeking shelter under the constitutional guarantee of free speech has been demonstrated in the case of the ten Hollywood writers, whose conviction has been upheld and has led to $1,000 fines and a year in jail—the maximum sentence. (Some legislators would like to see these penalties increased to enforce respect for Congress.) Serving shorter terms are the members of the Joint Anti-Fascist Refugee Committee, who nearly four years ago defied the House Un-American Activities Committee.

Three prosecutions are also being sought in the Senate, one against Mr Philip Jaffe, the former editor of *Amerasia*. The counsel of the Tydings sub-committee feels that if Mr Jaffe can plead self-incrimination with impunity, all obstinate witnesses will follow suit and the whole investigative function of Congress may be frustrated. A statute adopted in 1862 provided that no testimony given in committee by a witness might be used against him in court, but this has been whittled away and in the past committees have been reluctant to press for answers.

The right, as well as the left, is in hot water. Contempt proceedings are threatened by Mr Buchanan, chairman of the House lobby inquiry, against the heads of two right-wing organisations that attempt to influence public opinion: Dr Rumely of the Committee for Constitutional Government and Mr Joseph Kamp of the Constitutional Education League. These are only two of a number of conservative "front" groups with high-sounding names; the committee contends that they evaded the necessity of reporting contributions of over $500 by recording them as purchases of anti-Fair Deal books and literature. Mr Kamp is already in jail for contempt of Congress perpetrated in 1944; he and Dr Rumely refuse to reveal the names of their "customers" or open their books to the committee.

There is thus no lack of test cases to determine whether a Congressional committee can force a witness to incriminate himself, and whether he is to be the sole judge of incrimination. One problem is whether the right to get all the facts is worth the risk that guilty parties, by making an open breast, may put themselves beyond the reach of the law. Another is whether, under the present system of investigation, partisan committees can be trusted not to abuse any new powers they are given. Senators Ives and Thomas believe that the right to force a witness to incriminate himself should be reserved to a bipartisan commission, and that full immunity from subsequent prosecution should be guaranteed.

* * *

Pandora's Box Stays Shut

The House of Representatives has decided that, where electoral reform is concerned, the devil it knows is preferable to the one it does not. It has refused to follow the Senate in approving a resolution designed to secure the consent of three-fourths of the States to the abolition of the electoral college and the present system of awarding the whole electoral vote of a State to the winning candidate, however narrow his margin of victory. The Lodge-Gossett resolution would have apportioned the electoral vote in each State among the candidates, according to the number of votes each polled. Its sponsors believed it would avoid the risk of a deadlock or of a minority President and would help to break the unhealthy monopoly hold of the Democrats in the South and the Republicans in certain northern States.

In the Senate, both parties seemed dazzled by the votes they might gain under such a change, though Senator Taft steadfastly maintained that the Republicans would lose more in the north and west than they could hope to pick up below the Mason-Dixon line. In the House, however, Mr Martin, the Republican leader, maintained that the resolution was a political Pandora's box, and that opening it would encourage the growth of splinter groups and wreck the two-party system. He gained a number of unusual allies when liberal Republicans and Democrats became convinced that the chief beneficiary of the change would be the conservative South, whose solidarity would increase its influence in Democratic counsels. Minority pressure groups, such as the Negroes, also realised that they would lose the power they now have to tip the balance in populous States, and joined with the Congress of Industrial Organisations and certain conservative groups to persuade the House to keep this Pandora's box shut, at least for the present.



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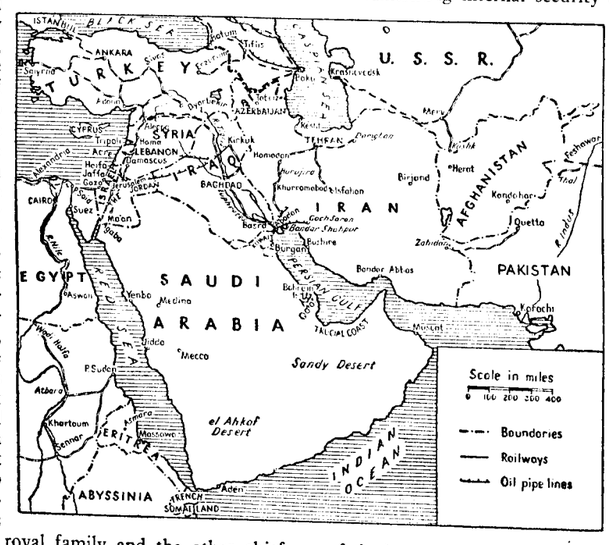
Defenders of the Middle East—VI.

Saudi Arabia and the Yemen

(From Our Special Correspondent)

WITH the discussion of Iraq's armed forces consideration of the potential defenders of the Middle East really comes to an end. Israel, presumably the strongest single force in the area, is outside the orbit of a correspondent who is identified with the Arabs. The Sudan Defence Force which, on past performance and on present showing, is quite the best "army" in the Middle East—granted that the Sudan, on strategic if not geographical grounds, can be considered part of that region—is still virtually a unit of the British Army and is thus still removed from the vagaries and uncertainties common to the others. There remains only Arabia proper—Saudi Arabia and the Yemen.

These two mediaeval countries are full members of the Arab League, but they are as far removed in outlook, state of modernisation, and ordinary twentieth century facilities from, say, Egypt, as Egypt is from the United States. Neither of them can be said to possess armies in the modern sense of the word. The Yemen, in fact, must be left outside any calculations, not only because it is an almost unknown country implacably hostile to the slightest European penetration, remote, unchanging and unexplored, but also because it is the fixed policy of its rulers to keep it so. It has what has been admirably and tersely described as a "barefooted army" of, it is believed, some 20,000 men. Many of them, however, are virtually slaves—feudal retainers of the royal family and the other chiefs—and although most of them are reputed to be armed with rifles, mostly of pre-1914 Turkish pattern, they would have neither the will nor the facilities—other than their own bare feet—to move far from the confines of their immediate mud-walled villages, many of which are hidden away in the impenetrable mountains which gird the poverty-stricken country. When, in the interests of Arab unity, a small token force of these hirsute warriors appeared in Palestine, they were looked upon by their allies as objects of curiosity, dangerous to approach, frightening in appearance, but hardly to be taken seriously as an effective contribution to the prosecution of the Holy War. On the other hand, the exploits of Yemenite Jews, both during the pre-independence days of terrorist attacks upon the British administration and as soldiers of the Israeli Army show that the Yemenis are brave, ruthless and dangerous. If the Yemen is ever modernised—although the world will have changed very considerably by then—the Yemenis might become a force of some importance.



Saudi Arabia is slightly different, for, although much of the country and much of what goes on inside it is still unknown, the foreign exploitation of its immensely rich oil-fields has brought it into contact with the Western world. As long ago as 1937, King Ibn Saoud, inspired probably by jealousy of his old enemy King Abdullah, whose British-formed Arab Legion was already attracting attention, decided that he, too, would have a modern army. He already had a considerable force of extremely fierce Bedouin fighters of the traditional "desert warrior" type—more than adequate for the joint purposes of maintaining internal security and subduing, if necessary, tribal risings or attacks from the Yemen—but he decided to issue a decree for the setting up of a Ministry of Defence with foreign advisers and assistance.

The outbreak of war interrupted these plans, and it was not until 1947 that a British Military Mission arrived in Jedda. The Mission's brief was to train a mechanised force of 10,000 men on the lines of the Transjordan Frontier Force and the Arab Legion, and far better progress than at first seemed possible has been made. The Mission, under an excellent British brigadier with long experience of the Arab peoples, faced and overcame the usual difficulties of Arab procrastination, changeability, failure to implement undertakings, provide funds, facilities, and so on, but the greater difficulty of obtaining British-made equipment took longer to surmount. Now, after three years' hard work, a surprisingly efficient little force has been established, with desert Arabs who had never previously seen a piece of machinery more intricate than a penknife revealing the same aptitude as their brothers in Jordan for using and maintaining armoured cars and automatic weapons.

The maximum contribution that Saudi Arabia will be able to make to Middle East defence, however, would probably be only to the extent of guarding pipe-lines and oil installations, for there are two serious obstacles to any expansion. The first is the virtual impossibility of obtaining proper officers. The Mission is purely advisory, and foreigners are not accepted in either administrative or operational capacities in the Saudi Arabian Army—they are not even allowed to travel outside the strictly limited areas open to Europeans.

A few Saudi Arabians have been sent to England, to Sandhurst and other training centres and have done well; but nepotism is the rule, and it must be remembered that King Ibn Saoud has an unusual number of descendants, any of whom appear to have first pick of any jobs that are going, including commissions in the army, despite their lack of qualifications. It is also difficult to instil reasonable notions of discipline.

The second obstacle is more important and—unless recent developments in the Far East have induced a change of mind—was far less likely ever to be overcome. It is an unfortunate and unhappy factor in the situation in Saudi Arabia that Anglo-American economic rivalry, so pronounced in the oil business in the Middle East, Arabia and the Persian Gulf, has managed to influence both political relations and defence considerations. It is highly unlikely that Washington subscribes to the views of the oilmen, but one hears on all sides, in the fantastic, artificial American oil town of Dhahran, violently anti-British sentiments, including active resentment and jealousy that it is the British and not the Americans who are training the Saudi Arabian army and providing the equipment—especially as it is the Americans who maintain the huge air base and are training Saudi Arabians to fill minor posts in it. These views, freely passed on to the Saudi Arabians, neither facilitate the work of the Mission nor increase the efficiency of what might otherwise be an excellent little army.

(*Concluded*)

Political Deadlock in Australia

[FROM OUR MELBOURNE CORRESPONDENT]

MR R. G. MENZIES, the Prime Minister, has been in office in Australia since December, when the Liberal and Country Parties were decisively returned on a policy "to arrest the drive towards a Socialist State in Australia." They were elected on specific pledges to outlaw the Communist Party, to restore the Commonwealth Bank board of directors, to abolish petrol rationing, and to provide 5s. a week endowment for the first child of every family. In addition the parties gave broader pledges "to cut living costs and improve industrial relations." The adjournment last month of the first session of the new Commonwealth Parliament affords a useful opportunity to estimate what progress Mr Menzies has made.

Soon after taking office, the Government honoured its promise to abolish petrol rationing and when Parliament met in February the Prime Minister introduced legislation to outlaw the Communists and restore the Commonwealth Bank board of directors (abolished in 1945 by Mr Chifley) in place of a governor responsible to the Treasurer of the day.

In these two measures the Government met serious opposition in the Senate, in which the Labour Opposition commands a majority. When Parliament adjourned for three months in June, both these measures were tightly deadlocked in the Senate, with Labour refusing to give way on clauses in the anti-Communist Bill affecting onus of proof and trial by jury of a person declared a Communist, and showing equal obduracy on the Bill to restore the Bank board.

Brick Wall in Senate

The Commonwealth Parliament has in fact become unworkable, with the Senate presenting a brick wall to legislation which the Government regards as vital. Before Mr Menzies left on his present overseas tour, he made it patently clear that if the Labour-dominated Senate persisted in its refusal to pass the anti-Communist Bill when it was presented a second time after the prescribed interval of three months, he would exercise his constitutional right and ask the Governor-General for a dissolution of both Houses of Parliament. This is drastic procedure, for normally one-half of the Senate offers itself for election every three years. A double dissolution has taken place only once in Australia—at the time of the great split on the issue of conscription in the 1914-18 war. Mr Menzies says he will seek a double dissolution if the present impasse continues so as to give the people themselves the opportunity of deciding the issues of Communism and defence which, he says, are interlocked.

Banking is the other issue on which Labour is prepared to make a stand. In Labour eyes, restoration of the Commonwealth Bank board is almost an act of high treason, for it would sweep away the very pivot of Labour technique of controlling the whole economic system. For this reason, Mr Chifley's declaration that Labour would oppose every clause designed to establish a new Commonwealth Bank board is no idle threat. It means that, even if Labour should compromise on the Communist issue, it would fight to the death on the banking issue. The Bill was described by Mr Chifley as "a pay-off and a camouflage to meet the demands of the private banking interests behind the Government."

This, then, is the political impasse in which the Menzies Government finds itself seven months after taking office. In the meantime, economic events are not standing still, and there has been this year a progressive fall in the purchasing power of the Australian £1 as living costs rise at a disquieting rate. The official cost of living index now stands at 73.5 per cent above its prewar figure, which means that the Australian £1 today is worth only 11s. 6d. compared with 1939, and there are still no signs of any check in the upward movement of prices. In Australia, rises in the cost of living are automatically followed by a compensating rise in the basic wage. The effect on production costs is immediate and widespread.

Inflation and Revaluation

The Government, rightly or wrongly, links the great inflationary pressures in Australia with the fact that production is so unsatisfactory. This, in turn, is attributable, it says, to the crippling effect upon industry of the Communists. It seems inescapable, however, that the great tide of inflation has sprung basically from the unprecedentedly high incomes which Australia has been enjoying in the last two or three years from her primary exports. Compared with prewar, Australia is now receiving five and a half times more for its wool (the largest export), nearly four and a half times more for its wheat, and more than four times more for its base metals. These fantastically high prices have generated a great secondary inflation in Australia, expanding purchasing power to a point at which current demand is satisfied neither by imports nor domestic production. The result is seen in soaring prices and costs, threatening the stability of the whole economy.

Before Parliament adjourned, the Federal Cabinet sat several days considering means of dealing with the present inflationary situation. Revaluation of the Australian £1 closer to parity with sterling was discussed as one means of putting some brake on inflationary forces, but there were also impressive political reasons why the farmers' incomes should not be arbitrarily interfered with, and the Cabinet disbanded with the country feeling that the exchange rate was safe—for a while at least. Sir Douglas Copland, Vice-Chancellor of the Australian National University, who is Australia's leading economist, has expressed himself strongly against any appreciation of the Australian £1. Relief to the cost of living by appreciation of the currency to parity with sterling would not, he says, amount to more than 5 per cent over a period of many months. Sir Douglas Copland continues:

> Appreciation by itself will not stop inflation, the control of which would demand a wide range of measures such as

higher interest rates, restricted bank advances, reduced investment, public and private, lower government expenditure and other such discouragement to increases in costs and incomes. There are strong signs that the era is now passing in which high export incomes provide the main impetus to inflation, and that the driving force henceforth is likely to be the heavy investment programme associated with the immigration scheme.

The crux of the Government's proposed measures to meet the inflation threat in Australia is seen in the final sentence of Sir Douglas Copland's statement quoted above. It is seen in the mission of Mr Menzies to London and New York to advance Australia's claims for more dollars. The Government appears to take the view that little can be done to check the present inflationary pressures by monetary methods alone, and it realises that no significant increase in output of manufactured goods can be obtained from Australian factories. It is aware of the tremendous demands for capital equipment associated with the heavy investment programme now being pursued for national development, and is therefore seeking means to obtain it from the United States, the one country to which it is able to turn.

Australia's London funds are bulging at more than £A500 million compared with a mere £A34 million before the war, but these will do little to obtain capital goods and raw materials urgently needed to develop the country and provide a counter for galloping inflation. It is possible that Australia in the year ending June 30th last lived within its dollar earnings, taking gold sales and invisibles into account, but this has been achieved only by reducing imports from the United States to a mere trickle of their former flow. The Government appears to be trying to reduce inflationary pressures by making a bold bid for more capital goods and equipment from overseas to bridge the gap between supply and demand. This explains the nexus between Mr Menzies's present mission overseas and the domestic political situation which demands immediate anti-inflation action once the impasse in Parliament is resolved.

Brazil's Presidential Campaign

[BY A CORRESPONDENT]

DR GETULIO VARGAS has accepted nomination by the *Partido Trabalhista Brasileiro* (PTB), his so-called Brazilian Labour Party, to run for President in October. In its simplest terms, his move challenges the representative system which supplanted his personal rule. He has never hidden his contempt for it. The Senate (of which he is a member) has seen almost nothing of him, and in an outburst against "the old Liberal democracy" which might have come from his near neighbour, President Perón, his only comment on President Dutra, who won the Presidency as his official candidate, was his advice to the Labour Party to support him "in order to avoid anarchy." It is between Dr Vargas and the forces which believe in representative government that the issue rests at the coming elections, and his challenge finds them divided against themselves.

In fact, they were never united. After his overthrow in 1945, Dr Vargas counselled his followers to vote for General Dutra, whose victory he openly, and reasonably, interpreted as a sign of his own strength. Once installed, however, President Dutra tried to stiffen the democratic front by working for agreement between his *Partido Social Democrático* (PSD) and the *Uniao Democratica Nacional* (UDN), which had begun the movement that expelled President Vargas. Both groups subscribed to a Constitution intended, in the words of its preamble, "to organise a democratic regime." By definition, both had turned their backs on the methods of Dr Vargas. Now they face him separately. The bond of their common purpose had been frayed by his henchmen entrenched in President Dutra's party. It was discarded altogether a few months ago when, after fruitless efforts to agree on a joint ticket for the Presidency, the UDN adopted Brigadier Eduardo Gomes (whom General Dutra defeated at the 1945 election). Thereupon the PSD chose as candidate Sr Cristiano Machado, an obscure politician from Minas Geraes.

The move played into Dr Vargas's hands, if only by splitting the allegiance of Minas Geraes, the second most important state in the country. Reputedly anti-Vargas, it could no longer be counted solidly pro-Gomes with a native candidate in the field. State loyalties notoriously conflict with those to the national parties, and in other important states their influence is an even greater hurdle for the liberal group represented by Brigadier Gomes. It is commonly reckoned that the Presidency must go to any candidate who can carry Sao Paulo, Minas Geraes, and Rio Grande do Sul—three states known in electioneering jargon as "the vital triangle" and containing 4,000,000 of the almost 9,000,000 voters now inscribed throughout Brazil. However Minas Geraes may vote, the facts are that Dr Vargas is a native of Rio Grande do Sul, and that in Sao Paulo—the greatest political stronghold of all, with 1,700,000 voters—he has enlisted the most adroitly controlled political machine in the country.

Vargas and the Under-Privileged

Its boss is Sr Ademar de Barros, the State Governor, who has publicly pledged its support, and is accompanying Dr Vargas on part of his campaigning tour. A few months ago the Governor's followers were busily persuading the country that he himself was their choice for President. They are now said to regard him as Dr Vargas's heir apparent in the event of a Vargas victory. The Communists are also likely to find themselves in the Vargas camp. Since their party is illegal, they cannot present a candidate of their own, and if proof were wanted that no concessions are to be expected from Brigadier Gomes in return for Communist votes, it lies in the strong support pledged to him by the Church. The Vargas platform, on the other hand, is an obvious rallying point for Communists, since a Vargas victory could be relied upon to discomfit the United States.

If his name goes before the voters, those would be Dr Vargas's weapons. Whether or not his opponents close their ranks by producing a single ticket (as some anti-Vargas groups are still urging), most Brazilians recognise that he holds a strong hand. Basically, his appeal is to the under-privileged, who now wield a large and possibly decisive proportion of the country's votes. "The father of the poor," as he has styled himself, made labour laws which gave them a new sense of their importance (however much they may have frustrated employers), and no political group has since dared to question these laws. This side of his record largely explains why he is fiercely defended by some of his countrymen, although he is branded as a dictator by many others who believe that Brazil has outgrown paternal government and can support an orthodox democratic system.

It had long been apparent that Dr Vargas, the most controversial figure in Brazilian politics, was preparing a new bid for power and would stand for election if the political climate proved favourable. Remaining aloof from party politics, he had yet retained control of the Labour Party which was planned in his Labour Ministry before his deposition and later recognised as a national party with the right to nominate a Presidential candidate. The slogan "He will come back," plastered on walls throughout the country, was the only advertisement of cells carefully nursed by his intimates and friends among working-class voters. These shrewd activities were punctuated by messages from "the hermit of Sao Borja" (his southern retreat) calculated to raise his prestige with every rise in the cost of living. Dr Vargas has used as a stick to beat his successors the progressive inflation which they blame on the excesses of his regime.

Reactions to his challenge could only be measured with the announcement of his candidacy. So far, they are not such as to discourage him. The two other candidates have both condemned a move (said to have been instigated by one of President Dutra's closest advisers) to ask the Electoral Court to disqualify Dr Vargas as a Presidential candidate on the ground that he failed (as a Senator) to sign the present Constitution. As for the Army, which enforced his resignation in 1945, and which has once more been pledged by its leaders to uphold free elections, it is profoundly significant that a pro-Vargas General was recently elected President of the *Club Militar* in Rio de Janeiro—the centre of military opinion. The signs are thus that Dr Vargas will go before the country in October. Some opponents believe that, should the international situation worsen, his expected bid for Communist votes would discredit him at the polls, but this view perhaps underrates his consummate demagogy. Meanwhile, the newness has worn off the crusade of the genuine Liberals who lost the last election to forces strongly influenced by Dr Vargas. This time they face Dr Vargas himself.

Parallel with Perón

The result will be of much more than local interest, for the parallel between the Vargas strategy and that which brought President Perón to power in Argentina is no coincidence. That Brazilians regard Perón as a pupil of Vargas is a reminder that political oppression of the kind adopted in Argentina once marked the Vargas regime in Brazil. Anyone who has more than a casual acquaintance with the two strongest countries in South America is aware, not only that intense nationalism exists on both sides of their common border, but that the politics of each is *sui generis*. Nevertheless, their political development since the war has followed opposing trends, and this could no longer be said should Dr Vargas emulate his pupil by riding back to power on the shoulders of the mob. Brazil will not begin or end on election day, as a Rio de Janeiro newspaper comments, but a Vargas victory might well duplicate in Brazil the dangerous stresses and strains that confront President Perón in Argentina. It might even bring similar developments in Brazil's foreign policy.

New Zealand's Defence Policy

[FROM OUR NEW ZEALAND CORRESPONDENT]

THREE recent events have caused New Zealand to face the realities of Commonwealth defence. These are: the beginning of compulsory military training in May (the first draft of 18-year-olds are now near the end of their first 14 weeks' course); the visit, late in June, of the Chief of the Imperial General Staff, Field-Marshal Slim; the Korean War, with New Zealand's immediate endorsement of the action taken by the United Nations and its despatch of two frigates to the Far East on July 3rd.

Against the background of these events it is pertinent to examine the pattern of New Zealand's defence policy, especially in its broader Commonwealth aspects. The Governor-General's speech at the opening of the first session of the new Parliament on June 28th stated: "In the widespread uncertainty characterising the international scene, my Ministers are glad to recognise in the group comprising the British Commonwealth a firm nucleus of strength and integrity of purpose."

What is New Zealand contributing to this "firm nucleus"? Its immediate responsibilities are very limited. Nevertheless, it has a deep concern for the security of the Commonwealth as a whole and, particularly, of the United Kingdom as the heart of the Commonwealth. New Zealand's acknowledgment of its position in the Commonwealth is well expressed by the decision to establish a system of compulsory military training, which is the only means by which New Zealand can ensure, in the event of war, that it will be reasonably equipped to make an early and effective contribution to the security of Commonwealth interests.

The Danger of Air Attack

Because of the differing responsibilities of the members of the Commonwealth, and the nature of their defence problems, it is difficult to make a satisfactory comparison of the defence burdens they are each carrying. New Zealanders realise that United Kingdom defence expenditure is currently, about £780 million a year, or about £15 10s. a head. When their compulsory military training scheme is fully operative, and when the three Services have been developed in accordance with current plans, the cost will be about £17 million a year, or £9 10s. a head.

Although the proportionate cost to New Zealand will be less than in the United Kingdom, New Zealand's forces will, for this expenditure, be organised with a view to giving the maximum possible assistance in war to the Commonwealth and its allies. The point is also made in New Zealand that the United Kingdom must spend many millions of pounds on defence preparations to offset the threat of decisive air attack. Further, the United Kingdom is vitally dependent on the security of sea communications, particularly in the North Atlantic, where enemy action would doubtless be most intense. New Zealand, because of its more isolated position, does not consider itself to be similarly threatened. Therefore, because of these accidents of geography, New Zealand preparations for self-defence are far less costly than those of the United Kingdom.

Numerous developments can be mentioned to give practical proof of New Zealand's concern for the defence of Commonwealth interests as well as its own. For instance, New Zealand has continued to accept certain responsibilities for the defence of Fiji and is giving other forms of assistance to certain British Commonwealth territories in the South Pacific. When the crisis in Hongkong developed last year, the New Zealand Government offered a flight of Dakota aircraft which were based on Singapore and operated in support of the British forces in Hongkong. In more recent months these aircraft have been engaged in supporting United Kingdom forces in anti-bandit operations in Malaya. Continued assistance to the United Kingdom authorities in the Pacific has also been given by the Royal New Zealand Air Force flying-boat squadron stationed in Fiji, and by ships of the Royal New Zealand Navy during their annual Islands cruise. Transport crews were also sent from the RNZAF to take part in the Berlin airlift.

New Zealand is also accepting increasing responsibilities in other fields of defence effort. It has undertaken research in certain scientific projects suggested after consultation in the Commonwealth Scientific Advisory Committee. These will be of value not only to New Zealand but also to the United Kingdom and other Commonwealth countries. Certain responsibilities have also been accepted in the field of intelligence. In both these fields New Zealand's activities are necessarily limited, not so much by the amount of money it is willing to spend on them, but rather by its available resources.

Your correspondent understands from a reliable source that the New Zealand Government is considering the presentation to Parliament of a statement on defence policy, generally similar in scope to the White Paper on Defence which is presented annually in the House of Commons. This statement would probably review the general considerations on which New Zealand's policy is based and would, in addition, give some detailed information about the strength of the Services.

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G.9.

A sensible policy for process steam—No. 15

Better steam trapping, better output economy

BY SPIRAX

A fortnight ago we said that in most process steam plants a high standard of output economy begins and ends with the steam trapping installation.

Most steam traps will work if the conditions are within their range of pressure and discharge capacity. But the function of a good steam trapping installation is not merely that it shall work, but that it shall get the greatest efficiency and output from the plant it is controlling.

A first consideration is that the steam trap should be of the correct *type* for the conditions of the particular process or equipment. Secondly, it should be installed in such a position that it can work at full efficiency (an elementary precaution so often overlooked, with costly results). To protect the valve from pipe scale, there should be a strainer in front of the trap. To keep visual check on its operation there should be a sight glass at the outlet.

Those prosaic details are fundamental to the output economy of process steam plant.

Correspondence to: **Spirax Manufacturing Co. Ltd.** (Economist Enquiries), Cheltenham, Glos.

NOTES ALREADY APPEARED: *Jan.* 14, "A sensible policy for process steam"; *Jan.* 28, "Who controls your steam stores?"; *Feb.* 11, "Do you get full value from your steam?"; *Feb.* 25, "What steam costing will tell you"; *March* 11, "Meter your steam to get the facts"; *March* 25, "Why have a boilerhouse?"; *April* 8, "Four pillars of process steam wisdom"; *April* 22, "Process heat transfer decides plant earnings"; *May* 6, "Resistant film v. process economy"; *May* 20, "The air film handicap on output"; *June* 3, "Removing the air film handicap"; *June* 17, "Water film against steam traps chosen?" **STILL TO APPEAR**: *Aug.* 12, "The steam circulation system"; *Aug.* 26, "Steam pressures under control"; *Sept.* 9, "Thermostatic control simplified"; *Sept.* 23, "Intelligent use of 'waste' heat from steam"; *Oct.* 7, "Flash steam on the agenda"; *Oct.* 21, "Better condensate return systems"; *Nov.* 4, "A place for the about process steam"; *Dec.* 16, "Two instructional courses for steam executives"; *Dec.* 30, "For advice on process steam problems."

THE BUSINESS WORLD

Productivity and Labour

THE only defect in Mr Gaitskell's review of the progress of industrial production and new capital investment on Tuesday was in its timing. Productivity is rising ; the question is whether it is rising fast enough to meet the additional burdens on defence that were disclosed on Wednesday in Parliament. There are difficulties in measuring physical production accurately ; but the official index shows a rise of 9 per cent in the first five months of this year, compared with the same period of 1949, and such a result is not repugnant to ordinary observation. Total output is rising, and at a moderately increasing rate ; productivity, as defined by the official figures (the qualification should always be made), is increasing, not quite so fast because the labour force itself is expanding, but at a rate approaching 6 per cent compared with 3½ per cent assumed in the "Economic Survey." These are the fruits of an economy working at high pressure, and now enjoying the first benefits of the postwar industrial investment programme. There is room enough for argument whether industry has obtained a big enough share in the capital programmes of recent years, and whether there has not been excessive emphasis on certain primary industries under the Government's more or less direct control.

With all necessary qualifications, however, the rise in output and productivity in the main sectors of British industry is encouraging. In truth, it is no more than the country needs at this moment of high political and economic strain. At a rough calculation, the additional output this year may be worth some £250 million. This is the sum which was reported some weeks ago to be "on offer" to the unions in relief of the wages freeze. How it will in fact be shared between wages (that is, on consumption), exports (to meet the higher cost of imports since devaluation) new investment and finally new defence expenditure is not easy to determine from the Government's statement on Wednesday. Once again, the British economy finds itself working more or less full out, but with nothing to spare because new burdens have overtaken the rise in output.

★

It is still necessary, therefore, to look deeply at the causes of increased productivity in the last year or two, and to assess the chances of much more rapid progress in the future. The British economy is still at the stage where ideas about productivity are much more common than their application. This is not entirely a matter for criticism ; it is barely two years since the formation of the Anglo-American Council on Productivity was greeted with no small suspicion in certain trade union quarters. In that time, a series of reports on American industrial practice has been published (this week produces another example dealing with pressed metal industries) all of them interesting and some of them excellent in their exposition of the sources of high productivity in the United States. It is, indeed, principally the success of this venture in comparative industrial study that has led the Committee on Industrial Productivity (set up in 1948 under the chairmanship of Sir Henry Tizard) to write its own obituary notice in a report submitted to, and accepted by, the Lord President this week. Twenty-four productivity teams made up of representatives of management and labour and seeing American industry at first hand are bound to make an important contribution to the discussion of ideas about productivity.

The reports already published have become almost repetitive in their appraisal of American industrial achievements. The American worker is served with a more ample supply of power ; his task is lightened by power tools and lifting devices ; he takes particular pride in new machinery, and adapts himself quickly to new arrangements on the shop floor ; he is often, by craft standards, unskilled, but is able to make the most of his productive effort because of the skill of production engineers. All these technical factors, together with the competitive instincts of all ranks of American society, are the things that strike the British seeker for the secret of America's industrial superiority. Among the many common features in these productivity team reports, it is perhaps the emphasis on human attitudes towards work and standards of living that is most impressive. Given all the technical advantages of superior equipment and more power, it is still these attitudes that count most. This is a point properly recognised in the swansong of the Committee on Industrial Productivity*.

> We doubt whether the importance of the human side of the problem has even yet been given sufficient recognition. Technical improvements cannot achieve their full effect if the necessary human relations are lacking. . . . In any "real life" situation in industry, human and technological factors tend to react so decisively on each other as to call for joint consideration.

Human factors are by no means the sole interest of the trade unions, but they colour much union thinking on productivity. If it is true that "stability" has been achieved in economic affairs and the secrets of full employment policy have been mastered, how can the British trade unions address themselves to the task of increasing productivity ? In an illuminating report and series of recommendations†, a team of British trade union officials who visited the United States at the end of last year offer their conclusions on the role of American unions in increasing industrial productivity. They pose the problem squarely enough ; it is

> to find ways and means of increasing productivity—a problem concerned mainly with industrial policy and action as distinct from the political pressure to achieve full employment and economic stability.

They are convinced that some American unions do make

* Second Report of the Committee on Industrial Productivity. Cmd. 7991. HMSO. 4d.

† Trade Unions and Productivity. TUC. 2s. 6d.

a valuable contribution towards higher productivity. The wide differences in unionism in the two countries have to be recognised at the outset. The industry-wide wage contract is rare in the United States, and the contract between a union and a single company is common. There is closer contact between American union "locals" and the plants they serve. Sometimes the plant pays union representatives to handle union business on the spot; there are 263 representatives of the United Automobile Workers attached to the sixteen branches of the Ford plants, paid by the Ford company to look after the interests of 11,000 union members. The American unions purport to refuse to accept time study, job evaluation and other techniques of "scientific management" (always referred to in quotation marks in this report) but, in fact, they are accepted as at least a first guide to the measurement of work, and are frequently cross-checked by union technicians in testing the contentions put forward by management. On this the report concludes:

> Sooner or later, unions will, we think, have to accept work standards in spite of their present determination not to do so. . . . Eventually management and unions will adjust time study ratings and the "reasonable day's work" until they produce nearly similar results. . . . A particular feature about the concept of a "reasonable day's work" is that it precludes opposition to new production techniques. Changes in production methods are not used as an excuse for presenting wage claims. Operatives, though working differently, will work no harder than previously.

This is a judgment about the prospects before American trade unions. It follows directly that wage claims will be based on a due share of profits and increased productivity, and not on the physical character of a particular job. The object is to establish a norm of reasonable effort, and then to break down the production process so that the norm is not exceeded. (At the Unilever meeting this week, Sir Geoffrey Heyworth disclosed that the adoption of such standards in the Unilever organisation has raised "normal" productivity by 30 per cent.) The American unions are not proximately concerned about higher productivity; that is the function of management, and if union policy makes labour dear, then employers are stimulated towards greater efficiency. This is perhaps a slightly romanticised view, as are the examples of improved efficiency forced upon incompetent managements by energetic union officials. But there is an element of truth in it, and there is no doubt about the American worker's sense of pride and fulfilment in using modern machinery.

There is a paradox in American systems of payment. Hourly wage rates are generally preferred to piece rates and incentive schemes; only 30 per cent of the operatives in manufacturing industries are on piece work or incentive systems. This may contain a lesson for British industrial relations, for in recent years it has been commonly assumed that incentive payment schemes are all that is necessary to solve the trick of higher productivity. The report suggests that three factors account for the unions' preference for time rates; their suspicions about allocation of work; their willingness to work to a pace set by the speed of machinery or assembly lines; and their unwillingness to let employers "shift their business risks on to their employees." Of these three factors, the second is almost certainly the most important, and it is the American worker's willingness to change his task and accept new production methods that makes it so.

What lessons are to be learned from American trade union experience? Home after its journey, the team is quick to underline the differences, as it sees them, in the circumstances of trade unionism in the two countries. There is a rather sententious reference to the responsibilities that the British trade union movement has adopted in the policy of wage restraint. "Nor is there full employment, as we understand the phrase, in the United States"—surely a perplexing conclusion. American industry is not under the same pressure as British industry to keep prices down—though it oddly succeeds better than we do. There are criticisms of the past unwillingness of British management to cultivate efficiency and to provide enough mechanical power, and they have force. And it is hard to resist the conclusion that, given full employment (particularly "full employment as we understand the phrase"), industry-wide wage increases would not necessarily lead to greater mechanisation and higher productivity. But the final conclusions are sensible and enlightened. First, unions must accept responsibilities as well as claiming their rights; they must be prepared to co-operate with managements that are trying in a reasonable way to use modern production techniques. If unions are willing to co-operate in incentive schemes and specific work loads, they have a right to see that work loads are reasonable and that incentives have a proper chance to operate; they must, therefore, be able to demonstrate by acceptable principles of production engineering any deficiencies of factory organisation and production methods. And finally a more positive approach to problems of redundancy is needed:

> A rising standard of living can only be achieved by increasing productivity obtained from labour-saving machinery and technical processes and working skill. Redundancy, therefore, is inevitable unless increased production enables immediate reabsorption; but redundancy is not unemployment where full employment exists. Considerable emphasis is placed upon labour mobility and flexibility because it is becoming increasingly recognised that full employment means that there are more jobs than workers, rather than providing the redundant with jobs at the same trade and wage rates in the same locality. There are limits, in effect, to the distribution of industry based only on local social need.

Such ideas are not new; but it is nevertheless astonishing that they are now being put forward by trade unionists for the sober consideration of their colleagues. The real weakness on the trade union side—a weakness that has hampered the fruitfulness of joint consultation—is the lack of expert knowledge of production problems, as distinct from process problems. "We are not unaware" says the report in a concluding statement, "of the financial implications to unions of these recommendations." Expert technical knowledge is expensive, and the advantages of such a service to the trade unions will seem remote, even though they may be considerable. The matter now rests with the unions and the TUC. Experience has not encouraged the belief that the trade union movement has a policy for higher productivity or is anxiously preparing to develop one. The human attitudes of the unions are still conditioned by suspicion and inertia; it is not management alone that is to blame. But here is a fair challenge, not from Government, management, or economists, but from fellow trade unionists. It is surely too important for the unions and Transport House to ignore.

Radio-Isotopes in Industry

IMMEDIATE industrial benefits are not to be expected from the atomic energy programme. It may well take ten years to work out the problems of appiying atomic energy in commercial power plants. But from the two main lines of research—arms and power production—one important by-product is already emerging. This is the production of radio-active materials in the larger of the atomic piles at Harwell. These materials are tools for laboratory research, but they also have interesting industrial applications—not, indeed, in the direction of revolutionary changes in manufacturing technique, but rather in the improved accuracy and efficiency of certain familiar industrial processes. The development of these materials has not gone very far, for the producing pile itself came into operation only fifteen months ago; not until the past few months have these new radio-active materials been available in any quantity.

A radio-active isotope can be very roughly defined as a particular form of an element—say carbon—that is unstable and gives off particles as it returns to a stable condition. It continues to be radio-active until it has become stable; the process may take a few seconds or millions of years. Such radio-active isotopes are produced incidentally in the process of generating atomic energy. Minute quantities of such materials will emit radiations sufficiently strong to be detected by measuring instruments even when they are greatly diluted with stable forms of the same element. If the proportion of radio-active to stable material is known, these materials can be used to analyse many physical, chemical and biological processes. Knowledge so gained is bound eventually to advance the techniques of industry and medicine in fundamental ways, though it is impossible at this early stage to guess where it may lead. Experience is scanty; highly trained physicists are needed to evolve techniques, and hazards to health can arise if radio-active materials are accumulated in any quantity. For the present, the use of radio-active materials is unpractical in a number of industrial processes in which they would be valuable in theory.

Certain broad lines of development are, however, already becoming clear. The "tracer" technique of the laboratories is being successfully applied to check the efficiency of individual machines and processes. Here are some examples. The addition of small amounts of radio-active gas in the atmosphere showed up without much difficulty defects in the ventilation of an asbestos plant. Unnecessary losses of material have similarly been traced in spray-drying towers. Tests in the textile industry have included the addition of radio-active material to the oils that are used to coat nylon and rayon fibres during production. In this process, the density of the oil coating and the evenness of its spread are both important. The radiation from isotopes added to the oil measures both conditions by the marks it makes on a photographic film; on the evidence so obtained the plant can be re-set if necessary. Photographic film can often be of service when a measurement of thickness or penetration is required. In calculating the penetration of lime into leather to see if the lime-coating stage of tanning could be safely omitted, successive layers of leather were shaved off and the degree of blackening on the film at each stage showed how much of the radio-active material—and so how much lime—had penetrated to a given depth. The same technique can be used to measure the penetration of a coating on metal.

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Whether such methods of production control are adopted depends on alternative forms of control that may exist. Often there is no alternative; tracer methods sometimes make possible the identification of the presence and concentration of a material where chemical and physical methods fail. Thus in the case of oil coating on fibres, measurement can show the amount of oil used on so many yards of yarn, but it will not establish the thickness of the coating nor its evenness. In other cases, the new techniques are much faster than existing methods. For instance, the primary purpose of lubricating oils is to reduce wear, and oil companies perform interminable tests on machinery under different working conditions and with different oils. The Shell Research Centre recently sent a pair of wire-drawing dies to Harwell, and had them irradiated in the pile. When the wire was drawn through the dies, the amount of radio-activity present in the coating oils on the drawn wire gave an accurate measure of the wear on the die. The drawing of 200

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yards of wire gave a conclusive result; under normal conditions, such a result could have been obtained only by operating a plant for a year. Similar methods have been used to measure wear on bearings. Whether they can be extended to measure engine wear remains to be seen. If the test time for each oil formula could be reduced from the present average of twenty days' continuous running, a developed lubricant could be marketed sooner, and at much lower cost for research. But in these, as in many other applications, there are real practical difficulties in carrying out the research although in theory the application may be simple.

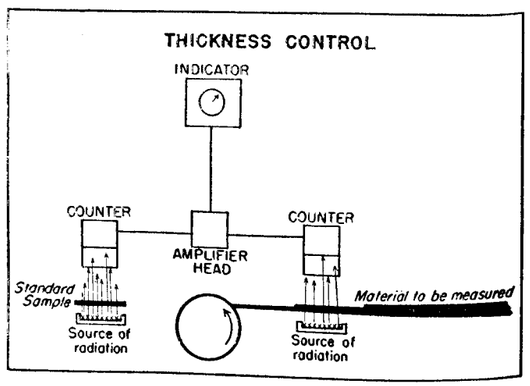
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Radio-isotopes can be used under certain conditions for process control. Fractional amounts of radio-active sulphur and phosphorus added to a steel melt give a radiation strong enough to be detected in the furnace. When the counter no longer signals the presence of the radiation, it can be assumed that no sulphur or phosphorus remains in the furnace. The presence and final removal of carbon can be detected in the same way, by using a carbon isotope. It is possible to treat sulphur in the course of rayon processing in the same way. This particular kind of use is limited by the necessity of making sure that the radio-isotope is entirely removed during the course of the process. If there were any radio-active residues in the final product, however slight, the total amount of radiation that might be emitted in a machine shop or in storage and transport would be too high to be desirable. This point emphasises the main risk of using radio-isotopes as "tracers." The risk can always be met by shielding, but the cost and inconvenience of protection soon becomes so great that they outweigh the advantages of using isotopes. Most isotopes emit harmless radiation and where some local risk is involved, the particular section of the plant can be easily screened. The serious health hazard is not an occasional over-dose of radiation, but that some particle of radio-active material might be inhaled or ingested. As long as such a particle is inside the body, the tissues will be directly exposed to continuous radiation.

When the control system does not depend on the mixing of radio-isotopes with the process materials, the precautions are quite simple. For example, a gauge is now being sold which measures the thickness of sheet materials. The principle on which it works is to compare the degree of radiation that will penetrate a sheet of standard thickness with the radiation that passes through the sheet material being produced. The counter will show whether more or less than the standard amount of radiation is coming through—in other words, whether the sheet is thinner or thicker than it ought to be. It is possible to calibrate the rolling machines to the counter so that they correct themselves automatically. The radiation method easily gives accuracy of control to within 1 per cent over the thickness of sheet materials, and this is invaluable for types of sheeting which cannot be measured by contact methods without injury to the surface. It is estimated that £10,000 of material can be saved a month in the large scale production of plastic sheeting against a capital outlay of £200 on the gauge. By a similar method the filling of cartons can be controlled by placing a source of radiation on one side of a moving belt of cartons and a counter on the other. The radiation does not penetrate the full cartons but passes through any unfilled sections to the detector. Another application in the iron and steel industry—and one of more immediate importance than that already mentioned—enables the iron and steel producer to keep himself informed of the state of wear of his furnace linings. In the lining of some of the new blast furnaces a plug of radio-active material has been incorporated for this purpose.

In another field radio-isotopes are expected to have far-reaching effects. In certain industrial processes—for instance in the reeling of paper in paper mills—there is a serious danger of electro-static charges getting out of hand and causing a threat of fire or serious explosions, and the methods of eliminating "static" that depend on high voltage charges are not considered wholly reliable. Radiation from a radio-active source can ionise the air and thus remove any "static" as soon as it forms. An entire room or an area round a machine can be ionised according to the way in which the "static" builds up. When this ionising technique is fully developed, it should be possible to drop some of the present precautions: it may, for example, be possible to run rollers at a higher speed.

A number of relatively limited uses has been developed to meet individual problems not likely to occur generally in industry. As knowledge of the properties of radio-isotopes spreads, such specialised applications are bound to increase. They provide, for example, a method of gauging levels inside sealed containers or fractionating columns, of tracing different oils through pipe lines or locating stoppages in them. Some laboratory results suggest that radiation might eventually be used to induce certain chemical reactions but this, if feasible, is a distant prospect.



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Although the use of radio-isotopes is not widespread, their applications in this country seem to be as advanced as in the United States. One reason for this favourable comparison is that American firms have to publish results of their use within six months, and thus present their competitors with any advantage they may have gained. British firms can keep their results secret if they wish. Even so, unfamiliarity with nuclear physics, on which the techniques are based, would appear to be holding back many firms that have pioneered more complex fields of chemical research. A physics division in a large industrial plant is still a novelty. To staff it adequately a first-class nuclear physicist—a rarity—two well-qualified assistants and laboratory staff are needed. Few firms have made appointments on such a scale. Research budgets are already high, and it is not easy to persuade boards of directors to increase them, particularly as it appears from the broad field of applications described that radio-isotopes do not usually confer upon a firm an appreciable technical lead over its competitors.

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Present conditions—the high cost of research in an unfamiliar field, with prospects of only moderate reward—suggest that development may best be left to specialists working as consultants. The isotope division at Harwell, which is responsible for the production and handling of the materials, has done much to provide such a service. But a strong and respected body of opinion considers that work on the relatively "frivolous" problems of industry wastes the talents of men of the calibre needed to solve more fundamental problems in the application of nuclear physics. Harwell has great difficulty in finding skilled physicists at salaries considerably below those offered by the Universities or by industry; hence there may be a real problem in the practical application of isotopes through sheer shortage of technicians. The isotope division at Harwell has been supplying free advice to any firm, and charging on the basis of time taken for any experiments carried out on the firm's behalf. Although many firms seem to baulk at paying £50 to £100 for experiments—even with a good prospect of success—the arrears of work are so large that no new work is being taken on until the old is cleared. The formation in March of a private consultant firm, Isotope Developments Ltd., will expand these services for industry; in addition this new company manufactures and instals the necessary equipment. It is hoped that Isotope Developments, which has been financed by seven large firms, will be able to deal with most of the research and inquiries that do not need daily access to the atomic pile.

Certain general techniques for using radio-isotopes have now been evolved. The next step is to establish the production problems that are open to solution by these methods, and to bring them to the notice of the plant engineers and the physicists. Valuable work has been done at Harwell for firms that have gone to the isotope division without a very clear idea of what they wanted, but such direct simplicity may not suggest itself to others. The Harwell exhibit at the British Industries Fair proved an excellent method of public education but it cost the disruption of routine work at Harwell to arrange and staff the stand. Next Easter, the isotope division hopes to start training courses of 6-8 weeks in the handling and use of radio-active materials for technicians. These will be held outside the boundaries of the main plant; thus some of the security regulations need not be enforced and pupils can be accepted from all over the world. This promises to be one of the most effective methods for overcoming the prevailing ignorance of nuclear physics among engineers and chemists in industry. It should make the introduction of radio-isotope techniques less of a leap in the dark.

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Business Notes

Warm War and Markets

While Mr Shinwell was describing the make-up of the first instalment of £100 million to be added to the bill for defence, rubber was shooting up to over 3s. a pound and tin established a new peak at £732 a ton. These movements owed rather more to events abroad than to events at home. Singapore's excited response to the suggestion that the American Government would step in to make pre-emptive purchases of rubber was not matched in London, where the possibilities of a bulk contract and a ceiling price were recognised. Nor was the continued boom in the prices of primary commodities accompanied by any particular reawakening of interest in equities. The shadow cast at the week-end by Mr Strachey's remarkable "warning" that the burden of increased defence expenditure should be spread "fairly among all the classes of the country and that the well-to-do classes pay their full proportion . . . very differently from the way it has been undertaken in the past" hung heavily over all sections of the market.

The burden—or the first dose of it—is a good deal less burdensome than many people had expected. Of the projected £100 million, only part is likely to be spent in the current financial year. Increased productivity (always assuming that there is no increase in consumption and that civil capital expenditure is kept within the projected bounds) may be able to furnish a sizable part of the required resources. From Mr Shinwell's outline, it seems possible to infer that, at this stage, the enlargement of defence requirements will not result in any form of extreme competition for resources now fully committed to home and export requirements. The aircraft industries (whose position is described in a succeeding note) can take up a fair amount of slack after the cuts in orders made only a few months ago. Specialised equipment and weapons might be more difficult to provide without impairing civil output of certain ranges of engineering and electrical production, and any major expansion of military transport would be quickly reflected in car supplies to the home market. The shipbuilding industry will not, it seems, be called upon for any great effort of new naval construction, but the fitting out of ships with improved armament and technical equipment will occupy marine engineers and fitters.

But all this is a very conjectural estimate of the consequences of the first stage of the job that has to be done. The new weapons to which Mr Shinwell referred are in the research and development stage; when they begin to flow in quantity they will entail a much heavier bill than that presented to the nation this week. To suppose that this bill can be met solely by relying on increased productivity (with all other commitments for consumption, exports, industrial capital investment and the Government's social programmes unchanged) would indeed be fanciful. Investors therefore have the awkward problem of guessing the future course of the Government's financial policy. Mr Strachey's implicit suggestion of a capital levy is a piece of masterly economic irrelevance—though that, unfortunately, does not put it entirely out of court. Obviously the precarious balance of inflationary forces and disinflationary policy is going to be rudely disturbed before very long. And despite the Chancellor's claims to the contrary, there is no margin of taxable capacity that can be tapped without causing further inflationary pressure or producing political difficulty from a large section of the Government's own supporters. Direct physical controls and heightened inflation may well be livelier possibilities than a studied attempt to disinflate the economy to a sufficient extent to accommodate the new defence needs. This phase of the warm war may not be allowed greatly to disturb the gilt-edged market; but for equities the possibilities of taxation and industrial changes caused by the defence programme are likely to dominate market conditions for many months.

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Aircraft Production and Orders

The international crisis has removed the threat of economy cuts from the aircraft industry, and the more rapid placing of orders can be expected. In particular the provision of reserve fighter aircraft will be (the Minister of Defence said on Wednesday) "one of the biggest items in the additional £100,000,000." But the timing and placing of orders depends on the rate of progress which individual firms can make with the aircraft which they have under development. De Havilland will for some time be fully occupied with building the engine and airframe for the Venom fighter which is now replacing the company's Vampire. The main concern of the Hawker Siddeley group continues to be the Meteor fighter in its various forms. The Meteor is primarily a product of Gloster Aircraft but another member of the group, Armstrong-Whitworth, has developed and is building the night fighter version. Hawker Aircraft has developed from the turbo-jet Sea Hawk the supersonic fighter known as the P.1052. This is purely a development aircraft not likely to be put into production. It has been used to provide data for a more advanced design, the P.1081, which has only recently made its first flight and is intended to serve as the prototype of a production model once its flight trials have been completed.

Vickers is in a similar position. The company is building a new trainer for the RAF and completing the reduced order for the Valetta transport. The turbo-jet Attacker is in production for the Navy and from this aircraft has been developed the supersonic Supermarine 510. Whether the 510 will prove, like the Hawker P.1052, to be merely a stepping-stone to further development or whether it will go into production in its present form is not yet clear. Both de Havilland and Avro have had misfortunes with the flying-wing type of aircraft, but experimental work on designs of this kind is likely to continue.

New types are being developed for production by a number of firms which have not been visibly active in recent months. Deck landing trials have recently been made by three anti-submarine aircraft built by Westland, Fairey Aviation and Blackburn and General Aircraft. This latter firm also made the first flight of its big military freighter a few weeks ago. Fairey Aviation still have in production their piston-engined Firefly; their new anti-submarine aircraft has Armstrong-Siddeley's double Mamba engine. Developments by Armstrong-Siddeley, particularly in turbo-prop engines, have been a feature of the past year. Development by Bristol Aeroplane of similar big turbo-prop engines has been slower, and after developing the turbo-prop Dart, Rolls-Royce have concentrated wholly on turbo-jet engines. The Westland anti-submarine aircraft also uses an Armstrong-Siddeley engine.

The most serious gaps in production and development are in bombers and long range fighters. Gas turbine engines with their high fuel consumption, have tended drastically to reduce the effective range of aircraft. Disposable fuel tanks increase range but curb performance. The fighter developed by Avro Canada is the only long range jet fighter in the world about which any information is available. There is the same gap in bomber production. Development of gas turbine bombers has been slow. The English Electric Canberra is not expected to have a great range, but no piston-engined bomber can now fly (as they once could) above the operating ceiling of modern jet fighters.

Electricity in The Commons

Interest is bound to be aroused by the remarks of the Minister of Fuel and Power in the Commons on Tuesday about the "constant, urgent drive" that is required (and, he implied, that is going on) for the better spreading of the electricity load over night and day. Mr. Noel-Baker said that "the best brains of the industry" had been devoted for many years to this problem of the peak. These brains had induced industry to carry out certain processes at night by the offer of cheaper current. Experiments were taking place with "a storage fire or radiator" to replace some of the electric fires that add 10 per cent to the load on a cold morning. Electric battery vehicles were another possible way of giving a big night load. The Minister added an unexpected note of congratulation:

> I am glad that the authority are constantly putting more resources into research, especially research into storage batteries, on which I believe an intensive effort is required, and into other storage and control devices which might give real results in relation to the problem of evening out the load.

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This pat on the back may well have come as a pleasant surprise to the British Electricity Authority, which, if it has really been pursuing any systematic inquiries along these lines, has been extremely modest about mentioning them. The last annual report gave some particulars of the authority's research activities on such matters as the life of insulators and the corrosion of transformers and transmission lines. But the list of these activities, though admirable in many ways, contained very little suggestion of anything designed to even out the load. The exception is a survey of the characteristics of traction batteries, which appears to be based on observation of the authority's own fleet of 350 battery-driven vehicles in action. But this is a small and well-trodden corner of a large field. What other forms of storage—whether of water-power, current, or heat—are being studied? On what contol devices designed to even out the load is work going on, and what is the nature of the work? It is not only surprising to hear of these activities from the Minister when the authority has been silent about them; it is also surprising that they need to be made the object of technical research at this stage at all. Plenty of devices for storage and control are known to exist, and it had been supposed that the outstanding questions concerned their commercial application and not their technical character.

It would be useful to know more about all this. Or was Mr. Noel-Baker adopting a tactful method of suggesting to the BEA the directions in which it might with advantage turn its energies?

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The Super-Grid

The British electricity grid, most of which was constructed between 15 and 20 years ago, transmits current at 132,000 volts. This was not a remarkably high voltage even when the grid was constructed, and as the supply of electric power has grown the need for a more powerful grid has become apparent. Clearly, also, a policy of national integration of power supply—one of the policies that the British Electricity Authority was created to carry out—is likely to call for the bulk transmission of power over distances on an increasing scale. For these reasons the authority's decision to start now on the building of a new grid for the transmission of power at 275/300 kilo-volts is not likely, perhaps, to be questioned in spite of the many other pressing demands on the authority's resources. The first pylon on the first stretch of the new grid has now been erected; this stretch of line will connect Staythorpe, on the Trent, with Sheffield, and will take two years to complete. An experimental stretch, half a mile long, has already been built at the BEA research station at Leatherhead, so that the problems of maintaining the line and of loss of power can be studied. The project was first evolved by one of the authority's predecessors, the Central Electricity Board.

Electric power engineers have been greatly preoccupied in recent years with extra-high voltage transmission, and a number of countries have gone much further in this field than Britain has gone. In Germany the Rheinisch-Westfälische Elektrizitätswerke began in 1923 the construction of a long-distance transmission system designed to carry power at 400 kV between the Lower Rhine and the Austrian hydro-electric stations. This company's line from Bludenz (Vorarlberg) to Brauweiler, near Cologne, was built to carry 400 kV, though it has not yet been used for more than 220 kV. The completion of the project, and its possible extension into a European grid, have been actively canvassed in the last year or two. A line to be operated eventually at 380/400 kV has been completed in France, and similar lines are under construction in Sweden; one of these will carry hydro-electric power at 380 kV over a distance of 600 miles from the north of Sweden to the neighbourhood of Stockholm. In the United States the line from Boulder Dam to Los Angeles works at 287 kV, but American plans for more powerful lines are well advanced.

Britain, though less concerned than most countries with the transmission of power over great distances, has to watch carefully for the moment when it becomes cheaper to transmit electric power than to transport coal. This change may well revolutionise location policy for power stations in Britain; the Minister of Fuel and Power suggested in the Commons debate on Tuesday that more power stations might soon be located at pitheads to serve relatively distant consumers. The significance of the new grid is itself more limited. When it is complete (though this may not be for ten years or even more) it will form a bulk transmission system stretching from the London area to central Scotland. The first stretch of some 40 miles will carry power to Sheffield from the big new station at Staythorpe. A second new station is also to be built at Staythorpe, giving a combined capacity there of 720 megawatts, and the line to Sheffield will be extended to Tees and Tyneside, districts in urgent need of more ample power supplies.

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Italy's Sterling Balances

At its latest meeting, the Anglo-Italian Economic Committee discussed the problem of Italian sterling balances in the light of the European Payments Union arrangements. In the communique issued after the conclusion of the talks, no detailed information was given of the arrangements that are to be made for the utilisation and funding of these balances. It can be disclosed, however, that the agreement provides for the separation of the existing balances (which amount to about £70 million) into two parts. In the first place, £20 million is to be made available for current use.

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It will be open to Italy to draw on its balances to this amount over the next two years in order to complete its compensations under EPU or to meet a direct deficit in the balance of payments between Italy and the sterling area; an important point to note is that Italy will have the right to use this £20 million even though it is in credit with EPU as a whole. The remaining £50 million of Italian balances are being set aside to finance long-term capital projects involving the use of machinery imported from the sterling countries. This arrangement is a pendant to a programme of industrial expansion recently launched in Italy with government support.

When EPU was being negotiated the British Government stated that any sterling balances held by other participants, whether funded or not, would be available to meet any deficit incurred by these holders with EPU as a whole. This promise remains applicable to the whole £70 million of Italy's sterling balances. If, however, such use of sterling balances results in gold losses to Great Britain, the indemnity given to Great Britain by the Economic Co-operation Administration will immediately come into play. Agreements remain to be negotiated for dealing with Portuguese and Swedish sterling balances and it would cause no surprise if these were to follow the lines of the arrangements made with Italy; the Portuguese, indeed, already have the greater part of their sterling funds earmarked for capital expenditure by an agreement negotiated with Britain four years ago.

At last week's meeting, the Italian and British representatives also decided to renew their current payments agreement until September 30th next. This short extension is intended to give both parties a little more time in which to assess the full effects of EPU and to ascertain how the detailed EPU convention emerges from the process of codification which it is now receiving at the hands of the lawyers. This extension of the Anglo-Italian payments agreement is not to be taken to mean that in, their renegotiated forms, the British payments agreements with members of EPU will still incorporate clauses providing for unlimited extensions of credit as in the case of the present agreement with Italy.

* * *

Prescription for South Africa

When Dr de Kock, the Governor of the Reserve Bank of South Africa, addressed its annual meeting in 1949, the Union's foreign exchange reserve was dwindling dangerously towards vanishing point. When he addressed the annual meeting last week, the reserve had risen to £147 million—a level at which it should be well able to withstand any immediate demands for foreign currency made upon it. The main influences behind this recovery have been the rise in the sterling price of gold consequent upon devaluation and the imposition by South Africa of swingeing import restrictions last year.

The main burden of Dr de Kock's address, however, was that this welcome rise in exchange reserves must not delude the Union into supposing that it can now throw its bonnet over the windmill. South Africa, he pointed out, was still a developing country—and one whose development very largely depended on an inflow of foreign capital and technical knowledge. About the capital needs of the new mining ventures, it is true, Dr de Kock seemed surprisingly optimistic. These ventures, he said, had already succeeded in securing the whole or most of the capital they required to reach the production stage and, if new capital were still needed thereafter, he believed they would be able to finance expansion largely out of profits. Industrial expansion, however, also largely depended on an inflow of foreign capital; now that the United Kingdom could not provide as much as it used to do, the Union would have to adopt new methods of raising capital in the United States and Switzerland. The main prerequisites for attracting foreign investors were to assure them that the Union would be able to meet any demands made on it for foreign currency during the next few years and to prevent inflationary pressures from hoisting internal costs to a burdensome level. His prescription was therefore that imports and inflationary spending must still be kept on a tight leash.

* * *

Trade in the Second Quarter

The final figures for overseas trade in June fill in the details of the picture sketched here when the provisional figures were announced a fortnight ago. The rise of nearly £10 million (to £238½ million) in the value of imports during the month seems to have been due to an all-round increase in volume as well as in prices; value figures for imports of food, drink and tobacco, of raw materials and of manufactured goods all reached new postwar records. In the first six months of the year, however (during which the average monthly value of imports was just over £213 million compared with a monthly average of just over £189 million in 1949), the most significant influence driving import expenditure upwards has plainly been that of rising raw material prices; the average monthly value of raw material imports rose by fully 22 per cent over the monthly average for 1949. As already announced the daily rate of exports in

UNITED KINGDOM EXPORTS TO NORTH AMERICA
(Millions of U.S. Dollars. Quarterly figures)

	1948	1949				1950	
	iv	i	ii	iii	iv	i	ii
United States	22·5	21·7	15·4	16·1	13·7	18·8	20·3
Canada	27·9	25·7	24·5	25·2	20·0	23·9	28·6
Total	50·4	47·9	39·9	40·3	33·7	42·7	48·9

June was slightly above the record level established in May; detailed figures now show that exports of vehicles, agricultural tractors, new ships and paint continued to run at high levels, but the volume of machinery exports declined and textiles (other than artificial silk products) still seem to be failing.

In the highly competitive North American markets the dollar value of British exports last quarter was higher than for any comparable period since 1948; the dollar value of exports to the United States itself, however, had still not quite restored itself to the level attained before the pre-devaluation recession. In June itself, exports to Canada receded slightly from the record level established in May; the amount of vehicles, iron and steel manufactures and coal shipped to this market continued to be promisingly high. Exports to the United States in June also fell by £200,000 (to £3,000,000) below the level reached in May. Some £1,600,000 of this £8,000,000 was accounted for by increased sales of spirits and some £900,000 by increased exports of woollen and worsted goods; these were offset, however, by smaller exports of pottery, machinery and cotton-goods.

* * *

Check to Cotton Exports

The cotton trade figures reveal a disturbing contrast between the industry's rising volume of production and its flagging export performance. Yarn and cloth production in April reached their highest levels since the war, and this performance was surpassed in May; although the holiday season has interfered with output since then, the general level of production is still running well above that of last year. Thus the total output of single yarns (including waste and mixture yarns) in the first 26 weeks of 1950 amounted

to 525 million lb., compared with 489 million lb. in the corresponding period of last year. In weaving there were 18,000 more looms running on cotton and rayon fabrics in the first quarter of this year than in the first quarter of 1949; and the May figures showed a further intensification of activity. Cotton, rayon and mixture cloth output in the four weeks ended May 27th was 230.19 million yards, compared with 212.32 million yards in the comparable four weeks of 1949; both were holiday-free periods. About 6,700 more weavers were at work than a year earlier; the cotton industry's recruitment has continued to go well.

This expansion has brought one substantial advantage: it has enabled the industry to carry on with reduced imports of foreign (and particularly Japanese) unbleached grey cloth. Thus its cloth exports are no doubt tending to be, to an increasing extent, goods wholly manufactured in Britain rather than goods finished in Britain but spun and woven abroad. But this seems to be almost the only crumb of comfort. Measured by value, exports of cotton yarns and manufactures were £73.4 million in the first six months of 1950 compared with £84.3 million in the first half of 1949.

BRITISH EXPORTS OF WOVEN COTTON PIECE GOODS
(Thousand Sq. Yds.)

	Six Months ended June 30,		
	1948	1949	1950
TOTAL	337,551	473,364	393,135
Exports to:—			
British West Africa	53,713	75,884	73,226
South Africa	27,995	54,503	26,342
India	9,704	37,399	3,816
Pakistan	2,019	37,588	31,718
Australia	39,962	60,919	54,964
New Zealand	12,812	20,634	24,969
Canada	12,645	19,237	9,969
U.S.A.	5,943	3,329	4,792

Source: Trade and Navigation Accounts of the United Kingdom.

The monthly average in the second quarter (£11.9 million) was appreciably less than in the first quarter (£12.5 million), and in the two quarters taken together the monthly average was 8 per cent less than in the full year 1949. The bulk of this decline can be attributed to a falling-off in the trade in piece goods, as the accompanying table shows; no doubt, in the markets of Africa and Asia, Japanese and Indian competition are playing a big part.

The question will naturally be asked whether the situation described will bring about an improvement in the supply of cotton goods to the home market. This should in logic be so. But in fact, the existence of quantities of frustrated exports does not in the ordinary way add to the utility supplies on which most people depend. It adds to the pressure of non-utility goods on the market, but purchase tax restrains the sale of these goods. It may be doubted whether the disproportion between utility and non-utility supplies, of which the President of the Board of Trade was complaining in the spring, has yet been reduced. Until decisions are taken for the overhaul of the utility scheme, the tendency may be the other way. But the committee that is studying the utility scheme is unlikely to complete its work for some months to come.

* * *

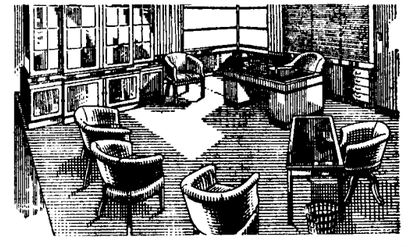
Globe Telegraph Questions

The scheme submitted to stockholders of Globe Telegraph and Trust has the double object of reshaping the company's capital structure and sharing out part of the proceeds of compensation from the company's big holding in Cable and Wireless (Holding). Holders of the existing £1,811,270 6 per cent cumulative preference stock are offered an equal amount of 4 per cent debenture stock together with an option to receive either 10s. ordinary stock, or alternatively a further 10s. 4 per cent debenture stock plus a cash payment of 2s. 6d. for each £1 unit of preference stock held. The new debenture is to be redeemable in 30 years with an option to repay after 25 years. Ordinary stockholders would retain their existing stock—of which £2,354,000 is in issue—but would get an additional 10s. ordinary stock plus 10s. 4 per cent debenture stock and a cash payment of 4s.

By substituting a debenture for its 6 per cent preference capital, Globe Telegraph would make a saving in profits tax and also divest itself of all uncertainty about the rights of the preference capital in the event of liquidation. Admittedly, the scheme gives no hint that liquidation is contemplated, but it may be supposed that the board attaches importance to this aspect of the scheme. Globe Telegraph preference stock has been assumed to be *pari passu* with the ordinary stock for repayment of capital and remaining assets. But the legal rights are not explicit, and the judgments in the colliery company cases in the House of Lords last year have thrown the position of preference holders as a class into the melting pot. The directors of Globe Telegraph have taken legal opinion on the effect of these judgments and have been impressed by the serious doubts cast on the rights of the preference stock in the event of winding up. Hence the directors' proposal to eliminate the stock and with it any uncertainty.

The best commentary on the value of the scheme to preference stockholders is the reaction of the Stock Exchange. The ordinary stock was marked down 5s. to 42s. at one time on Wednesday, though some of this loss was recovered later. The preference held its ground at around 30s. 9d. Ordinary stockholders may well ask whether the swap of debentures for preference together with trimmings worth 50 per cent or more of its face value is necessary. A winding up is not contemplated. Is it necessary therefore to make an offer to preference stockholders that seems to admit that in the event of winding up, they might enforce their presumed rights?

Reflection



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Tea Auctions Again

No details are yet available of the arrangements that are being made to fit the operation of the London Tea Market into the straitjacket of rationing, price control and subsidies, which, Mr Webb has announced, it is to wear "for some time" after it reopens next April. Apart from the problem of applying the subsidy over a wider spread of graded teas, however, these arrangements are likely to present mainly administrative problems. Even before the war, auction buyers manœuvred under a retail price ceiling—a ceiling fixed not by the Ministry of Food (as it will be under price control) but by the big tea firms who did not allow their retail prices to fluctuate in line with purely day-to-day movements on the market. One of the main problems confronting the market at its opening may, indeed, be that set by the low level of stocks, consequent upon the reduced quantities of tea that India and Ceylon have allowed to be sent to this country. The Minister of Food revealed on Wednesday that bulk buying will continue as close to April, 1951, as necessary and that the Government's stocks would then be made available and sold at the auctions.

Although much may happen in the Far East between now and next April, there will be general satisfaction that the Government has made up its mind to bring bulk purchase of tea to an end. The existing system has done a great deal of harm. It has encouraged the growth of new markets in Calcutta and Colombo (despite the lack of suitable storage) and marketing skills in London have been allowed to rust. Good quality teas have often been shipped to other markets while the dregs of the crop have too frequently come to this country. The Ministry has not noticeably had the best of successive bargaining bouts with India and Ceylon; the recent news that Ceylon is to increase its revenue export duty on tea from 38 to 53 cents per pound serves as a reminder of the fact that independent governments in tea-producing countries now increasingly tend to interpose themselves between producers and their chosen markets. When the London market reopens in April, it will plainly have a rougher road to travel than it did in 1949; and it will have no simple task to restore its prewar skill, financial resources, and commercial eminence.

* * *

London Fares

The Transport Tribunal sat again on Wednesday this week to consider amendments to the London Passenger Charges Scheme. The original scheme was submitted in February by the London Transport Commission and the Commission hoped to have it in operation by October 1st. In a full year, and assuming no changes in prices, the scheme was expected to produce £82½ million of revenue. During the recent hearings there was much discussion of the equitable share that the London area should contribute to the revenues of the Commission. The latter has to consider itself as one undertaking and it was not denied that the London scheme was an interim scheme subject to possible amendment when country-wide charges schemes come under consideration. But these lie two years off, and in the meantime the Transport Tribunal has shown itself reluctant to accept proposals that might be criticised on the ground that London was paying too much.

The Commission's estimate of the fair contribution from London (which can only be assessed on a series of arbitrary hypotheses) was £82½ million, and the scheme itself aimed at just over £80 million. Some critics suggested that a fair figure would be as low as £75 million and the Tribunal admitted part of their contention by putting London's "reasonable contribution" at £79 million and asking the Commission to amend the scheme in such a way as to relieve the early morning fare payers of £1,000,000. It was this part of the scheme that was expected to encounter the stiffest opposition; it proposed radical increases in workmen's fares and the Tribunal has concluded that it would have dealt more hardly with that section of the travelling public than with others. The revised early morning fare scales submitted by the Commission would reduce the estimated revenue by £923,000; they have meant some departure from the system of a consistent rate per mile on which the Commission had modelled its first proposals. But a sacrifice in methodological perfection is less important than the public demonstration of responsible and judicial supervision of proposed charging schemes. This first case under the full provisions of the 1947 Act has demonstrated the value of the Transport Tribunal as a watchdog concerned with the public interest. It is a real pity that transport is the only nationalised industry for which such supervision has been provided.

* * *

Australia's Dollars

Mr Menzies' financial discussions in London appear to have passed smoothly and profitably; there is little doubt that in the course of his talks with the Chancellor of the Exchequer he was given an abundance of good advice. The fact that he may not have been entirely convinced seems to be implied in Mr Menzies' description of his talks with Sir Stafford Cripps and officials of the Treasury as "extremely interesting." It is stressed by all concerned that these were not negotiations, but discussions of long-term projects. Mr Menzies advanced his long-term plans for large-scale immigration—schemes which necessitate the doubling of the rate of housebuilding and a corresponding stepping up of a large part of the capital investment programme in Australia. The programme will require additional dollar expenditure, part of which, it is hoped, will be financed by a loan from the Export/Import Bank loan which Mr Menzies is to negotiate in the United States. On these matters of economic development and capital expansion, the burden of British advice to Australia will probably have been to go slow and not to bite off too much at once—advice given with the fresh and painful experience of the East African Groundnuts Scheme in the minds of those who were imparting it. It would be disquieting if Australia's development programme were to be accelerated just at the moment when the cost of such a programme is likely to be going up.

* * *

Brighter Shipbuilding Outlook

The quarterly merchant shipbuilding statistics compiled by Lloyd's Register of Shipping are the most reliable and comprehensive published, and it is disappointing that, five years after the end of the war, there should still be gaps in the world picture of shipbuilding which they present. No doubt the absence of information from Russia has to be accepted. Poland has now joined China in withholding facilities from Lloyd's Register. These two are not important shipbuilding countries. But Germany, another absentee, is important, and German shipbuilding activity is increasing. The absence of figures for these countries has to be borne in mind when considering the Lloyd's Register totals of shipbuilding abroad in the second quarter of 1950. At the end of the quarter the tonnage under construction abroad was 2,612,730 tons gross; this is 176,725 tons less than three months previously. A decline in the United States from 441,640 tons to 326,034 tons is the largest factor in this change.

Building in Great Britain and Northern Ireland has, in contrast, increased by 41,972 tons to 1,937,191 tons gross. In the last quarter 345,614 tons were completed and 372,433 tons begun. Launchings in the same period amounted to 484,873 tons gross; this is much more than the 204,440 tons of the previous quarter. Work is now passing more speedily through the shipyards, and output for 1950 seems likely to exceed that for 1949. The prospects of speedier delivery may be expected to attract new orders, and already the orders placed for new tonnage this year considerably exceed the total for the whole of last year. The greatest demand is still for tankers, of which no fewer than 988,787 tons gross are now being built. This is almost exactly half of the total tanker tonnage under construction in the world, which in turn is 41.3 per cent of all tonnage under construction. The accent on tanker tonnage presents difficulties for some shipyards, particularly the smaller ones, which require a steadier flow of orders for dry-cargo tonnage than they are getting. Orders continue to come in from abroad, and more tanker orders are expected to result from the recent Caltex oil agreement. Export tonnage at present under construction in British yards amounts to 738,265 tons, or 38.1 per cent of the total. It includes 325,020 tons for Norway, 81,683 tons for Argentina and much the same figure for Commonwealth countries. In all 20 foreign countries are represented in the yards, and a recent order from Turkey will raise the number to twenty-one.

* * *

Cuba Sells Silver for Gold

The Cuban government recently decided to sell the 80 million silver pesos backing Cuba's currency circulation and to use the proceeds to purchase gold bullion. The shipments of silver coin are already on the way from Cuba to the New York Federal Reserve Bank. Reports from Havana have suggested that the silver bullion received from the melting of these coins will be sold in the market. If true, these reports may help to explain the surprising stability of the price of silver since the beginning of the Korean war—a stability which has been maintained while the price of virtually every other metal, precious and base, has been rising. It seems unlikely, however, that the silver in question will reach the open market. Since the Cubans intend to obtain gold bullion with the proceeds, the transaction is more likely to be a simple exchange with the US Treasury.

While the market price of silver remains exceptionally steady, the free price of gold has continued to rise very slowly and has this week climbed beyond $38 per ounce; this compares with the recent low of about $36. The response of the gold price to events in the Far East would have been far more spectacular had the Chinese mainland remained a wide open market for gold, as it was before the Communist invasion rolled over the country. There have, however, been interesting hints of a renewal of Chinese demand for gold for hoarding purposes; this reputed renewal is small as yet, but it is significant in the light of the harsh retribution that meets those who are found out.

* * *

Bank Agency Charges

From the beginning of next month the two largest clearing banks, the Midland and Barclays Bank, are to levy charges for any "agency" services that they undertake for customers of other banks—and to pay reciprocally for any agency services rendered by other banks. Hitherto, under an agreement reached as long ago as 1924, British banks have undertaken these services for each other for nothing. Since 1924, of course, the amount of such agency work has greatly increased; for one thing, the local branches of nation-wide businesses often pay in their receipts through banks that derive no benefit from their custom—since the head office of the business concerned often holds its account with a bank of which there is no local branch. Moreover, the cost of passing such receipts through the clearing has increased in recent years and there are many who have long believed that the mounting pressure of costs must eventually drive the banks towards the principle of levying more specific charges for services to their own customers.

Atomic Energy Establishment

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ANOTHER TUBE GONE

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Despite these considerations, the majority of the clearing banks are opposed to the move now to be made by the Midland and Barclays. They argue that most banks give nearly as much as they receive under the present agency arrangement. It is contended that, if all agency services now mutually and gratuitously rendered were to be paid for, some net receipts would doubtless accrue to the bigger banks—but these receipts might be too small to justify the extra work that careful recording of each agency transaction would entail. Some of the banks opposed to the new proposal have recently written to some at least of their customers who use the agency services of the Midland and Barclays, pointing out that a charge is now to be imposed and giving the address of any local bank that still intends to do agency work for nothing. Whether the bank paying the charge will pass it on, wholly or partially, to the customer, in the form of an increase in the general service charge for the account, will apparently depend upon the circumstances of each case.

Shorter Notes

A Note in last week's issue stated incorrectly that expenditure at cost on Paton and Baldwin's new Darlington factory up to April 29, 1950, amounted to £10,432,228. As the accompanying extract (with the figures adjusted to the nearest £000) from the company's balance sheet shows, this figure represents the cost of all fixed assets of the company before depreciation. The amount spent to the date of the latest balance sheet on fixed assets at the Darlington factory is £5,925,562, before deducting depreciation provisions.

PATON AND BALDWINS FIXED ASSETS

	1949 Comparative figures			1950		
	Cost	Deprec.		Cost	Deprec.	
Fixed Assets:	£000	£000	£000	£000	£000	£000
Land, reservoirs & buildings	2,108	1,033	1,075	2,058	1,041	1,017
Motive plant, plant & machinery	2,531	1,763	769	2,448	1,719	729
Darlington factory:—						
Land, reservoirs & buildings	3,308	56	3,252	4,464	125	4,339
Motive plant, plant & machinery	719	138	581	1,462	233	1,229
	8,666	2,989	5,677	10,432	3,118	7,314

★

Coal output last week was 3,881,600 tons, a little lower than the week before. Holidays caused an estimated loss of 463,000 tons during the week and these losses can be expected to continue until the end of the holiday season. In the week ending July 15th there was a further net loss of 200 men, bringing the numbers on the colliery books down to 697,600 compared with 721,300 at the same time last year. The rate of decline in manpower appears to be slowing down, and with the end of the school year and the subsequent recruitment of juveniles it may for a time be reversed. Total output in the first 29 weeks of the year was 121,981,400 tons, compared with 120,565,800 in the same number of weeks last year.

★

A further discussion took place this week between British Government and American film trade representatives on the revision of the Anglo-American films agreement. The American film producers are urging a return to "normal trade relationships" and the unrestricted convertibility of their earnings in view of the improvement in the British balance of payments.

★

The Seattle City authorities have invited tenders for six single-phase transformers; this contract may have a value of about $1,200,000. After discussions in Washington, the authorities recently withdrew a proposed ordinance which would have facilitated the rejection of foreign tenders, however low, for city contracts.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Pye Limited; The Distillers Company.

Prices, Year 1950 Jan. 1 to July 26 High	Low	Name of Security	Price, July 19, 1950	Price, July 26, 1950	Net Yield, July 26, 1950 (a) £ s. d.	Gross Yield, July 26, 1950 £ s. d.
		British Funds				
101⅞	100⅛	War Bonds 2½% Aug. 1, 1949-51	100⅛	100⅛ xd	0 11 7	1 13 9
100⅝	98⅜	War Bonds 2½% Assented	98¼xd	98¼xd	1 10 3	2 12 11
102	101⅛	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	0 16 8	1 18 2
102⅛	100⅛	War Bonds 2½% Mar. 1, 1952-54	101⅛	102	0 16 10	1 18 6
101⅛	100	Exch. Stk. 2½% Feb. 15, 1955	100⅛	101⅛	1 0 2	2 0 1
103½	100⅛	War Bonds 2½% Aug. 15, 1954-56	101½xd	101½xd	1 2 1	2 4 3
102⅛	101⅛	Funding 2½% June 15, 1952-57	101⅛	101⅛	1 5 1	2 10 1
104⅛	102	Nat. Def. 3% July 15, 1954-58	102⅛	102⅛	1 5 6	2 12 3
104⅛	101⅜	War Loan 3% Oct. 15, 1955-59	103⅛	103⅜	1 6 3	2 13 9
101⅛	96⅞	Sav. Bonds 3% Aug. 15, 1955-65	99⅛xd	99⅛xd	1 13 3	3 0 2
100⅛	97⅛	Funding 2½% April 15, 1956-61	99⅛	99⅛	1 9 10	2 12 2
99⅜	98⅜	Funding 2½% April 15, 1956-61 'A'	99⅛	99⅛	1 9 11	2 12 10
99⅜	95	Funding 3% April 15, 1959-69	97⅛	97⅛	1 16 11	3 5 0
108⅜	104⅛	Funding 4% May 1, 1960-90	107⅛	107⅛	1 9 5	3 5 1
98⅛	94½	Sav. Bonds 3% Sept. 1, 1960-70	97⅛	95⅞xd	1 17 11	3 5 5
95⅞	91⅛	Sav. Bonds 2½% May 1, 1964-67	93⅛	93⅛	1 16 10	3 5 7
110⅛	106⅜	Vict. Bonds 4% Sept. 1, 1920-76	109	107⅞xd	1 12- 5	3 6 3
96⅛	91⅜	Sav. Bonds 3% Aug. 15, 1965-75	93⅞xd	93⅞xd	1 19 5	3 7 6
105⅛	100	Consols 4% (after Feb. 1, 1957)	102½xd	102½xd	2 2 11	3 18 0
95⅛	91⅛	Conv. 3½% (after Apr. 1, 1961)	94⅛	94⅜	2 1 0	3 15 0
71	66⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	69	69⅛	2 0 0	3 13 2
84⅛	79⅜	Treas. Stk. 3½% (after Apr. 5, 1966)	82⅛	82⅛	2 0 5	3 15 5
100⅛	99	Treas. Stk. 3½% June 15, 1977-80	99⅛	100⅛	1 18 6	3 10 2
91	86⅛	Redemp. Stk. 3% Oct. 1, 1986-96	89⅛	89⅛	2 0 7	3 10 4
94⅛	90	War Loan 3½% (after Dec. 1, 1952)	93⅜	93⅛	2 1 5	3 15 6
71⅛	68⅛	Consols 2½%	69⅛	69⅛	1 19 8	3 12 3
95⅜	92⅛	Brit. El. 3% Gd. Apr. 1, 1968-73	95⅛	94⅜	1 19 2	3 7 9
95⅜	91⅜	Brit. El. 3% Gd. Mar. 15, 1974-77	94	94	1 19 5	3 8 2
100⅜	99	Brit. El. 3½% Gd. Nov. 15, 1976-79	99⅛	99⅜	1 19 0	3 10 9
91	86⅛	Brit. Tpt. 3% Gd. July 1, 1978-88	89⅛	89⅛	2 1 1	3 10 3
96⅜	92⅛	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	95	94⅛	1 19 4	3 7 11
90⅛	85⅞	Brit. Gas Gd. 3% May 1, 1990-95	88⅛	88⅛	2 1 2	3 10 11

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 't'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (a) Net yields are calculated after allowing for tax at 9s. in £. (t) Flat yield. * Assumed average life 14 years 3 months.

Prices, Year 1950 Jan. 1 to July 26 High	Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, July 19, 1950	Price, July 26, 1950	Yield, July 26, 1950 £ s. d.
					Other Securities			
100⅜	95⅛	% (d)	% (d)		Australia 3½% 1965-69	97½	97½	3 8 6†
101½	99⅜	(d)	(d)		Birmingham 2½% 1955-57	100⅛	100⅛	2 15 6†
8⅞	6⅜	50	c	60 c	Anglo-American Corp., 10/-	6⅜	6⅜	4 9 6
7⅜	5⅜	5	a	25 b	Anglo-Iranian Oil, £1	5⅜xd	5⅜xd	5 6 8
77/6	67/9	5	a	10 b	Assoc. Electrical, Ord. £1	76/6	76/6	3 18 5
87/-	71/6	7½	a	15 b	Assoc. Port. Cem., Ord. Stk. £1	85/-	84/6	5 6 6
25/4½	17/0½	40	c	40 c	Austin Motor, Ord. Stk. 5/-	22/9	22/3	5 19 9
70/7½	66/-	7	b	7 a	Barclays Bank, Ord. 'B' £1	68/6xd	68/-xd	4 3 4
145/-	129/-	†19	b	†5 a	Bass Ratcliff, Ord. £1	136/10½	136/10½	3 10 0†
98/-	87/4½	8	a	12 b	British Oxygen, Ord. £1	95/-	95/-	4 4 3
39/3	32/1½	2½	a	5 b	Courtaulds, Ord. £1	36/9	37/3	4 0 6
18/9½	16/6	5	a	15 b	Distillers Co., Ord. 4/-	18/-	18/6	4 6 6
32/9½	28/9	8	c	8 c	Dorman Long, Ord. £1	29/7½	29/10½	5 7 1
63/6	59/-	15	c	15	Dunlop Rubber, Ord. £1	60/3	60/-	5 0 0
44/3	39/6	3	a	7 b	Imp. Chem. Ind., Ord. Stk. £1	40/-	40/6	4 18 9
109/4½	95/-	18½	b	13¼ a	Imperial Tobacco, £1	100/7½	100/7½	6 7 2
57/3	29/7½	10	c	5 a	Lancs. Cotton, Ord. Stk. £1	36/-	36/6	5 9 7
44/6	38/1½	10	c	10 c	Lever & Unilever, Ord. £1	38/9	38/9	5 3 3
63/-	57/3	15	c	15 c	London Brick, Ord. Stk. £1	58/9	57/6	5 4 4
43/9	33/3	7½	a	17½ b	Marks & Spencer ('A'), 5/-	78/6	77/-	3 17 11
48/9	41/-	8	a	4 b	P'chin Pr'son, Ord. Stk. 10/-	39/-xd	38/-xd	6 11 7
55⅛	47½	†7½	c	†7½ c	P. & O., Def. Stk. £1	46/-	45/6	5 5 6
56/3	50/-	12½	c	12½ c	Prudential, 'A' £1	31½	31½	2 9 0†
70/2½	59/3	12½	a	†5 b	Stewarts & Lloyds, Def. £1	54/6	55/6	4 10 1
6¼	3⅜	12½	b	12½ a	"Shell" Transpt., Ord. Stk. £1	60/7½	60/7½	2 8 11†
85/3	73/3	3⅜	a	11½ b	Tube Invst., Ord. Stk. £1	6	6⅛	4 2 6
33/6	27/-	8	c	8 c	Turner & Newall, Ord. Stk. £1	81/6	81/-	3 14 1
48/4½	41/9	27½	b	15 a	Union Castle Ord. Stk. £1	32/-	32/-	5 0 0
					Woolworth (F. W.) Ord. 5/-	46/-	46/-	3 16 1m

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly (t) To latest redemption date. † Free of tax. (m) Yield basis 35%. (n) Yield basis 26¼% after capital bonus.

COMPANY MEETINGS

THE STANDARD BANK OF SOUTH AFRICA LIMITED

CONDITIONS IN THE UNION

THE EARL OF ATHLONE'S REVIEW

The one hundred and thirty-seventh ordinary general meeting (being the annual general meeting for the year 1950) of The Standard Bank of South Africa Limited was held on July 26th in London.

The Rt. Hon. the Earl of Athlone, K.G., the chairman, presided.

The following is an extract from his circulated statement:—

In developing areas such as the Union of South Africa and Southern Rhodesia there must come periods of adjustment and consolidation. The year covered by the accounts now presented is one such period, when efforts directed towards the balancing of oversea payments became a major consideration. The effects of the measures taken towards this end are reflected in the changes appearing in our balance sheet.

You will observe from the profit and loss account that after providing for taxation and after an appropriation to the credit of reserve for contingencies out of which any diminution of assets has been provided for, but before making an allocation towards writing down premises and to the officers pension fund, the profit amounted to £760,692. This compares with £715,834 for the previous year. After adding £192,832 brought forward from 1949 we have a sum of £953,524 for disposal. Out of this an interim dividend at the rate of 7s. per share (amounting to £175,000 gross, and, after deduction of income tax, £96,250) was paid in January last. From the balance of £857,274 remaining, the same appropriation as last year—viz., £150,000—is made to bank premises. It is also recommended that an allocation of £350,000 be made to the officers pension fund, and that a final dividend of 9s. per share, together with a bonus of 4s. per share, be paid, leaving a sum of £178,524 to be carried forward. The dividend and bonus to shareholders, now proposed, will take £325,000, and after deduction of income tax appear as £123,750 and £55,000 net respectively in the accounts. The final distribution recommended together with the interim dividend already paid will amount to 20s. per share—that is, the same sum per share as was paid last year.

We have continued to increase the number of our branches, and expenditure in connection with this and the provision for their maintenance continues at a high level.

ECONOMIC SITUATION

In reviewing the economic situation of the Union of South Africa it should be borne in mind that it is still a country in the course of development, and the changes from time to time in its external trading position must be considered against this background. At the present time the situation is very sensitive to change because of the scale of development in progress and the degree to which this must be sustained by new investment from oversea.

Trading activity in the Union contracted in the past year. Employment has been generally steady, and the demand for essentials has remained constant, but the influence of price levels has been such that the market for luxury goods has been selective.

The increase in the sterling price of gold, which followed devaluation by the United Kingdom and most of the countries associated with the sterling area, completely changed conditions for the gold mining industry. The increased price of the metal solved the mines' most pressing difficulty—namely, the narrowing margin between revenue and costs. It enabled mines on the point of ceasing operations to remain in production, and, by rendering payable the mining of an inferior grade of ore, has prolonged the life of the others.

The improvement in the situation was followed by a renewal of demands, which had been held in abeyance, for improved wages and conditions of employment and further increases in working costs are expected in the general rise in the prices of stores and materials used by the mines. The benefit to the industry arising from devaluation was shown by the increase in the sum distributed in mining dividends for 1949. Operations were also assisted by improved deliveries of equipment and stores and by a large increase of the native labour force. Prospecting and development have been well maintained, especially in the Orange Free State where work is in progress on 10 mines.

For a great part of the year sales of diamonds were strongly affected by currency difficulties and the general expectation of devaluation but, after that event, markets quickly recovered and the value of sales for the Union was maintained.

RHODESIA

Trade in Southern Rhodesia was active during 1949 and, as stocks were varied and plentiful, commercial concerns generally experienced favourable conditions. The demand for necessities remains steady, but merchants have found that consumers are becoming selective and less inclined to buy luxury goods. The growing use of credit facilities is an indication that there may possibly be some difficulty in maintaining the high turnovers of the past few years. The good crop prospects for the coming season, and the continuance of the flow of immigrants, both European and native, into the Colony will, on the other hand, stimulate trade.

Mineral production last year reached a record total value, due mainly to the high current prices for asbestos and chrome, and, since the devaluation of sterling, the greater price for gold. The increase in the volume of base metals exported is a welcome feature.

In Northern Rhodesia activity in all sections of trade was well maintained and business conditions were generally satisfactory although there were signs of a greater use of credit facilities. The prosperity of the territory is closely tied to the market for its mineral output and the demand for this remains firm at favourable prices.

OTHER COUNTRIES

The general level of business in Nyasaland in 1949 was satisfactory and compared favourably with the previous year, the present high price of tobacco acting as a stimulus to trade.

Internal trading conditions in South-west Africa were buoyant, closely reflecting the level of farming prosperity in the territory.

During 1949 the rainfall in Kenya was much below normal and in some parts severe drought conditions were experienced. In spite of the adverse weather conditions in the early part of the planting season, the harvest of cereals improved over the previous year.

The report and accounts were adopted.

THE BRITON FERRY STEEL COMPANY LIMITED

ALL-TIME RECORD OUTPUT

The sixty-second annual general meeting of the Briton Ferry Steel Company Limited, was held on July 27th at Briton Ferry, Neath, Glamorgan, Colonel J. M. Bevan, M.C. (chairman and managing director) presiding.

The following are extracts from the chairman's circulated statement:—

The group net profit amounting to £477,138 has been materially assisted by the profits earned by our subsidiaries, and, in total, compares favourably with last year.

After making provision for taxation of £280,009 and deducting the amount of £27,715 attributable to outside shareholders, the profit for the year remaining within the group is £169,414.

I must repeat my previous statements that the take-over prices for the stocks of this company, under the terms of the Iron and Steel Act, are altogether inadequate, and add that apart from this injustice, it is to be hoped that wiser counsels may yet prevail and the iron and steel industry be permitted to carry on under private enterprise, which gives scope for individualism and is the only sure road to efficiency.

PRODUCTION AND DEMAND

The output of the steel industry of the country has now very largely caught up with the demand, but we are still very dependent on the importation of foreign scrap, which particularly applies to open hearth steel works similar to ours operating without blast furnaces. The increased output has, however, made it possible for the importation of finished and semi-finished steel to be largely curtailed, and it is to be hoped that shortly the country will become self-sufficient so that we shall be able to return to more normal trade conditions.

Our own steel works continued in full production throughout the year and established further all-time record outputs. This also applies to our re-rolling works, with the exception of our tinplate mills, where we are restricted to less than three quarters of our capacity on account of a severe shortage of labour. This handicap is common to all pack mills in the trade, with the result that the output of Welsh tinplates is considerably less than the potential demand, which remains at a very high level.

I consider there is justification for thinking that the annual demand for Welsh tinplates may well stand in the neighbourhood of 800,000 tons for many years and may increase to as much as one million tons per annum, provided we continue to foster our export trade which is normally responsible for about half our output.

Present plans provide for the future production of about 500,000 tons annually by the continuous strip method, from which it will be seen that there is a considerable balance, amounting to between 300,000 and 500,000 tons per annum, remaining for the existing pack mills. This is about equivalent to the present day output from these mills, from which it would appear that all the pack mills in operation today are likely to be needed for some years longer than was at one time contemplated. This is surely a very reassuring picture, providing as it does ample security to all engaged in the tinplate industry of regular employment for many years.

We are today converting about two-fifths of our steel output into sheets and tinplates in our own mills, but we are continuing to develop our production of ordinary and special quality billets, thus building up a satisfactory market in this direction for the future.

The report was adopted.

LEVER BROTHERS & UNILEVER LIMITED

PROBLEM OF PRODUCTIVITY

EXPERT STUDY AN AID TO EFFICIENCY

OBJECT TO IMPROVE METHODS AND WORKING CONDITIONS

BASIS OF NORMAL WORKING AND INCENTIVE SCHEMES

SIR GEOFFREY HEYWORTH'S SPEECH

The Annual General Meeting of the Members of Lever Brothers & Unilever Limited was held on July 27th at the Hall of the Chartered Insurance Institute, 20, Aldermanbury, London, E.C.2. Sir Geoffrey Heyworth presided.

Addressing the Meeting, the Chairman said:—

My Lords, Ladies and Gentlemen,—It has been my custom at these meetings to discuss a subject which is related to our business, but at the same time is of general interest. This year I shall describe our experience in tackling the problem of productivity.

The problem faces every industry in some form or other, but to a great extent special considerations apply to each industry. The under-lying principles have been the subject of discussion and study for many years past. Little that is new in theory can be profitably added today. The main contribution that can now be made is rather in the direction of the confirmation of those principles in the light of the practical working experience of recent years. I will therefore confine myself to telling you of what we have done in Unilever and the conclusions we have reached from the point of view of those industries with which we are concerned. I must leave it to those who are familiar with other industries to decide if and how far our experience can assist them in dealing with the problem of productivity in their particular sphere.

I have chosen the subject firstly because of its importance as a basic problem upon the solution of which an industry's ability to survive under modern conditions depends; and secondly because the work we have done since the war has reached a stage when we can begin to look back, observe progress and draw conclusions as to the principles to be applied and the best methods to pursue.

In what follows I use the term "productivity" in the sense of physical volume, not value of product, and I relate it to the number of man-hours worked. In relating it to man-hours I do not suggest that low productivity is necessarily the fault of the worker, the result of insufficient effort or skill, nor on the other hand that an increase in productivity is necessarily due to the worker, to increased effort or skill on his part. It is necessary for purposes of comparison to relate the number of units of output to some common factor, and man-hours is the simplest. It also has the advantage of directing attention to the importance and possibility of economising labour at a time when some industries are obstructed in their efforts to satisfy their markets by difficulty in securing labour.

CHANGE IN EMPLOYMENT SITUATION

It is perhaps necessary at this point to make clear that improving productivity per man-hour is not the only way of reducing cost. It may not offer as great an opportunity as other approaches. In the industries in which we are mainly engaged—seed-crushing, margarine manufacture and soap-making—the labour element is small in relation to the final cost, a much larger element of cost being the raw materials. It is therefore only natural that the production manager's first thoughts go to ensuring the most economical use of his raw materials.

This aspect of production which we call "technical efficiency" has been and continues to be the subject of unremitting study, both in the factories and in the research departments. Very considerable progress has been achieved and to that extent the scope for further improvement may be diminished, but we expect nevertheless to see further worthwhile economies in this field in the course of time.

Perhaps the main incentive for increased emphasis on the study of improvement in productivity comes from the change in the employment situation. Between the wars when there was serious unemployment in almost all industrialised countries there was a natural reluctance to make changes, the first effect of which was to reduce the numbers employed. Now conditions are very different—these often make it difficult to maintain a working force adequate to cope with an increasing demand for our products. Even if the labour force is adequate, the prospect of getting more output without increasing numbers has a strong appeal to production managers. From the worker's point of view the climate is also favourable—the emphasis having shifted from ensuring a job to a desire for a higher standard of living.

THE APPROACH TO THE PROBLEM

All factories throughout the organisation are expected to accept that expert study of labour productivity is necessary as an aid to efficiency which can be used for the benefit of the business. It is just as much the concern of those that are thought to be efficient as those that may be thought to be less so. Moreover, it is recognised that the benefits that accrue through it will redound to the credit of the management, and the fact that they do accrue is not regarded as a criticism of past performance. The full benefits will not be forthcoming without the help of experts and therefore a pool of specially trained personnel has been created centrally.

We have at the present time fourteen production study engineers based on London and Rotterdam. This personnel is available to work out programmes for production studies with managements, and agree plans with them for subsequent implementation by them. These experts have no stereotyped scheme to offer. There are certain principles that have to be observed if the plan is to be effective, but each plan is determined by the physical and human conditions of the individual factory units.

These study engineers are also concerned with the training within the individual factories of experts whose duty it is to operate the plans after they have been accepted. It takes from two to three years to train a study engineer, i.e., a man who initiates productivity studies, and about twelve months to train one of the plant men who can take responsibility for the running of a plan in operation. In the last four years thirty-nine plant experts have been trained.

When the decision has been taken to initiate a study in a factory, the first step is to explain its objects to all concerned—management and workers—and to secure their effective co-operation. It is explained that the object is to improve methods so as to make working conditions easier—at the same time bringing about a reduction of cost; that in practice no worker loses his employment by reason of it—any redundancies being taken care of by reduction of intake of new workers; that the object is to achieve more effective use of the same amount of effort that is presently being expended rather than to demand a greater expenditure of effort. Further that the correct assessment of a normal day's work will provide the basis for considering the introduction of an incentive scheme of wage payment. Exactly what the study will involve is made clear to everybody, and that it can only be effective if all carry on in their normal way while it is being made. The results that can be expected are largely determined by the thoroughness with which the objectives are understood by the management and workers.

STUDIES AND PLANS

Production studies which lead to the final plan can best be discussed in the following sequence:—

(i) lay-out and equipment;
(ii) organisation of work;
(iii) human factors.

I propose to say a word about each in turn. The studies on which these observations are based in the main relate to the United Kingdom and the Continent and the period since 1945. Here the effort has been on a co-ordinated and organised basis, gradually expanding as more trained personnel became available and as we grew more sure of the lines on which we were working. Before the war attention to productivity was more spasmodic—at any rate in our European factories. In the United States work in this field has received more continuous attention. As soon as more trained personnel are available it is the intention to extend the studies to all our overseas operations.

LAY-OUT AND EQUIPMENT

The difficulty with lay-out is that in an existing factory it is not easy to make a fresh start. In our organisation for instance the design of some factories is somewhat unsatisfactory, usually because during the earliest phases of their history they developed in a rather haphazard manner, and extensions therefore had to be made which had not been foreseen and for which a suitable space had not been provided in the initial plan. Ultimately this lack of logic works out in high cost—particularly of internal transport. It is our experience that even in a poorly designed factory methodical planning can quite often greatly improve the flow of production, and thus increase efficiency. Sometimes a certain amount of building is necessary for this purpose.

Even more important than design and lay-out is the quality of the equipment. In our organisation we have plants of various degrees of modernity, and this gives us an opportunity to see how much difference equipment can make. The number of man-hours required for a certain process with modern or with obsolete machinery is not the *only* measure of efficiency. The higher cost of equipment too has to be considered. In most cases, however, this increase in cost is more than compensated by the savings in handling-cost, especially when cost of power, space, etc., is taken into consideration. A few comparisons show the importance of first-class machinery for the efficiency of labour. In one of our factories the manufacturing and packing of soap powder requires 8 man-hours per ton. In another factory where production is in comparable units, but the mechanisation is higher, the corresponding figure is only 4.2 man-hours per ton. In a factory where we pack by hand, manufacturing and packing of household soap tablets require 23.5 man-hours per ton, whereas in another factory where a modern packing machine is in operation, the labour cost of this product has been reduced to 8.1 man-hours per ton.

Similar differences exist in our margarine factories. The average standard for factories, operating the old batch process, is about 9 man-hours per ton of packed margarine. By applying a continuous method the standard can be brought down to 6½ man-hours per ton, and by further mechanisation of packing even to 5 man-hours per ton.

ORGANISATION OF WORK

A logical lay-out and modern equipment do not by themselves guarantee the highest degree of efficiency. It is also necessary to concentrate on the organisation of work down to the movements of the individual worker. We have been soap makers and margarine makers for a few generations, but it is remarkable that men who have grown up in a particular job find it difficult to detach themselves sufficiently to obtain a fresh outlook. Quite often a trained observer can suggest more effective means of using time and energy, not only because of his specialised technique of observation and analysis, but also on the principle of a new light on an old subject.

One of the main reasons for loss of time and energy is the lack of standardisation of products. Changing over from one size or weight to another causes considerable losses. Conveyor-belts have to be stopped and machines reset every time, and during re-setting not only the productivity of the machine, but also that of the operator is nil. Here we have a problem that calls for a great nicety of judgment—the striking of a balance between the consumer's demand for variety and operational efficiency. The consumer is interested in operational efficiency because it is one of the determinants of the selling price. We therefore plan to produce as many products as possible by continuous runs, and where this is not possible to limit production to runs of a certain minimum length. Moreover, in countries where we have more than one factory, we are able to increase the degree of standardisation by concentrating particular types of runs in certain factories.

The interruption caused by re-setting is only one form of irregularity of flow, which is one of the greatest sources of waste. In fact, at the very outset of a study we often discover that a lot of time is spent waiting for the next job. This was most obvious when raw materials were in short supply and arrived at the factory in irregular quantities. One example will illustrate the point. During the year 1948 in one factory labour cost per 100 units of production of one item varied from 4s. to 13s., mainly in accordance with the volume of production in different weeks. It is not always possible to avoid hold-ups in the delivery of raw materials. There is, however, no reason why workers engaged for instance in cleaning drums or repairings bags, should waste time in waiting for the next lot. Elimination of waiting time has often helped to increase performance by as much as 30 per cent. Apart from external influences it is in most cases possible to secure a continuous flow by simple means, once the matter is given systematic attention.

Surprising though it may seem, it is often more difficult to discover where exactly bottlenecks in the plant lie. Sometimes they are almost unnoticeable, and yet they have a decisive influence on output. This was evident during the war when in one of the occupied countries the manager of a soap factory slightly reduced the speed of the packing machines. His aim was to practise a mild form of sabotage, but he was able to find an excuse in the inferior quality of wartime packing material. This appeared to be a very small matter, but in fact it reduced the production of the whole factory by 10 per cent. Now this was a bottleneck of which the manager was very well aware, but there are many factories in which bottlenecks are only discovered by study. This must be done by close co-operation of the expert with the factory management.

THE WORKERS' PERFORMANCE

It has been well known that workers, even when they have done a certain job for a number of years, make unnecessary movements and thereby waste energy. By motion study it is possible to show how the same job can be done with less effort if things are arranged in a slightly different way. If and when after such re-arrangements the worker's performance is increased, it is not because he is being driven, but because he has been helped to use his energy to better effect. Work study in a department where labour is chiefly manual has much greater effect than in a department which has already been mechanised; because the machine in itself compels a certain amount of purposely organised effort. Still, even in mechanised departments savings are possible. This was demonstrated by a study of mechanical packing in one of our soap factories, which resulted in an increase in productivity of 20 per cent.

On the whole, our experience is that even without incentives, by just studying the methods of work and improving them, we have been able to establish a level of productivity which we will call the new "normal"—30 per cent. above the previously existing level. To reach this level no extra effort by the worker was called for. It was solely a matter of eliminating waste and improving conditions. It should be emphasised that the "normal" is determined by the results of the studies and is then explained and accepted by the management and the workers concerned. This brings me to the last and most important point in the sequence—the human factor.

HUMAN FACTORS

When referring to the rather low standards of individual performance which have been typical of the post-war situation in most countries, some critics have assumed that this is all due to lack of effort on the part of the workers. Of course, wartime circumstances have to a certain extent affected the workers' effort. In occupied countries most people had adopted a go-slow attitude for patriotic reasons. It is not surprising that after a period of passive resistance, frequently combined with undernourishment, the return to pre-war performance took some time. In other countries active warfare had demanded the utmost energy of all during a number of years, and a certain reaction was bound to set in. I think that these difficulties have been overcome by now and that wherever individual performance is inadequate it is wise to look at the methods of supervision in some detail. Day to day proccdure, and the level of understanding on the part of supervisors may vary considerably. In our experience a good manager's efforts to increase efficiency, after mutual consultation, are hardly ever frustrated by resistance from the workers. Neither workers nor office personnel like to work long hours, but *whilst they are on the job*, they are generally willing to work. In our organisation we are always in a position to compare conditions in different countries, and it is remarkable—perhaps to many this may be unexpected—that in our experience of European countries we have not found any important differences between the workers of various nationalities as far as willingness to work and potential performance are concerned. Generally speaking, there are two motives for workers to accept production study, namely that it saves energy and that it brings in extra money.

It follows that the worker must be guaranteed that his wage will be maintained even if the amount of physical effort required is less than was necessary before the improvements were introduced.

The acceptance by all concerned of these work tasks is vital and can only be achieved by explaining in detail to everybody exactly how the measurement of them has been arrived at. To achieve this it may be necessary to hold classes of selected key workers to explain the various measurement techniques. No trouble is too much to take to ensure full understanding. When the production is organised on the new basis, everybody should feel that the work has been made more attractive with a saving of physical effort.

"NORMAL" PRODUCTION AND INCENTIVE SCHEMES

The time taken to complete a production study in a factory to the point of establishing the new "normal" varies in accordance with the complexity of the operations to be studied, the amount of time that the management can spare from day to day operation, and the degree of confidence that exists between the management and the workers; but in no instance can it be done quickly. In a medium sized factory, say one employing 500 workers, a minimum of 12 months is required. At least half this time is devoted to establishing basic understanding of the methods to be used and the objectives that are sought to be achieved.

A production study can stop at the stage where work tasks have been set in relation to the improvements in lay-out, equipment and organisation, and in many cases it does. This "normal" can also form the starting point for a soundly based incentive scheme, acceptable to both workers and management.

From 1945 to date production studies have been initiated in 82 factories throughout the United Kingdom and the Continent. In 39 of these the study has not yet been carried beyond the establishment of the "normal"; in the remainder, incentive schemes have been introduced. Proportionately, the number of incentive schemes introduced is much less in the U.K. than in the other countries. This is due to the fact that we started rather later to build up the necessary expert personnel. On the other hand in some Continental countries there has been a more positive pressure from the worker for the introduction of incentive schemes as a means of bringing his wage packet up to an adequate level, direct wage increases unaccompanied by increased productivity being in many instances prohibited by decree.

The introduction of an incentive scheme once the "normal" has been established is relatively simple since the measurements on which the incentive is to be based have been already established and the method of recording set up. As a rule, a few weeks suffice. The principle is that the worker receives the full benefit of the reduction in labour cost per unit resulting from output in excess of the "normal." The company benefits by the reduction in the overhead element in the cost arising from the higher output. The company bears the additional cost of the clerical expense necessary for the recording. In the main, incentive schemes result in increases in output and workers' earnings of about 20 per cent.

Generally speaking, incentive schemes are based on groups of workers rather than individuals. The groups should be small enough to keep every member informed and interested.

A FAIR TECHNIQUE

I shall not dwell upon the details of our incentive schemes because they vary with the character of the work. The point I want to emphasise is how essential it is for the workers to understand the technique of the system and to accept it whole-heartedly as being

cur. The same point has already been made in relation to the establishment of the "normal." The operation of the incentive schemes requires the continuous attention of management. In the course of time as conditions change it is necessary to alter the "normal," and this must receive close attention. The change can be in either direction. For instance, if sub-standard material has for some reason to be handled the operator must not be penalised and so the "normal" has to be reduced. On the other hand, if better machinery is installed, the "normal" will have to be increased. It is extremely important that nothing be done to undermine the workers' confidence in the real aims of the incentive plan. Much of the disinclination of workers to accept incentive schemes has been caused by fear that the rates may be cut as higher performance is achieved. For this reason we do not alter the "normal" unless some change in the equipment of the unit or in the character of the material makes it necessary. Technical improvements increase the output per man without any extra effort from the worker, and it is not reasonable that gains thus obtained should go to the worker in the form of bonuses.

It is generally desirable that incentive schemes should be introduced to cover as large a proportion as possible of the workers engaged in a unit at the same time. This is desirable operationally, otherwise the harmony between the outputs of related departments would be disturbed. Moreover, it is not desirable to give the opportunity to one particular group of workers to enhance their earnings unless similar opportunities can be given to the others.

This raises a further point—namely, that there are some operations in a factory which do not lend themselves readily to inclusion in incentive schemes based on the output of the operators immediately concerned—maintenance workers being a good example. The difficulty with these non-standard work tasks is to measure them satisfactorily and to record them without excessive cost.

Speaking generally, we believe that an incentive scheme should not be introduced unless 50 per cent. of the workers can be brought within it. For it to have the best chance of success, we believe that it should comprise 75 per cent. Whatever percentage of workers can be included, the problem of what to do about those not covered by an incentive scheme must be faced. There are various alternative methods of increasing their earnings. The method selected should obviously provide for their earnings to increase, but not out of proportion to the earnings of those covered directly by the incentive scheme.

The main points which I have indicated as having been brought out by our experience so far, are:—

(i) Production studies cannot be done quickly, for it is essential that they should be thorough. The methods to be used and the objectives sought must be made clear to, and accepted by, management and worker. This demands a great deal of patience.

(ii) Production studies require specially trained personnel. Once a plan has been introduced a specialist must be appointed to each unit management.

(iii) Above all, the first priority must be given to the maintenance of complete confidence between management and workers, without which satisfactory results cannot be maintained.

CONCLUSION

And now in conclusion, some remarks about Productivity in general. From time to time figures of productivity of individual industries are published—in particular making comparisons between one country and another. Operating as we do in a large number of countries it can be rightly assumed that we are well placed to provide data of this kind for the industries in which we are engaged, but in fact such figures—although no doubt of general interest to the economist—have little direct usefulness for the industrialist. His task is to produce at the lowest cost units of output which are saleable.

Theoretically, we could increase our productivity in England and Holland if we adopted the larger units of sale that are prevalent in the United States. To give one example—the average unit of sale to the consumer of the leading brand of packaged soaps in the U.S. is 23 ozs. per packet; whereas in England it is 7 ozs.; and in Holland it is 9 ozs.

In all cases the packing operation is done by machinery, the output of which is determined not by the weight of the throughput, but by the number of units that have to be produced. It is therefore not practicable to obtain the same productivity per ton of output in England and Holland as in the United States until the standard of living rises to a point which permits the consumer to buy in larger units.

Again as we have already pointed out the degree of mechanisation has a large influence on productivity, but the practical limit of mechanisation is determined by the all-in cost. So it follows that the greatest opportunity to mechanise effectively exists in countries where the general wage level is highest. It is a fact that the wage level is higher in the U.S.A. than in England and Holland.

For these reasons—and there are others—productivity figures by themselves are not a true criterion for measuring efficiency between one country and another. We do believe that it is valuable to study the methods by which high productivity is obtained in different countries and then to see how far they can be applied elsewhere under differing conditions, and that is what we are attempting to do. By so doing, we shall in due course of time make a contribution towards raising the standard of living in all the countries in which we operate.

The chairman concluded by moving the adoption of the report and accounts.

Sir Herbert Davis, C.B.E., vice-chairman, seconded the resolution and it was carried unanimously.

The proposed dividends of 10 per cent. on the ordinary stock and 6 per cent. on the deferred stock payable on August 4, 1950, were approved, the retiring directors (except Mr H. H. Bagnall who had reached retiring age and did not seek re-appointment) were reappointed and the remuneration of the auditors, Messrs. Cooper Brothers & Co. and Messrs. Price Waterhouse & Co., who had been re-appointed under the provisions of the Companies Act, 1948, was fixed.

LEVER BROTHERS & UNILEVER N.V.

The annual general meeting of the members of Lever Brothers and Unilever N.V. was held yesterday at Museumpark, Rotterdam. Mr P. Rykens presided and made a speech in similar terms to that delivered by Sir Geoffrey Heyworth at the annual meeting of Lever Brothers & Unilever Limited, reported above.

The report and accounts for the year 1949 were adopted. The proposed dividend of 8.9 per cent. (being the equivalent of the dividend for the same year to be paid by Lever Brothers & Unilever Limited, to its ordinary stockholders calculated in accordance with the provisions of the equalisation agreement and converted at a rate of exchange of Fl.10.64 to the £ sterling) was approved, the retiring directors (except Mr H. H. Bagnall) were re-appointed and the auditors, Messrs. Price Waterhouse & Co. and Messrs. Cooper Brothers & Co., were re-appointed.

CONSTRUCTORS, LIMITED

PROFIT IMPROVEMENT MAINTAINED

MR H. J. FINER'S STATEMENT

The twenty-eighth annual general meeting of Constructors, Limited, was held at Nickel Works, Tyburn Road, Erdington, Birmingham, on July 20th, Mr H. J. Finer (chairman and joint managing director) presiding. The secretary (Mr J. A. Pinches) read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement circulated with the report and accounts for the year to December 31, 1949:

Ladies and Gentlemen,—It would be appropriate, I think, to commence my address this year by reminding shareholders that the company was converted into a public company on October 27, 1949, and that the Stock Exchange has granted permission for dealings in, and for quotation for, the 150 000 preference shares now issued. Your directors felt that the profits of the group had now reached a level which necessitated an increase in the permanent capital of the company and the £110,000 raised during the year by the preference share issue has been utilised in the repayment of the advances from the group's bankers, which, at December 31, 1948, amounted to £102,953.

There is, consequently, a material change in the "liquid" position of the group and reference to the consolidated balance-sheet shows that current assets exceed current liabilities by some £230,000. The directors regard this margin as being quite ample to provide adequate working capital and normal plant replacements, having regard to rising costs of production and price levels generally.

TRADING RESULTS

In the press notice published in October, 1949, reference was made under the heading "future prospects" to the fact that "profits earned in the current year to date exceed those earned in the same period last year." I am pleased to report that the improvement over last year was maintained. If you turn to the consolidated profit and loss account you will see that the balance from trading account increased to £168,586 from £143,193 last year. After deducting depreciation and amounts written off patents and transferring £6,000 to plant replacement reserve—a total of £21,760 as against £6,782 in the previous year, and after allowing for directors' emoluments and other charges, including profits tax, the profit for the year before income-tax is £101,603.

I do not think it is necessary to refer again to all the appropriations of profit, which are shown clearly in the directors' report, but I should, perhaps, explain the transfer of £1,000 to the pension scheme reserve. When the company's superannuation scheme was inaugurated some years ago the directors thought it prudent to place sums to reserve and at the same time invest like amounts in government securities, to ensure that the annual premiums could be duly paid should the company experience less profitable trading. Although the profits earned in recent years may suggest that this reserve may not be necessary, it is the intention of the directors to protect the employees' pensions by adding to this reserve from time to time.

DIVIDEND AND RESERVES

Regarding the distribution to shareholders, the preference dividends have, of course, been paid during the year. An interim dividend of 10 per cent., less income-tax, has been paid on the ordinary shares and the board recommends a final dividend on the ordinary shares at the same rate. This leaves a balance on the group profit and loss account of £67,246 compared with the balance from last account, after crediting a surplus taxation reserve of £1,624, of £40,165.

The group's reserves now amount to £147,459, and I would remind shareholders that in the press notice it was pointed out that the directors may, if they think fit, propose a capitalisation of reserves and the issue of bonus shares. At the appropriate time the directors will consider the advisability of such an issue to bring the company's issued capital more into line with the actual capital employed in the business.

It would be unwise in these difficult times to make any forecast as to the future, but I can say, as far as the current year is concerned, that progress to date has been maintained.

I should like to conclude with a vote of thanks to our directors, staff and employees in which, I am sure, you will all be pleased to join.

The report and accounts were adopted; the proposed dividends were approved; the retiring director, Mr J. A. Pinches, was re-elected, and the remuneration of the auditors, Messrs Thomson McLintock and Company, was fixed.

NCHANGA CONSOLIDATED COPPER MINES

EXPANDING PRODUCTION

The thirteenth annual ordinary general meeting of Nchanga Consolidated Copper Mines Limited was held on July 26th, in London.

In the course of his speech, Mr S. S. Taylor, C.M.G., D.S.O., Deputy Chairman, who presided, said:—

I would like to make a few comments on the directors' report and accounts, and in the first place I will deal with the matter of our expanding production.

The programme adopted was as follows:—

We would raise production to a figure of 64,000 long tons of copper per annum and we would also undertake shaft sinking and development with a view to a still larger production. The 64,000 long ton programme was initiated and has proceeded, although as has been reported to you from time to time various delays have occurred in delivery of plant and machinery, while there have been substantial increases in the cost of plant, machinery and labour. I informed you last year that the total cost of the programme, including various items of plant, machinery and housing which had been added to the first scheme, was estimated at £4,087,000 Since then there have been further increases in cost and our latest estimate is £4,500,000. The time of completion is approaching, and I have no reason to believe that there will be any further increase in the figure I have mentioned.

FURTHER CAPITAL EXPENDITURE

We have had to provide for further capital expenditure over and above the actual cost of our extension programme. We have purchased £250,000 ordinary stock in Rhodesia Copper Refineries Limited; we have provided additional stocks of copper in connection with the increased production programme requiring £475,000, and our share of expenditure on the electric power interconnection scheme amounts to £180,000. These extra items of capital expenditure make a total of about £900,000, which, added to the cost of the extension programme, gives us a figure of £5,400,000. The amount of new capital raised in 1946 was £4,100,000, leaving a balance to be provided of £1,300,000. Last year I informed you that our capital commitments would require us to use a substantial amount of the profits which the company had made. It was for that reason that we did not recommend to you the payment of a dividend for that year, but the £1,300,000 to be provided is covered by our revenue reserves.

In the directors' report it is stated that the rate of production of 64,000 long tons of copper should be reached by the end of December this year. You will have seen from the directors' reports that the production each year has increased gradually from 22,138 long tons in the year ended March 31, 1947, to 38,761 long tons in the year under review. Since the end of the financial year production has increased monthly; for the three months ended June 30, 1950, production amounted to 13,545 long tons. It is worthy of note that the production for June itself was 5,324 long tons, which, on a yearly basis is almost equivalent to 64,000 long tons. None of this production is in the form of electrolytic copper as the Leach Plant at Nchanga is not yet complete, nor are the extensions to the Electrolytic Refinery, belonging to Rhodesia Copper Refineries Limited, which are being made to deal with part of the production of this company. The extensions to the refinery, however, are expected to be complete by the end of this year, though the coming into operation of the Leach Plant may be slightly delayed beyond that date, owing to power shortage.

That completes my remarks on the 64,000 long ton programme and the provision for its finance.

MINING PROGRAMME

I will now deal with the question of still larger output of copper, which was envisaged in 1946. At that time it was thought that the final plans of plant construction and decisions as to what capital expenditure would be required would not be made until the 64,000 long tons plant had been running for some time. Since then our views have changed somewhat. It is in the interest of the country that the fullest possible production of copper should be provided by the British Empire, and it is also to the interests of the company that the potentialities of our great mining property should be exploited to the full. As I have said, there have been considerable delays in the completion of the extension to 64,000 long tons, and we have at present at the mine a large construction labour force which would take some time to re-assemble if it was once disbanded. We have gained considerable information, which will enable our consulting engineers to plan our mining programme. For all these reasons your directors have decided to proceed with the next stage forthwith. We are planning for a production of 108,000 long tons of copper per annum. The estimated cost of the increase is £5,700,000. In due course information will be given to you as to how it is proposed to finance this programme, but I may say that the present intention of your board is to obtain the main portion of the required funds by way of loan. We expect to complete this programme by the end of 1952, and we also expect that nearly the whole of the total production will be in the form of electrolytic copper.

We are still under contract to sell the major part of our output for the calendar year 1950 to the Ministry of Supply.

The dividend of 20 per cent. was approved and the report adopted

EX-LANDS NIGERIA LIMITED

INCREASED TIN REVENUE

The thirty-eighth annual general meeting of Ex-Lands Nigeria Limited, was held on July 26th in London. Maj.-Gen. W. W. Richards, C.B., C.B.E., M.C., the chairman, presiding.

The following is an extract from the circulated statement of the chairman:

The declared output from our mines for 1949 was 725 tons of tin concentrates. This compares with 755 tons of tin produced during the previous year. In his report the manager gives the F.O.R. cost per ton as £151. After some final necessary adjustments the actual cost per ton figure was £151,339. By far the largest proportion of the expenditure per ton of tin mined is for native wages and amenities.

Further drilling was carried out and the result of the year's work has been to increase the proved reserves by 48 tons after taking into account the 725 tons mined. The reserves at December 31, 1949, were 4,582 tons contained in 11,122,700 cubic yards, giving an average value of 0.92lb. per cubic yard.

Tin revenue, £304,760, was up on last year by some £16,948, although the tin produced was less by 30 tons. After making provision for the distribution of 30 per cent. dividend for the year, the credit balance carried forward on profit and loss account is increased from £25,136 to £40,255.

Up to May 31st this year, 345 tons of tin have been produced compared with 350 tons mined during the same period last year. The decrease is due almost entirely to shortage of water. Generally speaking, the labour position is satisfactory, and we can look forward to the future.

The report was adopted.

CHAMBERS WHARF AND COLD STORES LIMITED

SATISFACTORY PROFIT

The twenty-third annual general meeting of this company was held on July 24th in London, Mr Charles Goldrei (chairman and managing director) presiding.

The following is an extract from the statement by the chairman for the period ended March 31, 1950:—

The accounts for the 53 weeks under review disclose a trading profit (after providing for payment to the Ministry of Food Cold Storage Control of the excess over the maximum allowed to be retained by the company) of £159,627. This is considered satisfactory.

Your directors have transferred to general reserve £7,500, to staff pensions and benevolent account £5,000, to contingencies reserve £20,000, and they recommend a final dividend of 22½ per cent.

In December, 1949, the company purchased additional land and buildings adjoining their riverside premises and on March, 31, 1950, they also acquired the lease of St. Saviour's Wharf, Mill Street, Dockhead, which is nearby. These acquisitions have increased the company's storage capacity by some 10,000 tons of warehousing accommodation.

Your company has played its part in the campaign against the nationalisation of cold stores. We, in company with the industry, consider in the national interest that private enterprise is in a better position to keep the industry on a competitive and therefore efficient basis than any nationalised concern.

The report was adopted.

At a subsequent extraordinary general meeting resolutions to sanction the capitalisation of £42,707 5s. of the undivided profits and to alter the articles of association were approved.

WALSALL CONDUITS, LIMITED

FURTHER RE-EQUIPMENT AND EXPANSION

The fourteenth annual general meeting of Walsall Conduits, Limited, was held on July 25th at Grand Hotel, Birmingham, Mr Albert E. Read (chairman) presiding.

The following is the chairman's statement circulated with the report and accounts:

It will be seen from the consolidated profit and loss account that the combined net profit of the parent company and its subsidiaries after making full provisions, including taxation on the basis of the legal liability to December 31st amounts to £147,581, as compared with £178,041 for the previous year. In making comparison with the previous year's results I would remind you that the profits of the company's principal subsidiary covered a period of 16 months from September 1, 1947 to December 31, 1948. Before providing for taxation the net profits earned by the parent company exceeded those of the previous year by approximately £11,000, but in the case of the subsidiary A. G. Hackney and Company, Limited, the net trading profit for the year 1949 amounted to £31,688, compared with £64,059 for the period of 16 months ended December 31, 1948. This fall in the profit was largely due to increased costs of both labour and materials and there was also some falling off in the demand for the type of porcelain products of the subsidiary, but steps are being taken to extend the range of its productions and I am hopeful that improved results will be obtained.

In my statement a year ago I referred to rising costs of production and shortage of labour and limited floor space. These conditions continue to apply but not, I am happy to say, to quite the same extent

FACTORY EXTENSIONS

The new tube mill is now in full production and working smoothly and well. New pickling and enamelling plants are in course of being installed and it is anticipated these will be completed by the end of the present year and will provide facilities for a substantial increase in tube output. Since 1945 approximately £100,000 has been expended from the company's liquid resources on capital re-equipment and expansion. The continually increasing demand for our products will necessitate further extensions in every department apart from the tube mills, the extensions to which are now nearing completion. The company's business is very complex, embodying grey, malleable iron and non-ferrous foundries, steel tube mills, galvanising, pressing and engineering shops, all of which are equipped with modern plant and machinery necessary for the production in the most economical way of a vast assortment of articles from the smallest pressing to the larger types of industrial equipment.

Prior to the war it was possible, and was the policy of your directors, to retain sufficient liquid resources to meet the cost of new plant and for development purposes. Today, however, the cost of such capital outlay is anything up to 400 per cent. higher than in prewar years and taxation now absorbs the liquid resources which formerly would have been set aside for such purposes. The maintenance of full employment is worthy of our greatest efforts but expansion of production and full employment must go hand in hand. This cannot be maintained indefinitely if the liquid resources of industry continue to be appropriated by the State in the form of excessive and penal taxation.

I am pleased to be able to state that production and sales so far this year show an increase of approximately 10 per cent. over the corresponding period of last year. These results have not been easily achieved; they are the result of experience and hard work and your directors thank and congratulate the management, staff and all the company's employees for their loyalty and support throughout the year.

The report was adopted.

WHITEHEAD IRON AND STEEL COMPANY, LIMITED

LARGER TRADING PROFIT

MR G. H. LATHAM'S STATEMENT

The forty-third annual general meeting of The Whitehead Iron and Steel Company, Limited, was held on July 25th at Newport, Mon, Mr G. H. Latham, LL.D., J.P., the chairman and managing director, presiding.

The following is an extract from his statement circulated with the report and accounts:

The trading profit for the year to March 31st last amounted to £762,706, an increase of £111,403 compared with the previous year. The profit before charging tax amounts to £766,356. Of this sum, considerably more than half, viz. £398,750, goes in taxation, leaving a net profit of £367,606, from which provision for a dividend and the replacement and modernisation of the plant must be made. The total amount distributed in dividend, namely £129,332 (net), represents 35 per cent. of the net profit, so that 65 per cent. (£238,274) is retained in the business.

CRIPPLING TAXATION

Taxation is crippling industry. The more modern the works the higher is the cost of maintenance and replacement, and the exaction of a sum which is more than half the profit is a short-sighted policy. We shall soon need all the competitive power we can command, and it behoves us to keep our plant in first-class order. Taxation as it stands today makes this extremely difficult, if not impossible.

After adding to the net profit (£367,606) the amount brought forward (£70,550), the total amount available is ... £438,156

Deducting:		
Interim dividend (12½ per cent.) paid ...	£53,883	
Final dividend proposed (17½ per cent.) ...	75,444	
Transfer to General Reserve recommended	225,000	
		354,332
There will be carried forward to next year		£83,824

The book value of the net assets now stands at £3,105,603, compared with £2,826,849 as at March 31, 1949, and the General Reserve will stand at £1,625,000 if the transfer now recommended is adopted.

SUBSIDIARY COMPANIES

Whitehead Hill and Company, Limited: The demand for our wire products fell off during the year, but the market is now showing distinct signs of recovery. The previous shortage of wire rods has entirely disappeared and the continuity of supplies has been safeguarded.

Brick Works: At the Llandowlais Brickworks we are producing some of the best bricks in the country and we have no difficulty in disposing of all our output for a long time ahead.

W. A. Baker and Company, Limited: Our modern Engineering Shops are fully equipped to undertake a wide range of engineering products. An agreement with a well-known U.S.A. manufacturer of paper-making machinery has proved to be very successful, and finished machines are being shipped to hard currency areas, thus making a valuable contribution to the export drive.

We have had an extremely difficult year in starting up the new Mechanised Foundry with untrained labour. The mass production of castings necessitated the finding of consumers in entirely new markets, which has thrown an extra burden on our Pattern Shops. It will be appreciated, therefore, that these factors have militated against my return, by way of profit, on the substantial holding of the parent company.

The company has an excellent reputation for ornamental structural work in wrought iron, steel, bronze, etc., and have recently executed important contracts for large ornamental gates, etc.

Godins, "The Rollers of Steel Sections" Limited: This modern factory is well equipped with rolling facilities for the manufacture of Cold Formed Sections in steel and non-ferrous alloys such as aluminium, duralumin, as well as stainless steel. A year ago there was a pronounced recession in the demand, but business is now much improved.

Courtybella Works: During the year the whole of our Hot Rolling Continuous Mills were in full operation, and the output exceeded the highest "peak" output previously achieved in the history of the company. The works are still contributing very substantially to the export market.

We have progressively re-designed and rebuilt our re-heating furnaces; and the electrical drives of all hot rolling mills have been modernised. The whole of the works at Courtybella are consequently in an excellent state of efficiency so that we are able to meet any competition in the manufacture of the products in which we are interested.

Cold Rolling Department: During the first three months of the year the demand for cold rolled material fell appreciably, but in the last six months the demand revived and the present position of our order book is healthier than it has ever been. Full-time working is assured for a very long period, and the excellent finish and quality of our steel ensures your company getting its full share of both the home and export market. It is interesting to note that our output in the year 1937-38, which was a "peak" production period throughout the steel industry, was more than doubled last year, so that you have every reason to be proud of the cold rolling mills now installed.

BRIGHT PROSPECTS

I am confident that the future prospects of the company are bright, and if the politicians will allow us to get on with the job without the atmosphere of uncertainty, we are quite able to contribute our full share to the record outputs which are being achieved by the steel industry as a whole.

In conclusion, I am happy to pay tribute to all employees, both of The Whitehead Iron and Steel Company, Limited, and its subsidiary companies. I cannot speak too highly of their enthusiasm and co-operation. During the year we have again been entirely free from labour troubles. Every man has worked well, with that loyal team spirit which is such a marked feature throughout the whole of the steel industry.

The report was adopted.

TRUST HOUSES LIMITED

INCREASED TRADE

The forty-seventh annual general meeting of Trust Houses Limited was held on July 24th in London.

Captain A. R. S. Nutting, O.B.E., M.C., the chairman, in the course of his speech, said: Our profit for the year shows an increase as compared with last year. This result will, I hope, be thought satisfactory. It reflects the first full year's trading of Brown's Hotel and of the Cairn Hydro at Harrogate, which was re-opened, after Government occupation, in May of last year. It reflects also—and this I think is the gratifying thing—a steady if unspectacular improvement in the volume of our trade in apartments and food in the majority of our houses.

It may be interesting here to look back and compare the company's business today with what it was for 1939, the year before the war. For the purpose of the comparison I must of course exclude Brown's Hotel and also the business of our associated company, the Surrey Trust. In 1939 the number of sleeper nights recorded was just over 1,000,000. In the year just completed, in approximately the same number of houses, it was 1,500,000. In 1939 the number of meals we served was about 5,000,000; last year it was just on 8,000,000.

COST OF IMPROVEMENT TO PROPERTIES

I draw your attention to the very large sum of money that we have had to spend on repairs and maintenance of our houses—no less a sum than £530,000. In addition, we have spent £62,500 on improvements. It is in total a very considerable figure and the present bright and cheerful condition of our houses after the dreary war and postwar years has, I am sure, a good deal to do with the maintenance of the volume of our trade.

Nevertheless, it is an alarming figure, for it reflects the sharp rise in costs and the effect of purchase tax. When we have caught up with postponed expenditure our charge in the profit and loss account under this head will be a very heavy one. It is worth noting that out of our very heavy spending last year on furniture and equipment 12½ per cent. went to the Treasury as purchase tax. The concession announced by the President of the Board of Trade the other day would help a few establishments, including, I hope, some of ours, but at the risk of seeming ungrateful I am bound to say that we should have much preferred a measure of relief in which all hotels and inns could participate.

CATERING BUSINESS

During the last year a lot has been said in many quarters about English hotels, not by any means all of it favourable. It seems to me that these comments have not made enough allowance for the industry's difficulties in the postwar years and for the effect of food rationing on hotel catering. It is apparently thought that catering establishments are better off than the housewife, but that is far from being the case.

You may expect me to say something about the effect of the removal of the restrictions on meals—that is, both the 5s. limit of price and the limit to three courses. Our figures do not show any real increase in spending per head. The customer is delighted to have a little more freedom of choice, but on average he does not want to pay any more. It is your company's policy to continue to offer a reasonable meal at a moderate price.

As to the prospects of business this summer, they appear to be reasonably good, provided world conditions do not deteriorate.

The report and accounts were adopted.

THE TRUSTEES CORPORATION, LIMITED

12 PER CENT. DISTRIBUTION MAINTAINED

The sixty-second annual general meeting of The Trustees Corporation, Limited, was held in London on July 26.

Mr L. A. Stride, the chairman, in the course of his speech, said: Once more we come before you with results which are satisfactory. At £282,359, gross revenue from interest and dividends for the year to May 31st last showed an increase of £19,383 compared with the previous year. In the year under review certain unusual factors led to the appreciable increase now apparent including devaluation last September. Even in a full year, however, devaluation will have relatively small effect upon our total revenue.

For the year now current, on the basis of careful estimates, we foresee no likelihood of a further increase in income from investments anything like comparable with that of last year. At home and abroad grave uncertainties prevail and we therefore are convinced that in accordance with past policy a cautious outlook is still clearly called for.

I give it as my conviction that at home on the part of the community as a whole there is no true comprehension of the continuing seriousness of this country's financial and economic situation. As was recently said in the House of Commons, there is still grave risk that the so-called "Welfare State" may ultimately prove to be the "Farewell State." For our own part, beset with the doubts and difficulties both at home and abroad which spring from political considerations quite outside our powers, we shall continue to manage your affairs with prudence and to the best of our abilities.

The report was adopted.

FORSTER'S GLASS COMPANY LIMITED

RECORD SALES

The thirty-first annual general meeting of Forster's Glass Company Limited, was held on July 21st in London, Major A. C. Bonsor presiding in the unavoidable abscence of the chairman (Colonel C. E. Ponsonby, T.D., D.L.). The following is an extract from the circulated statement by the chairman: The profit for the year amounts to £72,405, as against £69,147 last year. Your directors recommend that a dividend of 16¼ per cent. be paid on the ordinary shares.

During the year the volume of production and of sales constituted records in the history of the company. As far as the present year is concerned, the demand for your company's products continues at a satisfactory level.

In common with many other manufacturers we are now passing through a period of very difficult trading conditions. Our selling prices have remained stable since October, 1947, although since that date all costs to us have been steadily increasing.

The continued incidence of heavy costs over the past year and the additional items to be borne this year, left us with no alternative but to apply for an increase in our selling prices. There was every justification for a five per cent. increase, but the authorities concerned were unwilling, in view of the present economic position of the country, to allow us more than two and one-half per cent.

The permitted increase will not balance all our additional costs, and it is obvious that this will have an adverse effect on the company's earnings during the current year. Our plant and machinery is kept in a high state of efficiency and wherever possible new and improved technical equipment and methods are introduced.

The report was adopted.

OHLSSON'S CAPE BREWERIES

A NEW ISSUE

The sixty-first annual general meeting of Ohlsson's Cape Breweries, Limited, was held on July 19th in London.

Mr Geoffrey Dent (the chairman), in the course of his speech, said: The year under review has not been altogether free from difficulties in the conduct of the company's business. The profit on trading and rentals of the company and its subsidiaries for the year, after charging all working and management expenses but before providing for depreciation, amounted to £630,111. It is proposed to pay a final dividend of 17½ per cent. on the ordinary shares less income-tax, making 22½ per cent. for the year.

The trading profits show a decrease of £57,376, but it is satisfactory to record that net profit is only slightly below the figure for 1948-49.

Your board have decided that the time has now arrived when the provision of additional capital is desirable. It is proposed to offer for subscription by the ordinary shareholders 180,000 new shares of £1 each in the proportion of three new shares for every 10 shares held at the close of business on Monday last, July 17th. These shares will be provisionally allotted to the ordinary shareholders at a price of £3 10s. per share, which is approximately 10s. below the present market price of the issued ordinary shares.

The proceeds of the issue, which will amount to approximately £612,000, will be required to finance the company's existing commitments for capital expenditure, including the new Lager Brewery now in course of construction at Cape Town, a new bottling depot in Bulawayo in Southern Rhodesia, and a new depot at East London.

The report was adopted.

SAN FRANCISCO MINES OF MEXICO, LIMITED

The thirty-seventh annual general meeting of the San Francisco Mines of Mexico, Limited, was held on July 25th in London. Mr C. T. Pott, the chairman, presiding.

The following is an extract from the chairman's circulated statement:

The net profit for the year amounted to £628,525, against £503,141 in the previous year. The directors recommend the payment of a dividend of 5s. per unit.

During the year 1948-49 we milled 580,000 tons, against 503,000 tons in the previous year when operations were suspended for two months by a workmen's strike. The average grade of the ore milled was above that of the previous year and nearly equalled the average grade of our ore reserves.

Due to the shortage of underground workers, development on vein was restricted to some 4,000 metres, of which 40 per cent. was payable. Although the meterage developed was smaller and the payability lower than in recent years, the tonnage and the grade of the blocked-out ore reserve was maintained at over 4,000,000 tons averaging about 16 per cent. combined lead and zinc.

The mill and mine are now fully equipped to operate on a scale of 60,000 tons per month, which is 20 per cent. above the previous capacity, but so far there has been insufficient labour to enable the expanded capacity to be fully used. The labour supply, however, is now improving and it is anticipated that the current monthly production rate of 50,000 tons will be brought up gradually to 60,000 tons by the end of 1950, with of course, proportionate effect upon our earnings. Our strong financial position enables us to face the future with confidence.

The report was adopted.

G.R.A. TRUST

MR. F. S. GENTLE ON "GROSSLY UNFAIR" BETTING TAX

The twenty-second annual general meeting of The Greyhound Racing Association Trust, Limited, was held on July 27th in London.

Mr. Francis S. Gentle (chairman and managing director), in the course of his speech, said: The group's trading profit was £412,000, as against £519,000 in the preceding year. The fall in totalisator revenue, which we attribute mainly to the continued effect of the 10 per cent. Pool Betting Duty, was even greater, but we were able to counteract that to some extent by planned savings in operating expenses. Your board recommends maintaining the ordinary dividend at 30 per cent.

We regard the 10 per cent. Pool Betting Duty as a most unjust tax, striking only at on-the-course betting on greyhound racecourses. It seems to us grossly unfair that we should be taxed simply because we are easy to tax, but that seems to be the only reason for this discrimination. In addition, the results show that the rate of tax is much too high. Average attendances at greyhound race meetings at your tracks during the year to March 31, 1950, were less than 2 per cent. down, as compared with the previous year. But the totalisator turnover on average was 16½ per cent. down and the downward tendency still continues. To my mind these figures clearly show that the 10 per cent. tax is "more than the traffic can bear."

As regards the future, I am confident that your company is as well equipped as any to weather any difficulties.

The report was adopted.

WILLIAM HANCOCK AND COMPANY LIMITED

COLONEL J. G. GASKELL'S REVIEW

The sixty-third annual meeting of William Hancock and Company Limited was held on July 25th at Cardiff, Colonel J. G. Gaskell, T.D., D.D., chairman and managing director, presiding.

The following is an extract from the chairman's circulated statement:

The net profit for the year after all charges amounts to £78,474 compared with £86,449 for the previous period of 10 months. This is the more disappointing, because during the year our beer trade increased by 8 per cent., which is exceptional in comparison with brewers' turnover in some other parts of the country.

The profit reduction can be explained by many factors. In the Budget of April, 1949, there was a reduction in duty of 24s. a barrel, but of that 24s. brewers were required to find 3s. and in addition there was a loss incurred on the duty-paid stocks in the brewery. The cost of materials has increased; wages have gone up, and the cost of electricity and fuel was higher.

As a result of the April Budget this year, the gravities of all beers have been increased by three degrees. Whether this increase in gravity is going to produce increased output, I am very doubtful.

Since the devaluation of the pound in September, there have been increases in the cost of heavy fuel oil, petrol and railway freights.

On the brighter side of the picture we have shown an increase in sales, a great achievement which would under more favourable conditions have meant a profit increase.

The long overdue release of petrol from all restrictions will undoubtedly be of benefit to many of our residential hotels.

I am reasonably confident that we can look forward to some relief of the taxation burden in all its forms now borne by the trade and which in turn should increase the spending power of the public.

The report was adopted.

BARRY AND STAINES LINOLEUM, LIMITED

The ordinary general meeting of Barry and Staines Linoleum, Limited, was held on July 27, 1950.

Sir John N. Barran, Bt., the chairman, in the course of his speech, said:—

Both turnover and net profits have expanded. Our Canadian investment has given us the best dividend ever declared so far, and our French Company, despite many difficulties, has had another satisfactory trading year. We have been able to add a greatly increased sum to our contingency reserve. We have depreciated more heavily than last year.

We have restored the dividend on our Ordinary stock to its normal prewar rate. We have increased the rate of the bonus to our employees of all grades.

But we are all conscious that the trade barometer has already fallen. Control has been relaxed with pitiful and grudging slowness. There is no possible justification for the maintenance of price control for our industry.

Purchase tax is quite indefensible today on such goods as our industry offers. Even more indefensible is the seizing by Government of profits not distributed as dividends, but reserved for strengthening capital against the heavy replacement costs of the future.

DIRTY WEATHER AHEAD

Hampered as we still are by these conditions, we cannot count on the results of 1949 being repeated in 1950. What steps are we taking to prepare for the dirty weather into which our ship may well run? We are pressing forward with every fruitful plan of renewal, extensions and invention at our command. Scientific and chemical analysis, research and trials are hard at work. Our warehouses are derequisitioned and now re-opened; our travelling staffs are active again.

We are more than ever convinced that the spirit of co-operation, and a growing sense in the mind of the rank and file of British workers, of the dignity of individual labour and the share of individual responsibility, however modest, for the common result, are among the true main-springs in securing for productivity its full meaning and value. Self-reliance not subsidies, competition not cushions, should be the national watchword.

The report and accounts were unanimously adopted.

WHITEHALL ELECTRIC INVESTMENTS LIMITED

The twenty-eighth annual general meeting of Whitehall Electric Investments Limited, was held on July 20th at Winchester House, London, E.C.

The following is a summary of the report for the year ended December 31, 1949:

The consolidated gross income amounts to £145,425.

The valuation of the assets, excluding the London premium on U.S. investments, is as follows:

$6 preferred stock of American and Foreign Power	£1,317,915
Other investments at market prices	2,020,956
Unquoted investments	609,005
Gilt-edged investments and net floating assets	560,111
	£4,507,987
Deduct minority interest	185,561
Leaving attributable to the company, excluding any valuation of Athens	£4,322,426

The scheme of arrangement, which was approved by shareholders at meetings held on August 10, 1949, received the sanction and confirmation of the Court and became effective on November 11, 1949.

No dividend was received during the year on the $6 preferred stock of American and Foreign Power. In view of the rising dollar price of the shares and the advantageous rate of exchange, opportunity is being taken to reduce this investment.

The Greek civil war has been brought to a successful conclusion by the Government forces. The U.S. authorities have declared their intention to go forward with plans for the reconstruction and industrialisation of the country; but they have made the continuance of American aid dependent on the adoption by the Greek Government of administrative and fiscal reforms.

The Athens electricity company has pressed forward with extensions to its generating capacity and reinforcement of its distribution system; and, as a result of the $6 million loan granted under E.C.A. auspices, it has been enabled to place orders for further equipment to meet its immediate needs.

The transport undertaking suffered from increased competition by private buses, but some improvement in revenues has resulted from increases in fares.

The devaluation of the drachma in September, 1949 seriously affected the earnings of both companies, as they are wholly dependent on their drachma earnings to meet the cost of imported materials and to provide for amortisation and loan service in sterling or dollars. It has not yet been practicable to adjust tariffs to meet the consequent loss.

The report and accounts were adopted and the retiring directors re-elected.

MARTINS (DYERS & CLEANERS) LIMITED, Apperley Bridge, near Bradford, wish to appoint a Chartered Accountant to act as deputy to the company secretary. Applicants should be 28-35 years and with keen interest in industrial accountancy. The position involves considerable responsibility and carries very favourable prospects.—Write, stating age and details of education and experience, including service record, if any, and stating salary required, to Personnel Manager.

A PHARMACEUTICAL HOUSE of repute with offices in the London area wishes to appoint a person to be solely responsible for the purchasing of raw materials. Only candidates with experience and proved ability in purchasing chemicals will be considered. Salary is commensurate with high responsibility involved. The company's present employees have been notified of this vacancy.—Box 468.

REES JEFFREYS Studentship in Transport will be offered by the London School of Economics and Political Science (University of London) for award in October, 1950. The value of the Studentship is £200, tenable for one year.

The Studentship is not confined to University graduates, but is open to any person who has been engaged in the administration of transport, including road transport, or in the production of transport equipment or facilities.

Application forms, which must be returned by August 31, 1950, may be obtained from the Registrar, London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2.

WANTED Qualified Accountant Secretary; salary four figures if suitable. Only personnel with highest references need apply.—Write Box I.Y.H., c/o 95, Bishopsgate, E.C.2.

FOR SALE.—Economist, Mar., 1949-Mar., 1950. Offers.—Box 481.

Statistical Summary

EXCHEQUER RETURNS

For the week ended July 22, 1950, total ordinary revenue was £48,524,000 against ordinary expenditure of £49,641,000 and issues to sinking funds £46,000. Thus, including sinking fund allocations of £3,698,000, the surplus accrued since April 1st is £39,393,000 compared with a deficit of £11,533,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	Receipts into the Exchequer (£ thousand) April 1, 1949 to July 23, 1949	April 1, 1950 to July 22, 1950	Week ended July 23, 1949	Week ended July 22, 1950
	£'000				
ORDINARY REVENUE					
Income Tax	1388000	243,382	256,315	18,878	15,785
Sur-tax	120,000	26,000	26,100	800	900
Estate, etc., Duties	195,000	56,800	60,050	3,400	2,600
Stamps	50,000	15,700	15,415	700	1,000
Profits Tax	270,000	65,160	55,720	5,100	3,400
E.P.T.		17,000	4,200	100	300
Other Inland Rev.	500	70	50	...	...
Special Contributn.	4,500	10,200	1,870	500	100
Total Inland Rev.	2028000	434,312	399,720	29,478	24,085
Customs	870,650	243,209	264,509	9,295	15,231
Excise	713,150	178,600	186,000	11,600	8,500
Total Customs and Excise	1583800	421,809	450,509	21,095	23,731
Motor Duties	56,000	6,484	6,757	...	141
Surplus War Stores	35,000	27,901	10,446	...	...
Surplus Receipts from Trading					
P.O. (Net Receipts)	85,000	4,045	25,974	...	...
Wireless Licences	13,000	2,240	2,450	...	...
Sundry Receipts	27,000	5,913	5,172	543	544
Miscell. Receipts (in. Crown Lands)	70,000	18,889	19,782	26	23
Total Ord. Rev.	3897800	921,592	920,811	51,142	48,524
SELF-BALANCING					
Post Office	172,150	45,000	48,900	3,250	4,000
Income Tax on E.P.T. Refunds	5,700	2,601	2,885	273	35
Total	4075650	969,193	972,596	54,665	52,559

Expenditure	Estimate, 1950-51	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1949 to July 23, 1949	April 1, 1950 to July 22, 1950	Week ended July 23, 1949	Week ended July 22, 1950
	£'000				
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	490,000	122,404	119,276	1,225	1,530
Payments to N. Ireland	36,000	8,974	9,464	...	...
Other Cons. Fund Services	11,000	4,931	3,622	...	11
Total	537,000	136,309	132,362	1,225	1,541
Supply Services	2918069	793,113	745,358	33,401	48,100
Total Ord. Expd.	3455069	929,422	877,720	34,626	49,641
Sinking Funds	...	3,704	3,698	760	40
Total (excl. Self-Bal. Expd.)	3455069	933,126	881,418	35,386	49,681
SELF-BALANCING					
Post Office	172,150	45,000	48,900	3,250	4,000
Income Tax on E.P.T. Refunds	5,700	2,601	2,885	273	35
Total	3632919	980,727	933,203	38,909	53,716

After increasing Exchequer balances by £248,984 to £2,950,361, the other operations for the week increased the gross National Debt by £12,778,573 to £26,203 million.

NET RECEIPTS (£ thousand)
Nil

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1948	450
E.P.T. Refunds	44
Local Authorities Loans Act, 1945, s. 3(1)	3,300
Cinematograph Film Production (Special Loans) Act, 1949, s. 7(1)	200
Cotton (Centralized Buying) Act, 1947, s. 21(1)	3,000
Miscellaneous Financial Provisions Act, 1946:—	
Sec. 2(1) War Damage: Board of Trade	1,000
War Damage Commission	3,000
Finance Acts, 1946 and 1947, Postwar Credits	378
	11,372

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
2½% Funding Loan, 1956-61	50	Treasury Bills	11,015
Tax Reserve Certs.	1,871	Nat. Savings Certs.	1,300
Ways and Means Advances	10,300	2½% Def. Bonds	125
Treas. Dep. Receipts	13,500	3% Def. Bonds	475
		Other Debt:—	
		Internal	23
		External	4
	25,721		12,942

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tenders	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of Eng. Dept.	Treasury Deposits by Banks	Total Floating Debt
1949						
July 23	2210·0	2281·5	558·8	...	1258·5	6088·6
1950						
April 29	2930·0	1917·9	436·3	...	455·0	5739·2
May 6	2960·0	1872·5	420·0	4·8	430·0	5687·7
,, 13	3000·0	1865·4	416·2	...	410·0	5691·6
,, 20	3020·0	1859·4	437·9	...	410·0	5707·3
,, 27	3050·0	1812·0	459·1	4·0	400·0	5705·1
June 3	3070·0	1838·2	431·2	...	390·0	5729·4
,, 10	3080·0	1765·2	413·2	...	380·0	5638·4
,, 17	3090·0	1784·8	411·9	2·0	370·0	5638·7
,, 24	3100·0	1769·7	421·4	4·0	350·0	5645·1
,, 30	4856·9		404·2	12·5	350·0	5623·6
July 8	3120·0	2034·9	387·4	...	375·0	5917·3
,, 15	3120·0	2046·9	386·9	5·6	366·5	5919·3
,, 22	3130·0	2025·9	396·2	...	380·0	5932·1

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
July 22	170·0	299·5	170·0	10 5·39	43
1950					
April 21	230·0	306·4	230·0	10 2·82	65
,, 28	240·0	337·1	240·0	10 2·84	60
May 5	250·0	337·6	250·0	10 4·30	5
,, 12	240·0	313·0	240·0	10 3·05	68
,, 19	250·0	312·5	250·0	10 3·15	73
,, 26	240·0	293·5	240·0	10 3·47	77
June 2	240·0	343·5	240·0	10 2·64	57
,, 9	240·0	317·8	240·0	10 3·08	67
,, 16	240·0	299·6	240·0	10 3·33	75
,, 23	240·0	315·4	240·0	10 3·06	68
,, 30	240·0	302·4	240·0	10 3·21	73
July 7	240·0	306·4	240·0	10 3·19	72
,, 14	240·0	327·1	240·0	10 2·90	63
,, 21	240·0	335·4	240·0	10 2·78	60

On July 21st applications for 91 day bills to be paid from July 24th to July 29th were accepted dated Monday to Saturday as to about 60 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million are being offered for July 28th. For the week ending July 29th the banks will be asked for Treasury deposits to a maximum of £25 million at 182 days.

NATIONAL SAVINGS

(£ thousand)

	Week Ended July 16, 1949	Week Ended July 15, 1950	Total, Apr. 1 to July 15, 1950
Savings Certificates:—			
Receipts	1,800	1,600	26,050
Repayments	2,300	2,800	38,800
Net Savings	*Dr 500*	*Dr1,200*	*Dr12,750*
Defence Bonds:—			
Receipts	645	335	5,290
Repayments	770	940	16,288
Net Savings	*Dr 125*	*Dr 605*	*Dr10,998*
P.O. and Trustee Savings Banks:—			
Receipts	12,059	12,927	189,820
Repayments	16,275	15,784	201,586
Net Savings	*Dr4,216*	*Dr2,857*	*Dr11,766*
Total Net Savings	*Dr4,841*	*Dr4,662*	*Dr35,514*
Interest on certificates repaid	462	610	8,352
Interest accrued	2,349	2,372	35,905
Change in total remaining invested	*— 2,954*	*— 2,900*	*— 7,961*

BANK OF ENGLAND RETURNS

JULY 26, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1319,730,328	Other Govt. Securities	1338,298,702
In Banking Department	30,626,495	Other Secs.	675,250
		Coin (other than gold)	10,948
		Amt. of Fid. Issue	1350,000,000
		Gold Coin and Bullion (at 248s. 0d. per oz. fine)	356,823
	1350,356,823		1350,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	572,716,441
Rest	3,742,904	Other Secs.:—	44,419,508
Public Deps.:—	251,563,723	*Discounts and*	
*Public Accts.**	*14,506,537*	*Advances*	*17,964,130*
H.M. Treas.		*Securities*	*26,455,378*
Special Acct.	*237,057,186*		
Other Deps.:—	384,713,416		
Bankers	*286,846,092*	Notes	30,626,495
Other Accts.	*97,867,324*	Coin	6,810,599
	654,573,043		654,573,043

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1949 July 27	1950 July 12	1950 July 19	1950 July 26
Issue Dept.:—				
Notes in circulation	1305·1	1308·4	1311·4	1319·7
Notes in banking department	45·1	41·9	38·9	30·6
Government debt and securities*	1349·2	1349·3	1349·3	1349·3
Other securities	0·8	0·7	0·7	0·7
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	11·2	18·6	12·0	14·5
Treasury Special Account	32·4	228·7	228·7	237·1
Bankers	294·0	282·9	300·1	286·8
Others	91·0	96·2	95·2	97·9
Total	418·6	626·5	636·0	636·3
Securities:—				
Government	347·2	553·4	568·7	572·7
Discounts, etc.	15·3	18·2	15·1	18·0
Other	34·4	24·5	25·0	26·5
Total	396·9	596·1	608·7	617·2
Banking dept. res.	49·9	48·5	45·6	37·4
	%	%	%	%
"Proportion"	11·6	7·7	7·1	5·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,300 million to £1,350 million on June 27, 1950.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

	July 26, 1949	July 11, 1950	July 25, 1950
Cereals and meat	139·4	150·8	151·5
Other foods	147·5	156·0	156·0
Textiles	174·6	230·6	234·0
Minerals	242·0	282·8	287·5
Miscellaneous	146·7	170·2	172·2
Complete Index	164·9	190·7	192·4
1913=100	*226·9*	*262·4*	*264·4*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
July 20	63½	72½	180 4	114 0
,, 21	63½	72½	180 11	114 2
,, 22	Markets Closed		179 5	113 10
,, 24	63½	72½	179 7	113 11
,, 25	63½	72½	179 13	114 0
,, 26	63½	72½	180 0	114 3

THE HONGKONG AND SHANGHAI BANKING CORPORATION

Incorporated in the Colony of Hong Kong

Particulars of Members of Board of Directors and Managers of the Corporation will be found in the Annual Report of the Bank for the year 1949 published in March 1950.

CAPITAL ISSUED AND FULLY PAID UP	$20,000,000
RESERVE FUNDS STERLING	£5,000,000
RESERVE LIABILITY OF MEMBERS	$2,000,000

Head Office: HONG KONG

Chairman and Chief Manager: Hon. C. Sze Ayuthon, C.B.E.

London Office: 9, Gracechurch Street, E.C.3.

London Managers: A. Gray, A.M.D.G. and W. Mack, A.M.D.G. (Glasg.)

BRANCHES

BURMA — Rangoon, Mandalay
CEYLON — Colombo
CHINA — Amoy, Canton, Chefoo, Dairen, Foochow, Hankow, Harbin, Mukden, Nanking, Peking, Shanghai, Soochow, Tientsin
INDIA — Bombay, Calcutta, INDO-CHINA — Haiphong, Saigon
JAVA — Batavia, Cheribon, Djakarta, Soerabaja
JAPAN — Kobe, Tokyo, Yokohama
MALAYA — Penang, Ipoh, Johore Bahru, Kuala Lumpur, Malacca, Seremban, Singapore, Taiping
NORTH BORNEO — Jesselton, Sandakan
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Chief Office: OXFORD STREET, MANCHESTER 1.

ANNUAL INCOME EXCEEDS	£18,000,000
ASSETS EXCEED	£112,000,000
CLAIMS PAID EXCEED	£207,000,000

(1949 Accounts)

THE POLYTECHNIC, 309, REGENT STREET, W.1

DEPARTMENT OF MANAGEMENT STUDIES

THE DAY DEPARTMENT provides:—

(1) A one-year course for the Intermediate Certificate in Management Studies, leading to the final examinations of all the professional Management bodies.

(2) Specialised part-time courses on Joint Consultation, Foremanship, Human Relations, and Office Organisation and Methods, for those engaged in industry or commerce.

Session, 1950-51, commences on Tuesday, September 19th.

THE EVENING DEPARTMENT provides courses for:—

(1) The Intermediate Certificate in Management Studies.

(2) The Diploma in Management Studies, and the final examinations of the Institute of Industrial Administration, the Institution of Works Managers, the Institute of Personnel Management, the Office Management Association, the Purchasing Officers' Association.

Session 1950-51 commences on Monday, September 25th.

New evening students will be enrolled on September 18th, 6-8 p.m.

Prospectuses may be obtained on application to the undersigned.

J. C. JONES, Director of Education.

UNIVERSITY COLLEGE OF THE GOLD COAST

Applications are invited for a Senior Lecturer or Lecturer in Government and a Lecturer in Phonetics.

Salaries as follows:—Senior Lecturer £1,000 x £40- £1,350 p.a. (expatriation allowance £300-£405 p.a.); Lecturer £750 x £30-£1,000 p.a. (expatriation allowance £150-£300 p.a.); point of entry being determined by qualifications and experience. Family allowance of £50 per child per annum (maximum £150 p.a.). F.S.S.U. Partly furnished residential accommodation at rent of not more than 10 per cent. of salary. Free passages for members of staff and wives on appointment, normal retirement and annual vacation in the United Kingdom.

Applications (six copies) with the names of three referees should be sent to the Secretary, Inter-University Council for Higher Education in the Colonies, 1, Gordon Square, London, W.C.1, from whom further particulars may be obtained. *Closing date August* 15, 1950.

UNIVERSITY COLLEGE, IBADAN

Applications are invited for appointment as Organising Tutor on the staff of the Department of Extra-Mural Studies, to take up duties in October, 1950.

Salary in the scale £540, rising by annual increments of £30 to £750 p.a., with prospects of promotion to a higher grade. Expatriation allowance for staff of non-tropical domicile is either £150, £200 or £250 p.a., according to salary. Point of entry in salary scale according to qualifications and experience. Superannuation on F.S.S.U. basis. Part furnished residential accommodation at not more than 10 per cent. of salary. Passages paid for members of staff and wives on appointment and on leave.

Applications (six copies) with the names of three referees should be sent to the Secretary, Inter-University Council for Higher Education in the Colonies, 1 Gordon Square, London, W.C.1, from whom further particulars may be obtained. Closing date August 18, 1950.

MARTINS (DYERS AND CLEANERS) LIMITED, of Apperley Bridge, Nr. Bradford, invite applications for the position of Personnel Officer. Commencing salary offered from £450-£600 according to qualifications and ability. Applicants must possess Diploma in Social Studies or equivalent or higher qualification and must have had two years' post-graduate experience of work in this field or similar.—Write stating age and full details of education, qualifications and experience, to Personnel Manager.

EXPERIENCED Cost-Accountant, Statistician (H, Polish), seeks an interesting and profitable field of activity. Fifteen years' experience in industry: Iron and Steel, Textile, Pulp and Paper, Leather and Shoe Factories. Comprehensive experience of standard and actual costing, modern organisation, budgetary control, statistics. Able to prepare confidential reports. Knowledge of English, German, French, Turkish. Sound background (B.Sc.Econ). Preferably abroad. Suggestions, advice, offers welcome.—Box 479.

THE NATIONAL BANK OF SCOTLAND LIMITED

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from Professional Men, Directors and Higher Executives who have vacancies for secretaries with a University standard of training. For interview by Employers, students are selected from among those who have completed their course with the full London College Diploma. In accordance with our established custom, no fees are charged for this service. Please write or telephone to:—

THE APPOINTMENTS DIRECTOR,

THE LONDON COLLEGE OF SECRETARIES

179, Queen's Gate, London, S.W.7. KENsington 3228.

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A Tithe for Safety

THE British public can consider itself fortunate that the sudden return of Mr Bevin from Eastbourne to Westminster last Thursday enabled the Government to defeat the Opposition's demand for a secret session of the House of Commons on defence. If Mr Churchill had had his way the public's desire to know the truth about British defence might have been frustrated. As it turned out, Mr Shinwell's review of Russia's military strength, combined with Mr Churchill's sombre estimates of the weakness of the western powers, has given the same kind of shock to public opinion as was given by the revelation of Britain's military weakness at the time of Munich. The facts which the Government have for so long refused to reveal are now in *Hansard*. Russia is maintaining an active army of 175 divisions of which one-third are mechanised and tank divisions with at least 25,000 tanks. This force is backed up by 19,000 aircraft, including modern jet bombers and fighters, and in addition Russia has a strong force of submarines. While pursuing "war by proxy" in the east at a minimum cost in terms of Russian formations and equipment, the Kremlin could assemble from this total an army to hurl against the West which could be met by a force no larger than the twelve divisions and four to six thousand aircraft which Mr Churchill and M. Reynaud have estimated as the maximum effective first-line strength of Western Europe—an estimate from which Mr Shinwell did not dissent. Apart from the American lead in the manufacture of atomic bombs, a weapon whose effect upon the strategic course of a war with Russia is quite unknown, the West is as inferior in front-line strength in relation to Russia as it was in 1939 in relation to Germany. The British public at last knows the grim truth.

It is very difficult indeed to imagine what Mr Churchill thought he could secure by a secret session that would have been of equal value to the effect upon public opinion of the speech he made in public. Whether or not the Government have been right hitherto in supposing that public opinion is opposed to more drastic measures of defence, there can be no question that they are wrong now. Indeed, a situation has been created that is almost comically like that of the Chamberlain period of the late thirties. The more the Government try to reassure the public that nothing will be done to disturb "business as usual," the more the public is alarmed.

It is true that the Government are not quite so immobile as the first provisional figure of an extra £100 million suggested. It was always fairly obvious that that figure was the barest beginning, and the new Memorandum which is published as we go to press contains much larger figures. Over a period of three years, it is now proposed to spend £3,400 million, of which by far the greatest part will be found at home, although the United States is asked to assist with dollar grants. The pre-Korea rate of expenditure was £780 million a year, so that the increase is to be of the average order of £353 million a year. In short (as was assumed in these columns last week) the proportion of

the British national income to be spent on defence is to go up from about 8 per cent to about 10 per cent, or roughly the same proportion as the Americans are proposing for themselves—a tithe for safety.

This begins to sound as if the Government meant business. And yet it is difficult to feel wholly reassured. A large part of the memorandum is devoted to arguing that the new plans are "the largest programme practicable within the period envisaged and without restoring the direction of labour" and other aspects of a war economy, or without disturbing "the continuance of economic recovery." These rotund generalities do not set any absolute limits. Whether or not a given increase in defence expenditure would require the direction of labour depends entirely upon whether or not any other form of expenditure is to be cut. It would seem, therefore, that the Government's order of argument is first to decide that nothing that is now going on is to be stopped, then to calculate how much more can be squeezed out of the economy by higher productivity or otherwise; and finally to declare that this is the maximum that can be afforded. This, surely, is the wrong way round. In no single phrase of the memorandum is there, even by implication, any assurance that what is planned will be enough to do the job. A sum of £3,400 million sounds very large. But, averaged over three years, it is an increase of less than half over present expenditure. Some undisclosed part of the increase, moreover, will go in higher rates of pay for the existing forces which, necessary though they are, do not represent a real increase in the volume of defence. If the present rate of expenditure has left the West so defenceless, will some 40 per cent more be enough to create the minimum of effective defence?

Yet this is not the main ground for dissatisfaction. The planned ultimate scale of the West's defence programme is not nearly as important as the speed with which it is to move. To preserve the peace, enormous forces later on are much less needed than an effective minimum immediately. The overriding and obvious necessity at this moment is not to mortgage a large further slice of the national output to defence, but to put as sharp a cutting edge as possible, as quickly as possible, on the 10 per cent or thereabouts already committed. But speed is another matter on which the memorandum says next to nothing, and the Prime Minister's remark in last week's debate that

> it is unlikely that the increase in the actual outlay on defence during the next few months will be so large in relation to the national budget as to require special new counter-inflationary measures to be put into operation during that period

sounds very much like an intimation that it will be quite a time before any of the new money is spent—and before the new programme will have any effect on the defences of the country. The note of complacency, the insistence on orderly procedures, are ominously reminiscent of 1939-40. No disturbance that is caused, and no money that is spent, in saving a month or two, will be one-hundredth part as upsetting or as costly as failure to be in time.

There is another dangerous delusion of which the British Government cannot fairly be accused, though it seems to be very widespread elsewhere in Europe. This is the delusion that America will provide arms for all. The Korean war has exposed the fact that the American forces are suffering from the same defects as the British and European and to bring paper formations up to a standard of warlike efficiency, it will obviously be necessary for some time to come to devote almost all the increased American production of weapons and aircraft to the United States forces themselves. The most that can probably be spared for the British and European defence forces is second-hand equipment. But if the fighting in Korea shows that semi-obsolete American equipment is not good enough to stop the forces of a Russian satellite, by how much the less would it be effective against aggression by Russian armies and air forces themselves? American rifles and steel helmets may be of some use to an army like the French, which has had to build from the ground up, but a gift of Sherman tanks or Boston bombers will not bring the forces in Western Europe or the Middle East up to anything like the necessary pitch of effectiveness. American help is, indeed, an essential part of any consistent attempt by the western nations to put themselves into an effective posture of defence. But the British Government's memorandum is realistic when it speaks of "materials, machine tools, components and balancing items from the United States itself" and "dollars which can be spent in any part of the world." The major part of the job will necessarily have to be done at home.

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There is almost no sector of the British system of defences which does not need considerable strengthening. The air defences of Great Britain, the mobile defence of Western Europe, the defence of the Middle East, the creation of a mobile reserve to resist aggression wherever it may next occur in the Far East, all these can present cogent claims to be given first priority. But to try to do everything at once would be self-defeating. It is necessary to establish a rough-and-ready system of priorities which can be explained to the public, to industry and to the services so that a steady and demonstrable improvement in the strength of defences can begin.

It is not within the knowledge of the layman to say exactly what these priorities should be. But the most important of them is clearly recognised in the memorandum: important though men may be, "the most urgent need is to increase the production of defence equipment." There are large potential reserves of trained men, and even if there were not, both the world wars have shown that large numbers of men can be trained quickly. But there are very few weapons, apart from small arms, which can move from the drawing board to the fighting services in under three years. This does not, of course, mean that the question of manpower can be ignored. The need for more formations of trained and equipped men is now no longer a theoretical possibility, but a pressing reality. It may even be necessary to increase the period of compulsory military service. But that would be a *pis aller*, and the public would be right to resist it until a real attempt has been made to make regular recruitment definitely attractive. Ministers are examining the question of service pay; it is to be hoped that, for once, the Treasury will not persuade them to be niggardly. No one can be sure that really attractive rates of pay will do the trick; but it is very unlikely indeed that the trick can be done without them.

The main emphasis, however, must be on material and not on men. Within this main priority, there is of course need for sub-priorities. Here the layman is very quickly out of his depth. But there are two principles that he can the more properly insist upon because the experts are prone to ignore them. The first is that an expanded defence programme must emphatically not be an opportunity for every branch of the three services to get a little of what it wants. The test of the Ministry of Defence lies in what it can keep out of the programme; every additional penny provided for heavy bombers or for anything naval that does not fight submarines should be regarded with the utmost suspicion.

The second principle is that there must be no perfectionism leading to delays in design. What is needed is weapons in a hurry, and they can be too good as well as too many if making them so involves delay. The sound line is obviously that of reinforcing success. For the first time in its history, the British Army has, in the Centurion, an all-purpose tank which will stand comparison with any others, and the British aircraft industry has at least two first-class types of jet fighter. What is needed now is a steadily expanding production programme of these and other successful types so that the maximum number of field formations can be equipped, not with a perfect weapon but with the most serviceable modern weapon available. Second to this requirement is the need to bring forward as speedily as possible the actual production of the major defensive weapons, those of pure defence like the anti-submarine craft and aircraft or the anti-tank gun, and those of offensive defence like the rocket bomber.

It would be wrong ever to write on these matters without expressing the disgust that every peace-loving man and woman must feel when faced with the necessity of turning once again to the ways of war, barely five years since the end of the bloodletting. Memories inevitably go back to the rearmament programmes of twelve and fourteen years ago, and it is only natural to ask oneself whether there can be a different outcome this time. The similarities are depressing. But there are also decisive differences, the chief of which is that the overwhelming strength of the United States is, this time, included in the mobilisation. There is a very real basis for believing that, this time, "defence" need not become a mere mealy-mouthed euphemism for war, and that war preparations can be the most effective expression of the will for peace.

Schuman Plan Progress

FIVE of the six governments discussing the Schuman plan in Paris are signatories of the Atlantic Pact and the defence of the sixth—western Germany—is obviously one of the western allies' first preoccupations. Nevertheless, it does not seem that the change in climate brought about by the Korean war has yet had much effect upon the discussion of the plan. The emphasis in the free world at large may have switched from economic recovery to military preparedness; it is possible that, in the short run, the most likely prospect will be steel shortages, not the feared steel surplus; but, so far at least, these changes have not been registered in the Paris talks.

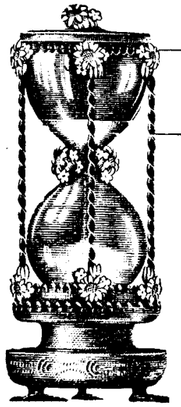
The reason is not any remoteness or withdrawal of the negotiations from practical reality. The negotiating governments have not built a cloud cuckooland and withdrawn into it. The change in emphasis brought about by the Korean war affects primarily the economic aspects of the plan. The political need to create a more united Europe has certainly not changed—unless to become more urgent—and it is upon the political side of the proposals that the emphasis of the negotiations has so far been placed. The prime movers in Paris—the French and German delegations—frankly recognise that the political aim of unity overrides all others. They are reinforced in their conviction by the evident support and approval of the United States. In their speeches to the Assembly last week, M. Pleven, M. Schuman and the socialist leader, M. André Philip, went out of their way to underline the need for political union in Europe and their hope that the Schuman plan would prove a stepping stone towards it. The worsening of the international scene and the greater risks to which Germany is apparently exposed have, therefore, become added arguments for carrying through the Schuman plan.

The political emphasis has ensured that the examination of the economic aspects of the plan is only just beginning to be undertaken by the technical experts assembled in Paris. So far, the negotiations have turned upon the political issue of the machinery by which the plan will be administered. It will be recalled that the original French plan would have given virtually all executive power to the High Authority but proposed that it should be flanked by two other organisations—an assembly composed of deputies chosen from the various national parliaments which would meet once a year to receive reports from the High Authority and could by a vote of no-confidence secure its resignation; and a semi-judicial body, a court of arbitration, to which governments and individual interests differing from the High Authority could take their complaints. These two subsidiary bodies have been retained in the discussions, and the most important modification introduced into the French draft—largely on the insistence of the Benelux countries—is to set up a new body, a Council of Ministers (probably composed of finance and economic Ministers) which will work side by side with the High Authority and carry the responsibility for the wider political issues which the working of the plan is bound to throw up.

This move clearly restores a measure of governmental control. The whole point of the High Authority was that its members should be men of international standing and technical competence, who would not consider themselves to be the representatives of the governments. A Council of Ministers can only be a body representing separate national interests. But the difference that this change may make to the working of the scheme cannot be known until two things are made clear. The first is the methods of reaching decisions in the Council of Ministers. The second is the division of function between the two bodies. The procedures for voting in the Council have not yet been decided. There appears to be general agreement that the unanimity rule—which gives each separate government what is in effect a power of veto—would defeat the purposes of the plan; the most canvassed procedure is that decisions should require a majority of three-quarters. On the other hand, some delegates have been particularly anxious to include effective safeguards for local interests. One suggestion is that a government should be allowed to veto any proposal which affects its own country and no other. Such a concession may be necessary. Equally, however,

it could defeat any attempt to secure rationalisation by closing down inefficient local industries. It is perhaps to some extent with this difficulty in mind that the delegates are examining the possibility of creating regional industrial groupings which cross national frontiers and in which adjustments would not necessarily be at the expense of only one participating nation. The difficulty here is that while it is true that to respect national frontiers may not provide the most efficient and suitable location of industry, it does not always follow that the opposite policy—to create groupings which always cross national frontiers—will automatically fare better. There appears, for instance, to be no way of dividing the industrial complex of the Ruhr which does not involve a loss of efficiency.

The demarcation of powers between the High Authority and the Council of Ministers has been very fully discussed and a provisional division suggested, but it is difficult to believe that there will not be a good deal of alteration and modification before the final pattern is determined. Broadly speaking, the present idea is to hand over to the High Authority the technical problems raised by the industries themselves while the wider political and economic repercussions of the pooling of coal and steel will be the responsibility of the Council of Ministers. But the technical problem that is not susceptible of raising wider repercussions hardly exists, and *a priori*, a division on these lines suggests that, however much the Council and the High Authority are designed to be partners of equal standing, the practical working of the scheme may tend to give the dominant influence to the Council.



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The key to the High Authority's effectiveness in producing a rationalisation of European coal and steel lies, naturally, in the extent to which it would be permitted to influence prices and the policy that it then pursued. If prices were maintained at a level permitting the most inefficient producers to remain in business, then the Schuman Plan would bring no gain in more efficient output or in cheaper coal and steel for the consumer. The decision has apparently been taken to leave the fixing of prices to the proposed regions. The producers and consumers in each region will agree on a "fair" price and this price will then be submitted to the High Authority for its approval, rejection or modification. The Authority will also have the task of co-ordinating the price proposals of the different regions. This procedure clearly leaves loopholes for the maintenance of high prices and its corollary, the fixing of production quotas for the various producers. Inevitably, the tendency of the industrial advisers, consultants and representatives is to slip back into this familiar pattern of the cartel. But governments, which are trying to transcend the notion of guaranteed markets and prices, have allies in the steel consuming industries. In France, they have been at the mercy of a particularly close and restrictive cartel, the *Comptoir des Produits Sidérurgiques*, and support M. Monnet and M. Schuman in their attempt to break the local French cartel by international means.

Provided the price policy of the High Authority tends in the direction of renewed competition, its next important function will be to set up and administer the temporary fund designed to succour those producers who are in danger of being squeezed out by competitive pressure. Where producing units are clearly uncompetitive, the fund is to arrange the provision of capital for starting up alternative employments and for retraining the workers. Where only equipment and methods are out of date, the fund is to have the task of providing the funds for modernisation. The policy is apparently to finance the fund out of a levy upon the more efficient producers. Only in its working will it be seen whether the fund is a genuinely dynamic force or degenerates into an agency of subsidisation for sub-standard enterprises.

Another vital function of the Authority, and one which the French have stressed from the outset, is to be a source of fresh capital for European coal and steel. Many industrialists, particularly in Germany, have great hopes of considerable American investment. It is believed that the prestige and the guarantees the High Authority can offer will attract American capital and that the fresh investment can then be made in the best interests of the entire European industry. Many of the delegates also wish it to be laid down that all investment in the heavy industry by other governments, even within their own territories, shall use the channel of the High Authority. Investment by national governments has in the last five years been to some extent responsible for the threat of overlapping and redundancy in the European steel industry. National programmes are often determined by politics and prestige more than by economic considerations, and if the High Authority were to become the sole channel, this type of uneconomic over-investment could be checked. No decision has been reached in the Paris negotiations on the question of private investment. Even if it is not formally controlled, it will inevitably be very considerably guided by the surveys and the information services of the High Authority.

These, then, are the main functions of the High Authority that have emerged so far in the discussions. But the effectiveness of most of them would turn upon the use the Council of Ministers were prepared to make of the powers conferred on them. Indeed, the whole Schuman Plan turns upon the willingness or unwillingness of the Governments to abolish all tariffs, quotas and restrictions of every sort on the free movement of European coal and steel and to create a completely open intra-European market for these commodities. This, after all, is the essence of the plan and it is surely significant that once this fundamental decision has been taken, its manner of implementation and the review of its consequences in the economy at large are all apparently to be the responsibility of the Council of Ministers—a governmental or at least a semi-governmental body.

The delegates have also recognised that another condition of free competition and a free market—comparable standards of wages for the workers involved—also involves political decisions and economic repercussions that go far beyond the limits of the two basic industries. A rise in the wages of coal miners and steel workers in certain countries must have its effect upon the wage level in other industries, some of which will undoubtedly tend to rise in order to preserve existing differentials. Here, too, the issues appear to go beyond the competence of the High Authority and may be handed on to the Council of Ministers.

It should perhaps be added that, although such a development has not yet been discussed in Paris, the military demands of Western Europe are bound to become another responsibility of the Council of Ministers. To discuss rearmament without including the role of heavy industry is indeed to play Hamlet without the Prince. The issue cannot be determined by the High Authority and will inevitably fall to the lot of the political Council. It is at this point, incidentally, that certain delegations see the best hope of quietly associating Britain with the Schuman Plan. To accept a joint armament programme without a joint planning of industrial resources would seem to be lacking in realism. It is, therefore, by this practical side door that the Europeans hope to see Britain enter the Plan.

This, then, is the general picture that has so far emerged from the Paris talks. It will be seen that the issues raised have been largely political and in so far as questions have been decided, virtually every decision has been taken on political grounds. The delegations are now at work on the technical and economic implications of a free market for European coal and steel, but the hidden reefs and obstacles have barely risen above the tide of debate. That they exist is not in question. But it can be said with some certainty at this stage that they will not be permitted to stand in the way of the completion, in some shape or other, of the proposed merger. What they can do, however, is very considerably to modify its scope and effectiveness. These possibilities will be examined in a further article.

Income Tax Reform

WHEN the British cease to grumble at the income tax, they will have no pleasures left. There were no reports of dancing in the streets after the Prime Minister's announcement ten days ago that a Royal Commission is to be appointed to inquire into "the whole of the present system of taxation of profits and income, with particular reference to the taxation of business profits and the taxation of salaries and wages." The British art of governing by Royal Commission is deliberative rather than speedy, and a full-scale examination of the income tax is about the toughest job that any Royal Commission could undertake. There are many admirable qualities about the British tax code. It tries, more than any other system, to treat taxpayers equitably according to their circumstances, and it succeeds—at a price. This price is incredible technical complexity, which only expert tax practitioners can hope to unravel. In 1927, it was hoped to cut through this jungle. A Committee was appointed with the double assignment of codifying and simplifying the tax law. It was nine years labouring at this impossible task and produced in the end a report characterised by a former Commissioner of Inland Revenue as "one of the worst reports ever to come from so many competent individuals."

A wide inquiry into the effects of all taxes on income (largely wages and salaries and business profits) is certainly overdue. The last Royal Commission was in 1920; it produced a few reforms but was also responsible for two errors of judgment. A modern tax reformer always has to work under the restraint of a qualifying term of reference which duly appeared in Mr Attlee's statement—"keeping in mind the need for maintaining the revenue." Modern governments may not always in future take it upon themselves to spend over two-fifths of the nation's income; but they are unlikely, whatever their political colour, to spend very much less unless the nation decides in favour of major changes in social policy. Until that happens, tax reform can only mean making the incidence of high taxation as equitable and economically tolerable as possible, with little prospect of major relief.

Much has been made since the war of the disincentive effects of PAYE. It is said to dissuade wage earners from putting out greater effort or working longer hours because, after a given point varying according to the size of individual incomes and families, the tax collected from an extra pound of wages increases sharply. Similarly, the professional man is reputed to look twice at extra work which may, if he already earns £3,000 a year gross, leave only three-eighths of his extra income after he has paid income tax and surtax on it. No doubt such considerations do affect the decisions of workers who are near the margin between lower and higher tax rates. No doubt, too, it would be possible to exaggerate these effects. But PAYE (which is levied on all wage and salary incomes above the exemption limits) is due for review. It has been running for six years, to the inestimable convenience of the revenue. It has secured the current taxation of nearly three-quarters of all personal incomes, and produces a third of the total income tax assessed under all schedules.

The tax authorities are not likely to let go such a rich discovery. Yet, apart from its administrative ease and certainly of collection, PAYE invites some questions. In 1948, there were 8,650,000 incomes in the range

between £250 and £499. This is by far the biggest block of personal incomes in the taxable range; it accounted for £2,929 million out of a total of £8,541 million, and it can be regarded for practical purposes as comprising the bulk of wage incomes subject to PAYE. Whatever may be said about the disincentive effects of PAYE on marginal earnings, the fact is that only 5.4 per cent of this total block of income was taken in taxes, compared with 14.7 per cent. of the next block (£500 to £999) and 25.6 per cent for the £1000 to £1999 block. The £250-£499 block has quadrupled in numbers and total gross income between 1938 and 1948; many in this group pay no tax, or very little, because their allowances offset any liability, and those who pay tend to think in terms of "take home" wages and to dissociate them from gross wages from which PAYE has been deducted. The social and economic implications of this attitude of mind will provide a rich field for study by the Royal Commission.

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As for the disincentive effects of moving upwards through the reduced rate areas—when a man finds himself paying, say, 6s. instead of 3s. on his next pound of taxable income—there are two changes that might be considered. The first is to base PAYE deductions on the previous year's assessed income; this would mean a more or less equal weekly deduction, irrespective of the size of the week's income, but it is open to all the old objections to assessment in arrear. The second is the set of proposals (and the variations on them) devised by Lady Rhys-Williams, and first described in these columns at the end of 1943. This scheme aims at a "private income" for all to be paid by the state, in combination with a flat rate income tax to be paid to the state from all wages and salaries without exemption limit. This amounts to social insurance and PAYE rolled into one, financed by a simple wages tax (for that is what the proposed flat rate of 6s. 8d. amounts to). There is no straining after pure equity in this scheme; it pursues the other alternative of simplicity. One of the obvious psychological difficulties is the proposal to deduct 6s. 8d. in the £ on all incomes (offset, of course, by "private incomes" amounting in the case of a married couple with two children to £2 17s. a week); such an effective rate does not apply at present to a taxpayer with wife and two children until his income exceeds £2,500. If simplicity were to become the keynote of the British income tax, equity would have to be rough. A certain roughness can be admitted so long as the effective rate of tax is low. But would the proposed rate be low enough? It is certainly to be hoped that the Royal Commission's terms of reference will be wide enough to consider and pronounce upon this scheme and its possible variants; it has many attractions and presents as many difficulties.

The Prime Minister's statement described the supply of new capital to industry as a matter of "vital importance." High taxation and a satisfactory flow of personal savings are incompatible; the supply of new capital has beyond question been critically impaired. There are, too, all the problems of defining what "profits" really are. Most economists would argue (though many accountants would deny) that a "profit" cannot truly be said to have been "earned" until full provision has been made to replace capital—both fixed assets and working capital—used up in the business. Here again there may be a conflict between what is equitable and what is practicable; but it is urgently necessary to stop the erosion of real capital that has been caused by the high taxation of "profits" which are really capital in another accounting dress. The Tucker Committee has spent the best part of a year taking evidence on the computation of business profits for income tax purposes, and its report is expected before the end of the year. This is apparently "to be taken into consideration" by the Royal Commission—which hardly suggests that urgent action is contemplated. Some industrialists are content to suppose that the doubling of the initial allowances in last year's Budget meets these points. If it does, it is only because those who hold this view turn a blind eye to the future; the 40 per cent (like the 20 per cent before) represents only an acceleration of wear-and-tear allowances and the Chancellor himself has recognised that the doubling is only an expedient to assist industry with ready finance to meet the higher cost of replacing assets instead of having to wait—in the now familiar phrase, the initial allowances represent "an interest-free loan."

An article in *The Economist* of May 20th examined the main points submitted in evidence to the Tucker Committee, and there is probably no need to rehearse them again. Its public proceedings, conducted with a certain friendly informality, underlined the great difficulties of tackling even one branch of the income tax. A full-scale inquiry will almost certainly have to cover afresh a good deal of the ground about the proper definition of business profits. In addition, it will have to examine the Profits Tax and test the contentions of those (*The Economist* among them) who hold that a special additional tax on distributed profits, on top of income tax and surtax, is unjust and a tax on undistributed profits positively iniquitous. And it will presumably have to consider the taxation of income from the ownership of land, houses and buildings under Schedule A, now based on imputed annual values dating back to 1936 which are economically irrelevant to present day conditions, and are in process of revision. Its terms of reference should certainly be wide enough to pay particular attention to the tax difficulties of private companies and firms which are "director-controlled"; these concerns experience the worst impact of income tax, surtax and death duties as personal liabilities of their directors and are all too often unable to make satisfactory provision for the sustenance of their own trading capital. The problem here is to find a way of strengthening the contribution of small businesses to the nation's output without opening the door to tax avoidance.

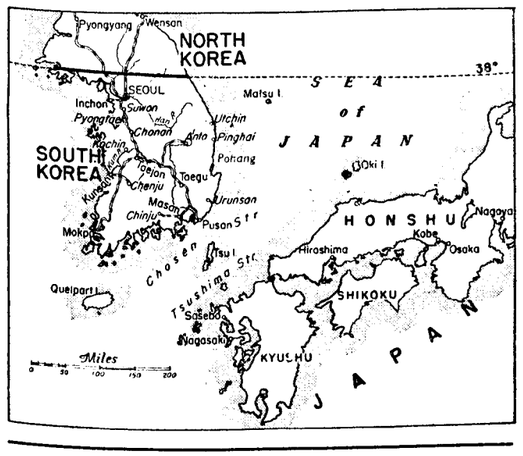
All these are complex and controversial matters. Equity is a fundamental quality of the British taxation system; to weaken it would be controversial, and to strengthen it would introduce still greater complexity. But after a certain point is reached, the refinement of equity can cost more than it is worth; it leads to fantastic tangles that can be unravelled only by highly qualified tax officials and professional advisers and yet bring in only a small return to the revenue. The easiest way of cutting out this waste and releasing energies for more productive purposes is to reduce the total tax demands of the Government. But that is a matter of policy that far transcends even the reform of the income tax. The Royal Commission will have to consider the facts of the British fiscal burden as they are, and make suggestions for the disposition of that burden in the least damaging way. They are likely to be long over their labours.

NOTES OF THE WEEK

Critical Stage in Korea

The race against time in Korea has become critical. The United Nations' forces have been thrust back virtually to their last defence line and for a time it seemed that the North Koreans by a quick thrust down the west coast had been able to pierce even this final ring. A Communist spearhead was reported at Masan, within 30 miles of Pusan, the essential American supply base, and was checked only after bloody fighting in the region of Chinju.

This ominous situation, which is in curious contrast with the optimistic releases coming from General MacArthur's headquarters in Tokyo, is relieved by one thing only—the arrival of greater American reinforcements, including the first units of the Marines. It remains to be seen whether this addition of tough, determined manpower can make good



the still dangerous disparity between the numbers engaged on each side. But it is already clear that the Americans have lost none of their capacity for tremendously speedy and successful improvisation. Writing in 1941 Mr Churchill had occasion to question a statement by the Chiefs of Staff:

> that one division could not be transferred from Great Britain to Ireland in less than eleven days, no matter how great the emergency nor how careful the previous preparations.

Yet the Americans have managed, in not much more than three weeks, to establish a supply line across the Pacific ocean. The Russians would be well advised to consider the implications of such imposing logistics.

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Mr Malik Comes Back

An end has been put to the United Nations "crowded hour of glorious life," during which nearly fifty nations rallied under its leadership to the condemnation of an invader and the United Nations flag waved over forces put into the field for the one aim of checking aggression. No more quick and decisive action need be expected from the Security Council. Soviet Russia has returned and taken its seat.

The return of Mr Malik to assume the office of president for the month of August is the Kremlin's tacit admission of a major blunder. By absenting itself, the Soviet Union permitted the free world to use the machinery of the United Nations to express its common purpose. No Soviet veto checked the condemnation of the North Korean aggression or the subsequent endorsement of American action in support of the South. As a result, Russia lost some of the initiative in a vital field—propaganda to world opinion.

To repair this error was no doubt the first object of Mr Malik's return. But almost as strong a Soviet motive must have been to continue the process of confusing and confounding the issue of Korea with that of the representation of China on the Security Council. The attempt made by Pandit Nehru to persuade the Soviet Government to cooperate through the Security Council in a peaceful settlement for Korea, provided Communist China were admitted to the Council, served notice on the Kremlin of a lively division of opinion in the free world, and Mr Malik's first action on opening the August session of the Security Council was to declare that as president, he did not accept the credentials of the Nationalist Chinese representative. He was immediately defeated on a point of procedure by eight votes to three, both the United States and British delegates pointing out that the credentials of a Council member could not be determined by the fiat of the president. Yet the Russians may well have felt that the manœuvre succeeded, since India, the chief independent spokesman of Asia in the Council, voted with Mr Malik.

The Security Council will now become a weary scene of futile dispute. Its brief spurt of action and effectiveness is at an end. Now it reverts to its old function—that of acting very largely as a forum for Soviet propaganda. For this reason, however, the free nations would do well to consider carefully their policy for the political representation of the Chinese people. The Russians are on strong ground in the eyes of Asia when they claim that the Nationalist representative, Dr Tsiang, represents nothing, and accuse the United States of supporting forces which have been driven, for very weakness and corruption, out of their own land. The issue must, no doubt, wait until the Korean incident has been settled. But the present position is an anomaly benefiting only Russia and should be brought to an end with all speed.

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Moscow's Dream War

Seen through the eyes of Tass and Radio Moscow, the Korean conflict is a model war between the toiling masses and the capitalist-imperialists, conducted in a Marxist-Leninist-Stalinist dream world. Moscow has a ready-made theory of how wars start and what happens thereafter, and if the facts do not conform to the theory, all the worse for the facts.

The Korean war, according to Moscow propaganda, began because the American imperialists had decided the moment had come to pass from active preparation for war against the peoples striving for liberation, to acts of open aggression. Why had the capitalist-imperialists taken this step? Because, as every student of Marx-Lenin-Stalin knows, the United States, like every capitalist country, was sunk deep in economic distress, the toiling masses were restive under a constantly sinking standard of living, and unemployment had soared to staggering totals. Capitalist contradictions between the Americans and British were acute, as each fought for the other's markets. North Korea was needed by the Americans as a market for their surplus consumer goods, and was marked down for exploitation of its resources of raw materials, such as iron ore and graphite. The reason why the Washington beasts launched their cannibalistic aggression was thus as clear as Marxist mud.

The subsequent course of events has naturally followed the

Kremlin's pattern of wars as they should be. America's action has been met by a mighty movement of the masses the world over, thundering the people's demand for an unconditional end to American intervention in Korea. The wrath of the peoples, secure in the knowledge that behind them stands the great bulwark of peace, the Soviet Union, is hurled at the warmongers. The answer from the ruling classes is savage terrorism directed against the "Partisans of Peace."

In all this, the United Nations has created a discordant note. Moscow was clearly nonplussed by the swift and unexpected support given to the United States. It was, of course, "illegal," according to Russian accounts, but nevertheless it fitted extremely awkwardly into the Marxist picture. In the third week of the war, however, Moscow rallied. No less than twenty nations had refused to send troops to aid America. The United States, owing to the vast movement of the masses, stood isolated. No nation dared raise a finger in its aid for fear of their fury. After an embarrassed pause, Moscow gave the news that Britain had, after all, undertaken to send troops to Korea, under the "greatest pressure" and because the Americans were "ingloriously retreating."

As the war entered its fifth week, the Russian people were told that the Americans, who had counted on a quick victory to crown their aggression, were now faced with the prospect of a long, protracted campaign. But the main lesson to be drawn from the first month's fighting was that even an aggressor armed to the teeth was powerless against a united people. This week, the Moscow propagandists, reeling slightly, have had to announce, after a pause to rewrite their directives, that the Soviet Union was back at the Security Council. Once more, Stalin's work for peace was applauded, they said, by the toiling masses of the world.

How much, one wonders, does Stalin believe of all this stuff and nonsense? The question is extremely important, for on his assessment of the support of the public abroad may depend his decision whether or not to risk a general war.

* * *

New Problems for the Atlantic Powers

In the last six weeks something of a revolution has taken place in the relations between the members of the Atlantic community, and so far they are clearly very far from realising all its implications. The fears and worries with which Europe has lived for four years—fear of an American recession, fear of a general fall in employment, fear, above all, of the dollar gap—have now been very largely banished. There will be no American recession with $23 billion of armament expenditure added to an economy already operating very nearly at capacity. Nor will unemployment worry nations straining everything to rearm in record time. Inflation, not deflation, is the future enemy. And President Truman and Congress between them have exorcised the spectre of a dollar shortage for some time to come. The 1950-51 allocation of Marshall Aid—just under $3 billion—is likely to pass through Congress substantially uncut. The $1.2 billion already authorised for military assistance to Europe will probably be appropriated speedily. In addition the President has also asked for $4 billion, of which the major part would be spent in Europe. All in all, some $7 or 8 billion may be finding their way across the Atlantic in the next twelve months.

If old problems have vanished, new and intractable difficulties have taken their place. How is the need for further European recovery to be balanced against the urgent need for arms? The Foreign Ministers of the Western Union powers, meeting at the Hague this week, have agreed that defence must, where necessary, be the first priority, but what, in fact, does such a decision entail? And where does the distinction lie? For instance, improvements to ports, to transport, to power plants or steel mills can perfectly well be regarded as contributions to defence or to recovery. In which case, would it not be more sensible to extend the authority of ECA over both the Marshall Plan and the Military Aid Programme? Or should ECA and OEEC together become the War Resources Board of the Atlantic Council?

One thing seems clear—that unless the armaments needed for defence can be secured by increased output, some economic advantages must be curtailed. For this reason, the difficulty of securing "equality of sacrifice" has come to the fore in recent weeks. The French have proposed a common fund for defence into which each nation would, presumably, contribute a percentage of its national income. The French are also reported to be speaking of a "pool of manpower," which would entail the use of more British and American divisions in Europe. All these preoccupations remain to be clarified, but the main issue is already clear—that effective defence is possible only in a pooled and unified Atlantic effort.

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A Sop for Merseyside

When Mr Harold Wilson seized the occasion of the opening of a new carbon-black plant on Merseyside to announce a "special relaxation" of the capital investment restrictions for the benefit of new enterprises in the Development Areas—Merseyside in particular—and other favoured localities he provided one more straw to show in what direction an ill wind is blowing. There are, of course, circumstances in which the policy of "taking the work to the workers" rather than shifting the workers, or leaving them to shift themselves, to the work is as economically unexceptionable as it is humanly desirable. Since, however, the measures by which it is put into effect almost by definition involve placing enterprises in situations less favourable, less conducive to low costs, and therefore less competitive, than those which would spontaneously have been chosen, the burden of proof that these circumstances exist should always rest squarely on the proposers of that policy.

To enforce high-cost production is already bad; to divert capital resources from the production of the more essential to that of the less essential (not, be it noted, by the despised criteria of the market, but by those of the planners themselves) is worse. That is what Mr Wilson's "relaxation" amounts to; "within the total investment resources available to the community" enterprises which do not satisfy the strict dollar-earning or dollar-saving criteria may go forward if they satisfy certain other criteria relating to employment. By inference, other enterprises, which do satisfy the "dollar" criteria, must, since total investment remains limited, be held back.

It would take a very desperate employment situation, the situation of a Jarrow or a Rhondda Valley fifteen years ago, to justify such a paradox. There is little evidence of such a situation on Merseyside or elsewhere. The shipyards are as busy as they have ever been; the coalfields are clamouring for any miners made redundant by the closing of worked-out pits; the steel and tinplate industries need suffer no lack of work through reorganisation; and while there is an undeniable unemployment problem around the Liverpool docks, many enterprises within a ten or fifteen-mile radius are short of workers. In such circumstances to issue an open invitation to would-be producers of the relatively unimportant to come forward and receive the Board of Trade's blessing is to push further than ever the principle that labour's privilege of immobility should be regarded as more important than either the higher standards which accompany lower costs or the considerations of solvency embodied in the "dollar" criteria. No version of full employment policy could in the long run be more thoroughly self-defeating.

A National Wage Board?

A recent Fabian pamphlet, "A Policy For Wages," by Mr Allen Flanders, raises a number of interesting questions. It tackles a question which every prewar Socialist writer, and far too many postwar ones, have shirked; how, under full employment, "can the public interest in the outcome of collective bargaining be made effective without destroying the voluntary system or weakening the trade unions?" Mr Flanders is ruthless with existing half-answers. "*Laisser faire*," he says, "cannot be abandoned in other vital sections of our economic life and retained on the wages front." The argument cannot be sidetracked by reference to excessive profits; these can be dealt with otherwise than by wage increases, and the problem would remain if they did not exist. Nor is that problem a merely temporary matter of balance-of-payments difficulties; were these overcome, the wrong wage policy would re-create them, and its disastrous internal implications would in any case remain. To assign a proportion of the national income to wages in general and entrust the TUC with its distribution between industries, as suggested by the "Keep Left" group, would fatally impair both the TUC's independence and its relation with its membership; "objective" determination of wage rates by "job evaluation" would be incompatible with union freedom even were it practically possible; arbitration through anything like the existing machinery would be hopelessly piecemeal.

Here is a salutary clearance of rubble which is long overdue. Mr Flanders's own proposal is for a National Wages Board to "supervise" (a term which may mean much or little) both the decisions of statutory wage-fixing bodies and voluntary collective agreements, to act as the final arbitration authority, and to inquire into reform of the existing wage structure. Its objectives shou'd comprise the avoidance of inflation and deflation in so far as wage movements affect these, a simpler, more rational wage structure, the establishment of a national minimum, and (cautiously) the use of wage rates to implement the manpower budget. There are holes in this proposal. It leaves the right to strike in the air—though this may well be the only place for it; one of the proposed objectives, the national minimum, is an economic monstrosity; and it does nothing to remove the fundamental inflationary drive of over-full employment. One may indeed say that nothing short of complete regimentation could permanently curb the pressures generated by employment at today's levels in today's context of immobility and rigidity; but any excess of jobs over job-seekers—and no full employment policy can either promise an exact balance or, without self-contradiction, acquiesce in deficiency—will generate pressures of some force, and it is possible that Mr Flanders's proposal might be able to deal with them. Thus the very indefiniteness of the board's powers and relationship to existing machinery is in its favour. An authority resting on confidence, gaining strength from experience, persuading rather than coercing, is well in the democratic tradition—and is more likely to focus responsible judgments and to isolate irresponsibility than any economic Star Chamber. In this field it is important, probably essential, that initiative should come from the Left. It will be interesting to observe the impact of Mr Flanders's proposals on Socialist thought.

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Scientific Employment

The third report of the Advisory Council on Scientific Policy (Cmd. 7992) confirms the findings of the Ministry of Labour that, except in chemistry and chemical engineering, the output of qualified scientists and technologists from the universities is near to meeting the demand, and that in some branches of scientific employment there is likely to be a temporary surplus. In spite of this the council maintains its original view that whatever temporary maladjustments there may be the long-term interests of British industry demand that there should be an expanding supply of university-trained men and women in industry, both for research and for administration. The long-term wisdom of the council and the short-term demands of industry might have produced an uncomfortable hiatus during which many young people encouraged by their universities to be scientists would find it hard to get a job. However, it now seems likely that the needs of even a modest measure of rearmament and increased defence preparations will come to the rescue of the scientists. If the development of certain weapons, for instance, heavy anti-aircraft guns and their very elaborate control systems, continues at its present rate there will be an acute demand for electronic and electrical engineers both to make and to fire them. Fortunately for the nation the universities are now producing twice as many applied scientists as in 1939.

On the much-disputed subject of higher technological education the council has now ventured a slightly more positive opinion. In its report last year it gave only the most lukewarm support to the concept of independent colleges of advanced technology "as a long-term policy." After a year of public discussion ending with a conference arranged jointly with the Royal Society, they are now prepared to say:

> We therefore think that as soon as the resources, material and human, can be employed without detriment to the work in applied science which the Universities are now doing, it would be prudent to establish one or more colleges of applied science, with suitable governing bodies of their own, but fitted into the university system.

This is the sort of sentence which both parties to the argument can quote to their own advantage. It does, however, indicate a slight hardening of opinion within the council on Scientific Policy and since it is an influential body, it is possible that after the usual interval during which Whitehall slowly masticates and digests a new idea some action on technological colleges will be forthcoming.

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King Leopold Retires

Ever since King Leopold and his advisers chose to interpret a 57 per cent majority in the referendum on the King's position and a 48 per cent Christian-Socialist majority in the recent election as an invitation to the King to return to Brussels, it could be foreseen that his resumption of his royal prerogatives would be the signal for grave disturbances. Beneath the calm of Belgian politics lie genuine cleavages—between Catholic and rationalist, between working class and conservative, between Fleming and Walloon. The King's policy, his choice of advisers, his reliance on a single party were all calculated to exacerbate these latent differences. So much any unbiased witness could have foretold. What is surprising is the strength of the reaction.

From the first demonstration which brought the opponents of the King, headed by M. Spaak, to the gates of Laaken ten days ago, a rising tide of violent opposition threatened to sweep Belgium into civil war. The Government forbade meetings, recalled troops from occupation duty in Germany, barricaded the streets and used truncheons and mock bombs to disperse demonstrators. The attempt was useless. Strikes spread in Antwerp and Brussels. In the violently hostile industrialised regions of Wallonia, there was virtually a general strike. Crowds ignored the decrees prohibiting public meetings and in demonstrations at the week-end three men were shot dead by the police. By this time, the workers in Wallonia had organised a general march on Brussels and there were growing undercurrents of Walloon separatism and republicanism—fostered by the Communists—in the angry protest of the masses.

By Sunday, two things had become apparent—that only the King's disappearance would restore peace to the divided country and only his rapid disappearance would prevent the situation getting out of the control not only of the Government—so much had already occurred—but of the Socialists

themselves, who, while leading the opposition, were attempting to keep it in order and out of the hands of the Communists. It was probably this realisation that brought the Catholics, the Liberals and the Socialists together in an attempt to persuade the King to agree to an abdication. The negotiations were long and acrimonious, but a compromise was at last reached in the small hours of Monday morning as the first of the Walloon demonstrators marched into the city. The King agreed to cede his powers to his son, Prince Baudouin, immediately and to abdicate in September, 1951, when the Prince comes of age. In return the Socialists consented to abandon the demand for immediate abdication and for Leopold's immediate departure from the country. They also had to accept a clause making abdication in 1951 conditional upon the achievement "of the promised reconciliation round the person" of Prince Baudouin.

The Communists attempted to denounce these terms as a "betrayal," but after a difficult meeting, M. Spaak succeeded in persuading the crowds massed in Brussels that immediate abdication as opposed to deferred abdication was not worth the spending of blood and of lives and that the essence of their demands had been achieved. With that, the danger of civil war receded and there is now a reasonable chance of restoring Belgium's impaired peace and unity.

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Japan and the Korean War

The American military expedition to Korea was originally undertaken with forces drawn from the occupation army in Japan and, though reinforcements are now arriving in Korea direct from the United States, Japan remains the forward base of operations for both the Americans and any other United Nations contingents participating in the campaign. The political situation within Japan itself has thus become of even greater importance than it was before the outbreak of the Korean war. The attitude of the Japanese people and their political leaders must be regarded as one of the key factors in Far Eastern affairs, even though Japan is at present disarmed and subjected to (a now substantially reduced) American military occupation.

The Japanese Communist party has been virtually outlawed since the purging of its leaders which was decreed under the terms of the original occupation directive excluding anti-democratic politicians from public life. The purged leaders, however, have disappeared and gone underground, so that a campaign of violent revolutionary activity may break out at any time, including attacks on American supply bases and occupation troops in Japan. The question is how much sympathy the Communists may be able to gain among those Japanese, who are not Communists in the strict sense of the word, by their pose of representing Japanese patriotism and the cause of national independence against an American domination. It is the Americans and not the Russians who have been occupying and controlling Japan since September, 1945, and docile as the Japanese have outwardly been under the benign rule of General MacArthur, there have been many signs in recent months that their national pride has now recovered from the demoralisation of defeat and will not be content with anything less than a restoration of national sovereignty. To this new unrest have now been added two other potent factors—first, the desire of Japanese industrialists for re-entry into the Chinese market, which Peking has been using as a political lever to embarrass the American authorities in Japan and Mr Yoshida's Cabinet; and, second, the reverses suffered by American arms in Korea, which, as long as they last, cannot but create doubt of the power of America either to coerce or to protect Japan.

Most serious of all is the attraction of Communist promises of a re-militarisation of Japan for ex-officers of the Japanese army. No prospect of a rebirth of the Japanese army has so far been held out from the American side, but a former Japanese general and other officers who joined the Communists after the war are reported to be serving with the North Koreans, and it is understood that a Communist Japan would, like East Germany, be allowed by Russia to build up its own armed forces. It is probably in order to counteract this propaganda that the Prime Minister, Mr Yoshida, who is certainly anti-Communist and anxious to co-operate with the western democracies, has now made a speech opposing the idea of ceding bases in Japan to any foreign power in the prospective peace treaty, while at the same time insisting that Japan's security must be provided for. The implication, though not directly stated, is clearly that Japan must be enabled to defend itself by its own strength.

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China Helps Viet Minh

Reports from Indo-China suggest that the Chinese Communists are now training Viet Namese in camps across the border north of Laokay—a situation that ominously recalls the guerrilla training camps set up in Bulgaria and Jugoslavia during the Greek civil war. The situation in fact is not entirely dissimilar, in that the rebel Communist movement in Indo-China certainly relies for its hopes of victory on aid in one form or another from neighbouring Communist territory. This aid is now arriving in the shape of arms and equipment, particularly much needed mortars and light artillery—though the Chinese still cannot spare any aircraft. In Indo-China, however, as formerly in Greece, the Communist forces must now face the certainty of a growing volume of American aid to the government forces. An official mission under Major-General Erskine and Mr Melby of the State Department has arrived in Indo-China and presages the speedy arrival of the promised aid, which will probably be expanded as a result of President Truman's increased arms programme.

Nor is the increased strength of the government forces only a matter of military equipment. Some indication of the degree of success lately achieved by the Bao Dai regime in rallying Viet Namese opinion against the Communists has been given by recent Viet Minh radio broadcasts. These bitterly complain that Bao Dai's followers "are transforming the Franco-Viet Namese war into a civil war"—it used to be readily branded simply as a national revolt against the French.

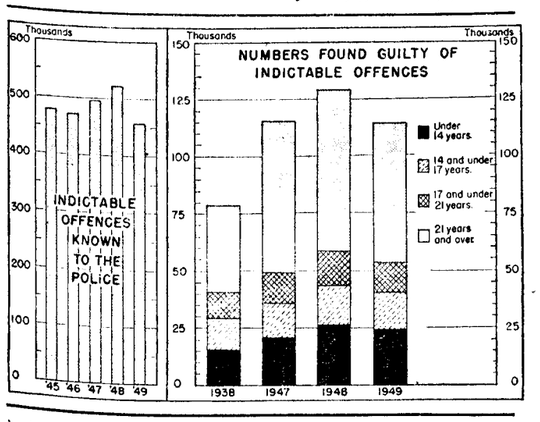
It looks at present, therefore, as if another Viet Minh guerrilla offensive is the most that may be expected for the moment; an invasion by the Chinese does not yet appear to be an immediate threat, and, in spite of the camps above Laokay, the French chances of making military progress during the next few weeks are quite good. A very great deal, however, still depends on the quality as well as the independence of the Bao Dai government. Progress has been made, but Indo-China has still to solve the two main problems that confront every non-Communist regime in Asia —how to fortify opinion against the fear that, by invasion or by infiltration, the Communists will win in any case. The second is how to accept and use foreign assistance without laying the government open to the charge of being a "toady of Wall Street."

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Measuring Crime

The Criminal Statistics for 1949 for England and Wales (Cmd. 7993) which were published last week show a welcome decrease in the volume of crime from the peak year of 1948. The total number of indictable offences known to the police declined from 522,684 in 1948 to 459,869 in 1949, the lowest number since the war. The number of juvenile offenders found guilty of indictable offences has also decreased, the largest decrease being in the number of those between the ages of 17 and 21. The number of boys under 14 found guilty is still very high—21 per cent of the total of all guilty persons—but even this figure is an encouraging decline from that of 1948.

In other respects, however, the statistics are disturbing. Offences against the person, with the exception of murder, are steadily increasing. There were 17,250 crimes in this category in 1949 as compared with 16,105 in 1948 and an average of 7,200 in the four years before the war. The largest percentage increase has been in unnatural offences—there were more than twice as many in 1949 as in 1948—and



in indecent assaults. The number of murders declined from 147 in 1948 to 119 in 1949; seven murders remained unsolved at the end of the year. The number of suicides increased slightly: 4,653 (2,998 men and 1,655 women) in 1949 as compared with 4,604 (2,900 men and 1,704 women) in 1948. It is interesting to note that by far the largest proportion of suicides—nearly half the total—are committed by people over the age of 60.

A useful supplement to the statistics shows the distribution of crime throughout all police districts in England and Wales and particularly the distribution of juvenile delinquents. The tables are of special value to organisations which are trying to deal with the problem of juvenile delinquency on a national scale. The Home Office is to be congratulated for its enterprise in producing them, though the tables would have been even more useful if it had been possible to compare, district by district, the number of offenders in each age group with the total number of persons in that age group. If such a comparison were available, it would then be possible to make a rough assessment of the criminal tendency of children in any particular district.

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Cruelty in the Home

A joint circular to local authorities from the Home Office, the Ministry of Education and the Ministry of Health deals with a subject that has agitated public opinion ever since the Curtis Committee reported in 1946. That committee was concerned with the 200,000 or so children deprived of a normal home life. It did not, however, cover those children still in their own homes but living nevertheless in conditions of squalor, neglect or cruelty. Towards the end of last year, the House of Commons passed a resolution asking for an inquiry into these cases. It was refused by the Home Secretary mainly on the ground that a working party was already looking into the extent to which the existing machinery for helping the children concerned was being used. The new circular to local authorities is the result of the working party's findings.

It has always been held, officially and unofficially, that children should not be removed from their parents except as a last resort. All the substitute homes that come within the province of the children's committees of the local authorities are rightly regarded very much as a desperate remedy, and if the right action could be taken in time the need for them would dwindle. To find the right action is, however, not so easy. The circular suggests, in brief, that there should be more co-ordination between the statutory and voluntary services. This should be achieved by the appointment of an officer to whom all known cases of child neglect and ill-treatment should be reported and who would arrange for regular meetings of the voluntary and statutory services at which the cases, and the needs of the families concerned, should be considered and the best way of helping them decided on.

Co-operation of this sort should eliminate the duplication of visits paid to unsatisfactory families by a bevy of officials and voluntary workers—a duplication that often goads the parents to fury or obstructive resentment. The cases of pure neglect should, in particular, become more tractable. (The provision of home helps may be expensive, but it is far cheaper than the cost of maintaining a child in a children's home.) It is the cases of cruelty, particularly of mental cruelty, that are so difficult to treat. What can official or voluntary action do to help the unloved, unwanted child in an otherwise respectable home or to prevent parental quarrelling? It is these cases, so often ending up in the juvenile courts, that seem designed to defeat the most intricate machinery for child care.

* * *

The Covenant in the Motor Trade

At the end of June motor traders generally were startled by a High Court decision in the case of *Monkland v. Jack Barclay, Ltd.* In May, 1946, Mr Monkland ordered two cars and settled down to wait for his turn to receive delivery. In August, 1946, the British Motor Traders Association devised its present scheme under which any retail buyer of a new car must covenant not to sell it during the twelve months following its delivery. Mr Monkland was informed of this change of circumstance but declined to enter into any such covenant, on the ground that no such scheme had been in force when he ordered his cars. One car, a Rolls-Royce, was delivered to him free of covenant in February, 1948. That he immediately sold and realised a profit of £1,150. The other car ordered was a Bentley; a week or so before the Rolls-Royce was delivered Bentley Motors themselves removed Mr Monkland's name from their list of waiting customers and the car that might have been allocated to his order was delivered to someone else. Learning of this, Mr Monkland sued the trader with whom he had placed his orders and recovered £1,500 damages for failure to deliver a Bentley car at a time when it was obvious that one had been available for someone in his degree of priority as a buyer.

As a result of this decision, the position of the motor trader seemed suddenly to have become most awkward. If a trader delivered a car to a customer without requiring the standard covenant against a re-sale, the Motor Traders Association would be free to place him on its "stop list" and all supplies, not only of new cars but also of spare parts, would at once cease. On the other hand, apparently any customer who had placed an order before the covenant scheme was announced was free to decline to give such a covenant and, if he were then refused delivery of a car, could recover damages for his lost profit on re-sale. To clear the position, another firm of motor traders sued the Motor Traders Association for a declaration that the covenant scheme was

unenforceable, since it compelled motor traders to break existing contracts. The first hearing resulted in a dismissal of the claim. By arrangement an appeal to the Court of Appeal was expedited and the Court of Appeal gave judgment last week, which has confirmed the original decision. The court has held that the covenant scheme is not against public policy, that it is enforceable against the motor trader and that he must, in consequence, face the risk of actions for damages by customers who claim delivery of cars free from covenant.

The outlook for the motor trader is not, however, quite so black as it looks. First, no customer who placed an order after August, 1946, when the covenant scheme was announced, can have much hope of establishing that he did not know he would have to sign a covenant when he was offered delivery of his new car. Second, the Court of Appeal took the view that the circumstances in Mr Monkland's case were very special and prevented its general application, and that a dealer still has some discretion as to how he allocates amongst his customers such cars as he receives from the manufacturers. There is also the practical consideration that the vast majority of those who have ordered cars, and waited years for delivery, have every intention of using those cars themselves and are therefore prepared to accept a twelve-month restriction on their right to sell them.

* * *

Shorter Notes

The Medical Act, which received the Royal Assent before Parliament adjourned last week, has three main purposes. First, it gives effect to one of the recommendations of the Goodenough Committee on medical schools, which reported in 1944, by providing that after qualifying a medical student must have a period of service in a hospital or similar institution before being placed on the medical register and allowed to take up independent practice. It is to be hoped that, as a corollary to this obligatory internship, the General Medical Council will do something towards pruning and revising the whole medical curriculum before the obligation comes into force. The other main proposals concern the council itself. Its constitution is to be altered, to allow a greater representation by election from the medical profession. Secondly, its disciplinary machinery is to be altered, and doctors, whose names are erased from the register, are to be allowed to appeal to the judicial committee of the Privy Council.

*

Parents who send their children on their own initiative as fee-payers to private and independent schools must now abandon the hope of grants. It had been hoped that local authorities might be allowed to make grants equivalent to the cost of educating these children in state schools, but Mr Tomlinson destroyed their hopes on July 21st. In answer to a Parliamentary question he stated that he could not sanction flat-rate grants based on the assumed cost of tuition in a maintained day school. Those who claimed that they were doing a service in relieving the congestion in maintained schools are thus defeated.

*

It is something of a portent that the International Co-operative Alliance should have decided to launch a quarterly magazine, soon, it is hoped, to become a monthly, devoted entirely to the protection of the consumer against monopoly and monopolistic agreements. The first number of this review, entitled *Cartel*,* contains an excellent survey of "Cartels in Retrospect and Prospect," a pertinent critique of the Monopolies and Restrictive Practices (Inquiry and Control) Act and of the Monopolies Commission which it set up; an article on international commodity agreements and another, cautious but not carping, on the Schuman plan; together with briefer material on current clashes in various parts of the world between monopolistic organisations and the law or the co-operative movement. Well written, well produced, and remarkably objective, this little periodical is doing an important educational job—though the somewhat dreary connotations of the word "educational" should not be inferred. In Britain the educational aspect of the co-operative movement has become entirely secondary. Elsewhere it has fortunately kept an importance of which *Cartel* is a welcome reminder.

*

Last week the High Court refused to make an order requiring the chairman of convocation of London University to call a meeting of convocation to consider the refusal of a university school to renew the appointment of one of its lecturers. The reason for the court's refusal was that the proper body to require, or not, the summoning of convocation was the Visitor of the University, in the case of London His Majesty in Council, and that the court would not interfere with a matter domestic to the University where there was a domestic remedy available to any member aggrieved. The case arose from the decision of the School of Slavonic and East European Studies not to re-appoint a Mr. A. Rothstein to his lecturership.

* *Cartel:* obtainable from International Co-operative Alliance (Publications Department), 14, Great Smith Street, S.W.1. 10s. net per annum.

Schleswig-Holstein

There has been a great battle in Schleswig, and future historians will speak of a "famous victory." . . . The prosperity that Schleswig-Holstein has enjoyed from a long peace is now at an end; its harvests are beaten down, its pleasant dwellings made desolate, the country devastated, and the people slaughtered, for a name or a theory. Claims there are on one side to new privileges or larger liberties, and on the other claims of old and hereditary sovereignty, which makes little account of the people; but on neither side is there great and substantial wrong or denied rights, on neither side are the duties of sovereign and subject neglected; but a shadowy claim on one side of almost valueless independence, and on the other of nominal sovereignty, suffice, under misdirected zeal or erroneous opinions, to expose the people to all the ravages of war. That this is the ultimate consequence of the ferment in the German mind of foolish theories, and probably of those notions of a great empire and of political unity which have been fostered by writers both in Germany and in other countries, we do not suppose, but we hope it is the last battle which will spring from such chimeras. . . . The Schleswigers require to be united with Germany, as is Holstein; the Danes require Schleswig to remain united with Denmark, as it has been for some hundred years; but these conflicting claims of the people and their Sovereign might surely have been settled without appealing to the sword. All the Powers of Europe have, in fact, interfered to settle the dispute, and, much to the disgrace of diplomacy, have rather exasperated than reconciled the parties. . . . The result is a bloody battle, in which it is said not less than ten thousand human beings have been killed or wounded, and Schleswig seems likely to remain in connection with Denmark, as it was before the two years' dispute had begun and the battle had been fought. . . . Liberty cannot now be won by a hired military force, nor can the affections of a people and the secure possession of a country be obtained by an army. Some other means must in the end be found of settling the dispute between the Schleswig-Holsteiners and the Danish Government than the sword, and it would be better to employ them before than after using it.

The Economist

August 3, 1850



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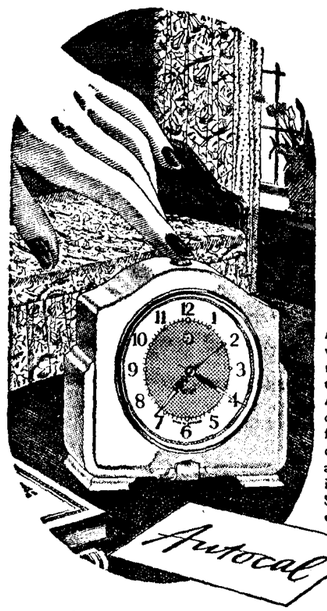
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Letters to the Editor

Fuss About Formosa

Sir,—Your article on Formosa completely ignores the strongest argument against the American decision to support Chiang Kai-shek, namely, the effect on public opinion. In the last resort the strength of any government or political movement depends on the willingness of people to support it. It is completely unrealistic to reckon up the strength of opposing positions while forgetting that international politics differs from chess in the ability of the pawns to change their colour.

The Kuomintang in Formosa has an even worse record of oppression and corruption than it ever had in China. It has antagonised even conservative Chinese opinion by the blockade and its air-raids on Chinese cities. The decision to support Chiang Kai-shek must, therefore, greatly increase the popular support that the Chinese Government could obtain for the most extreme anti-American and pro-Russian policies. In the areas of the world where Russia and the West are competing for support, this decision must seem to many people to support the thesis of Russian propaganda that the West's claims to stand for democracy are hypocritical.

To oppose totalitarianism by supporting democracy is a policy which, though difficult, does lead in the direction of a stable peace. To oppose left-wing totalitarianism by supporting right-wing police states which have not got even the active minority support that can make Communist or Fascist police states comparatively efficient is an expedient quite as futile and dangerous as any appeasement policy. If the United States considers that strategic necessity compels it to secure Formosa against Communist occupation, steps should at least be taken to replace the Kuomintang administration by one which can make some claims to govern in the interests of the people of Formosa.—Yours faithfully,

MICHAEL LINDSAY
84 *Sunny Bank, Hull*

The Berlin Congress

Sir,—May I, as General-Secretary of the Berlin Congress for Cultural Freedom, make a few comments on the remarks of Mr H. R. Trevor-Roper, who attempted to correct the fair and balanced article of your correspondent. Mr Trevor-Roper is apparently under the impression that a group of "ex-communists" argued and debated at the Congress as a fixed and determined fraction. His account of both who these "ex-communists" were and what points of views they represented is inaccurate. He begins by lumping Koestler, Burnham, Hook, Borkenau, and some unnamed others into one camp. This is a convenient fiction created for polemical purposes. There were, in fact, among the former Communists present in the Congress (a small minority, by the way) men and women who today hold the most divergent opinions.

The summary of opinions which this group is alleged to have held is, I am afraid, little short of absurd in its oversimplification. "That all old politics are now useless." The most that anybody ever tried to argue was that *some* fundamental aspects of "old politics" are today useless. "That the only present political issue is Communism or anti-Communism." The most that anybody ever tried to argue was that this issue was one of the, or perhaps *the*, most important one facing the world today. "That all those who are not Communists must therefore unconditionally support those who have the will and means to attack Communism." I doubt whether this could be substantiated. All of us present at the Congress were "not Communists"; all of us had the will, and as writers all of us had the means to attack Communism, and all of us did by agreeing to the various resolutions and the final manifesto. Unconditional support was a notion foreign to the whole tenor of the Congress; and the very idea of ever abandoning democratic checks and controls, and the right of criticism, is explicitly rejected in Point 7 of the Manifesto. "Koestler particularly attacked the Socialist alternative as no better than neutrality." This is a misrepresentation. What Mr Koestler had said was that the apparent policy of the present British government in maintaining a certain aloofness from continental affairs was contributing to a situation of West-European weakness and even despair in which the neutrality idea could flourish. And what is that programme that the ex-Communists will have nothing of? "Tackling by liberal methods the problems which Communism wrongly claims to have solved." Is Mr Trevor-Roper truly under the impression that Burnham would be against slum-clearance in Harlem, or that Koestler would reject raising the salaries of the railroad workers in France?

I want especially to correct the false impression that "the British delegation succeeded *in killing* the clause advocating intellectual intolerance." There was no such clause in any Congress document. There was an awkward phrase to the effect that "totalitarian ideologies which deny spiritual freedom do not enjoy the right to citizenship in the free Republic of the Spirit." But there was general agreement on its withdrawal because of its stylistic imprecision. The implication that thereby book-burnings were prevented in London, Paris, and New York, is a product only of Mr Trevor-Roper's somewhat melodramatic imagination. There was a democratic unity achieved at the Berlin Congress. This unity comprised two main groups, one group putting the emphasis on militant resistance against the threats from the East, the other group putting emphasis on enterprising reconstruction of the West. Somewhere in this international unity there is place for all the democratic elements, whether of the "left" or the "right."—Yours faithfully,

MELVIN J. LASKY, General-Secretary,
Congress for Cultural Freedom
Berlin

Methods in Research

Sir,—In your review of Sir Leo Page's book "The Young Lag" and in your earlier comment on my own "Delinquency and Human Nature," there might seem to some readers to be a suggestion that since our studies were not primarily *statistical* our conclusions were lacking in validity. Statistical techniques, however, do not form a method of science in themselves; they are not alternative but complementary to other techniques of investigation, and in fact are only one of those which the scientific method embraces. The important thing, without which years of research may be irrelevant, is to know at which point in the development of any branch of knowledge one should utilise the one technique or the other.

There is a contemporary tendency to regard "the statistical method," and above all the control-group technique, as the only method. The result is that investigations are planned on statistical lines before the essential relationships and processes have been studied. The prerequisite of any planned testing of hypotheses is a phase of observations that will suggest which are to be tested. A failure to do this means that the investigator accepts, implicitly or explicitly, the traditional hypotheses, and only looks for the facts which are relevant to them. He thus ignores data which earlier investigators, because they were inconvenient for their hypotheses, also disregarded. His whole approach, in short, rules out the possibility of new discovery or of new synthesis. Nor can a new hypothesis be produced by an examination of statistical results alone, for a hypothesis is a description of a complex of relations, and its medium is that of concept and not of number.

I was careful to point out that my study consisted in an exploration of those relations in the mental sphere which might account, among other things, for the hitherto unexplained irrationality of delinquency. In other words my task was the framing of new hypotheses. I further show in detail, first, that if I had adopted the traditional control-group technique without a feasible hypothesis to test, many of the really significant factors would have lain undetected; secondly, how most of the statistical studies of the inheritance of insanity had been a waste of time because the investigators had failed to take account of the possibility of "environmental transmission," i.e., failed to observe what the children of unbalanced parents might have to put up with

May I further point out that I define my factors and give them quantitative assessment. In other words, I was in the position of a laboratory worker intent upon finding out what actually happens, but also making my observations in a form which the statistician can handle.—Yours faithfully,

D. H. STOTT
41 *Upper Bridge Road, Redhill, Surrey*

Books and Publications

The Bear and the Orient

The Rise of Russia in Asia. By David J. Dallin. *Hollis and Carter.* 293 pages. 18s.

The English edition of the first of Mr Dallin's two books on Russia's Far Eastern Policy (the second dealing with the period since 1931 has already appeared) comes at a moment which could hardly be more opportune. It is half a century since Korea was last a storm-centre of world politics; and it is well worth being reminded of the occasion. But the book does more than give its readers a chance of drawing parallels of lesser or greater accuracy and relevance. With its companion volume, it forms the only continuous narrative available in English of the whole story of Russia's Far Eastern activities from the beginning until almost the eve of the present conflict; and although these books are by no means faultless, they are certainly indispensable.

At first sight the present work divides sharply into two parts. The first, which carries the narrative down to the Russian Revolution, is fairly straightforward diplomatic history for which much first-hand material exists in the published archives of the Tsarist and other governments. The second part dealing with the very complicated relations between Russia and her far eastern neighbours from the Revolution until the Japanese invasion of Manchuria is of course based on materials that are far less complete. Only the United States among the great powers has published much relevant official material; and on the Russian side, Mr Dallin is obliged to rely rather heavily on such sources as the memoirs of the ex-Soviet diplomat Bessedovsky and on his own ability to interpret the Soviet press. This does not, however, mean as is sometimes assumed, that the historian of these transactions has an insurmountable obstacle before him. What Mr Dallin has to say not only on the relations of the Governments concerned, but also on the relations between the Communists and the Kuomintang, is likely to stand up to most tests.

Mr Dallin is too shrewd to accept the view that the obvious recurrence of certain geographical and strategic patterns means that the present Russian policy can simply be regarded as having taken up the task where it had been abandoned in 1905. Communism in Asia has provided a new source of expansionist energy; and the elimination of Japan has given Russia an opportunity that is unique.

> Thus an ideological inclination combined with the opportunity of the present merges into the most formidable drive in Russia's Far Eastern history.

In a passage written over a year ago when opinion was less concerned with these things than it is now (and when Mr Dallin was perhaps not altogether without some propagandist purpose) he declares that

> history also shows a way out of desperate situations. There is the lesson both of Russia's campaigns early in this century, and of Japan's bid for power in the thirties. The progressive isolations of each of these powers is the first consequence; the coalition of their adversaries is the second; and finally, if nothing else is capable of stopping their relentless dynamism, an armed conflict ensues, in which the challenger invariably loses to the converging forces of the world.

This is pretty cold comfort. But quite apart from its implications for policy, it is a view that explains some of the weaknesses of the book. For having admitted the importance of the Russian ideology, Mr Dallin nowhere really analyses either it, or the inner nature of the Russian expansionism that preceded it, or, most important of all, the transformation that has been going on in the Asiatic world itself. The standpoint is still too close to that of the diplomatic historian proper.

One more specific point must be made. Mr Dallin in analysing Dr Sun Yat-sen's outlook on world politics and especially his antagonism to Great Britain, mentions that "the great port of Hongkong, in the vicinity of Sun's Canton had been taken over by the British." Mr Dallin cannot but know that Hongkong became a great port from having been a barren islet precisely because it had been taken over by the British. If Great Britain were to abandon it, its fate would be like Shanghai's. And to find someone who was certainly at one time looked upon with favour in the State Department repeating this anti-imperialist cliché without a blush, helps one to understand how difficult is the struggle to find a common basis for British and American action in Asia. If President Roosevelt had not importuned the British Government in and out of season to "return" Hongkong to the Chinese, it might have been easier to spare troops from its garrison now to assist the hard pressed Americans in Korea.

From Utopia to Stalin

Studies in Revolution. By E. H. Carr. *Macmillan.* 227 pages. 9s. 6d.

Professor Carr is a specialist in the history of European revolutionary political thought since the end of the period of Napoleon, and the little book of essays which he has now published begins with Saint-Simon and closes with Stalin. He would have done well to specify "socialist revolution," for he ignores the original French Revolution completely, and calls Saint-Simon "the precursor," though after all Rousseau and Marat were considered rather subversive in their day. The list of personalities who get one or more essays apiece from Professor Carr's pen comprises three Frenchmen (Saint-Simon, Proudhon and Sorel), two Germans (Marx and Lassalle) and four Russians (Herzen, Plekhanov, Lenin and Stalin), but the only Englishman is Mr Gallacher, who seems somewhat of a lightweight in such company.

Professor Carr is particularly fascinated by the Russian revolutionary thinkers, and their attraction for the *connoisseur* of revolutions is indeed due not only to the world-shaking effects of the Russian Revolution in our time, for, in the author's words, "Russian nineteenth-century thought revolves unceasingly round the central idea of revolution"—a statement which could not be made about any other European country in that age. But the very backwardness of Russian society which caused Russian intellectuals to believe that no real progress was possible except through a violent catastrophe also made it inevitable that the revolution, when it came, should lead to a totalitarian regime. Professor Carr justly refers to "the lack of any foundation in Russian thought and tradition which could have carried the elaborate and delicate structure of liberal democracy" and to the impossibility after 1917 of "creating in terms of men and women that basis of democratic administration on which socialism of the kind contemplated in the Marxist tradition could alone rest."

In his last essay Professor Carr clearly recognises the nationalism as well as the despotism in which the Russian Revolution has issued, and it is therefore the more surprising that all he has to say about Russia's recent international behaviour is that "Soviet nationalism since the war has taken some forms which Western observers have thought sinister." Having explained so well why Stalin's Russia is as it is, it is certainly odd that he seems to ignore the threat of its great military power to the rest of the world. But it may be that he averts his gaze from this aspect of his subject in order to preserve the state of mind with which he habitually studies it. Just as a zoologist may observe snakes in a cage with a detached scientific curiosity tinged with mild enthusiasm, but will be liable to quite other emotions if he sees that a cobra has got out of the cage and is wriggling towards him, so Professor Carr enjoys the sight of his revolutionary specimens at a safe distance, but cannot take pleasure in the prospect of their closer proximity. Despite all his sympathy for revolutions, he is not enough of a Stalinist to be considered a good "life" under a possible interrogation by the M.V.D.

The Course of Orthodoxy

The United States and the Restoration of World Trade. By William Adams Brown, Jr. *Washington: The Brookings Institution. London: Faber and Faber.* 572 pages. $5 or 36s.

The Brown family has United States commercial policy firmly in its beneficent grip. Mr Winthrop Brown is Chief of the Division of Commercial Policy at the State Department. He will

soon be leading the American delegation that will arrive here for the Torquay meeting of signatories of the General Agreement on Tariffs and Trade. His brother, William Adams Brown, the author of this book, is the chronicler and philosopher of the great crusade for the liberation of world trade—a crusade in which the United States have played so leading a part—though, where deeds are concerned, one which still falls short of what might have been hoped. This book is the work of the chronicler rather than that of the prophet. It traces the historical background of the International Trade Organisation Charter and of the General Agreement. It delves back into the fundamentals of United States foreign trade policy and views with an obviously approving eye the various steps taken by the United States during the war, first through the Atlantic Charter, then through Lend-Lease agreements, and later in the course of the Anglo-American Loan negotiations, to set up an international code of commercial behaviour, comparable with the code of monetary behaviour enshrined in the Bretton Woods agreements.

This account, supplemented by the texts of all the essential documents, is an invaluable book of reference with which to follow the coming Torquay negotiations. The pedant looking for flaws in this monumental factual presentation would find a psychologically significant one in Mr Brown's suggestion that by the Anglo-American Financial Agreement of 1945 "the United Kingdom undertook to discontinue within one year the operation of the sterling area dollar pool." There was no such undertaking, but merely a clause that "sterling receipts from current transactions of all sterling area countries will be freely available for current transactions in any currency area, with the result that any discrimination arising from the so-called sterling area dollar pool will be entirely removed." The continuation of dollar pooling arrangements was due, not as Mr Brown suggests, to the inability to maintain sterling convertibility, but to the perpetuation of banking arrangements which have their roots in the commercial and financial evolution of the Commonwealth over more than a century and which functioned when sterling was a fully convertible currency, just as much as they did when it ceased to be convertible.

Larousse and the World

Atlas International Larousse. Edited by Professor Jean Chardonnet. *Paris: Librairie Larousse. London: Harrap.* £7 7s.

Any production of Librairie Larousse is received with respect in Britain, as well as in France. One knows in advance that it will provide a huge volume of information in a conveniently condensed form and in this respect the "Atlas International Larousse" is in the true tradition of this famous publishing house. The atlas is arranged in three sections: first, a section containing physical and political maps; then a series of maps giving economic data; and finally, a statistical section. Between each double-page map are two pages of text giving data on the countries shown on the neighbouring maps.

In his preface, M. André Siegfried succinctly states the familiar case against the use of Mercator's projection. It therefore comes as a surprise to find how widespread is the use in the atlas of the projection condemned in the preface. The maps themselves are well drawn; particularly successful are certain maps on projections centred on the Poles, and it is the editor's hope that these will correct distorted views derived from the many maps on Mercator. In an attempt to give this atlas an international character three languages (French, English, and Spanish) are used for text, keys, and the principal geographical names. This has had certain unhappy results: not only is all information given three times, but on almost every opening, from the title pages onwards, there are misspellings, and also mistranslations that tend to shake the user's faith in the atlas. A serious fault is that some of the keys to conventional signs are quite unintelligible without a knowledge of French; and in one instance one-twentieth in French becomes twenty per cent when translated into English. It seems strange that no English-speaking person was employed to approve the translations on the map pages and on some of the text pages between them.

The editor has avoided the temptation to overload the maps with quantitative economic information and for the most part has concerned himself with giving the nature of the economic activity in each area. In order to do this several ingenious devices have been worked out and the facts are shown on the maps close beside the country to which they refer. Some of the trade information is seriously out-of-date—for most of the North-West European maps it is for 1938, but postwar information is given for other areas. There is a series of industrial maps that should prove interesting, notably those covering Russia's industrial regions. Figures supporting and amplifying the maps are given in the statistical section at the back. This section contains tables grouped by subjects and by countries. The countries appear in alphabetical order according to their names in the national language of each country. From this arrangement some results emerge that will be strange equally to French, English, or Spanish eyes; although Suomi and Misr may be familiar, and Nihon and 'Arabiye-es-Saudiye may be identifiable, FNRJ and Suriyeh may well perplex all save stamp collectors. And does not B'lgaria savour of pedantry? The explanation that these unfamiliar forms accord with the nomenclature adopted by the Universal Postal Union does not seem to justify their use in an atlas.

But although there are certain weaknesses in this ambitious production, the most important fact is that here is a postwar atlas, containing an enormous volume of fairly up-to-date economic and political information, shown on maps of reasonable size and scale. The Larousse organisation has set itself a difficult task and it has had a very considerable measure of success.

The Constitution for Beginners

An Anatomy of American Politics, Innovation versus Conservatism. By Arthur Bernon Tourtellot. *Bobbs-Merrill, New York.* 349 pages. $3.00.

When a book on the political institutions of the United States opens with a narrative of mammalian evolution and traces the psychological processes of primitive man in language hardly less fanciful than that of John Locke describing the state of nature, alarm and despondency are healthy and natural reactions. But it would be a pity if Mr

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His boisterous family shouting with glee,
Paterfamilias sits by the sea,
And he sighs, as he watches them bob up and down,
For the peace and the quiet of his office in town.

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Tourtellot's book were to be judged by this initial sample. In Chapter two there begins a discussion of the American Presidency which owes nothing to Charles Darwin, H. G. Wells or the Smithsonian Institute, and which is in fact an excellent, straight-forward, shrewd and well-balanced analysis that sets the key for the remainder of the book. Successive chapters on the Congress, the Supreme Court, the parties and the electoral system constitute a description of the nature of the federal government, in practice as well as in theory, which deserves high praise. It has all the indispensable virtues of accuracy, clarity and fairness, plus an additional merit not always found in books of this kind—it is infused throughout with a feeling for the practical, even harsh realities of politics. The book is clearly intended for the reader who has not previously made any serious study of the workings of the American Constitution. It eschews the footnote, presumably on the same principle as commercial air-lines avoid parachutes, for fear they should alarm the traveller. However, this timidity has fortunately not prevented Mr Tourtellot from tackling difficult topics in the text, or from appending a very sensible and up-to-date bibliography. His chapter on the Supreme Court, for instance—an institution which has sometimes baffled even Americans, once they have substituted curiosity for adoration—unravels with great ease and clarity many of the tangled skeins which constitutional tortuosity has created. It is as sensible a brief account as is anywhere to be found.

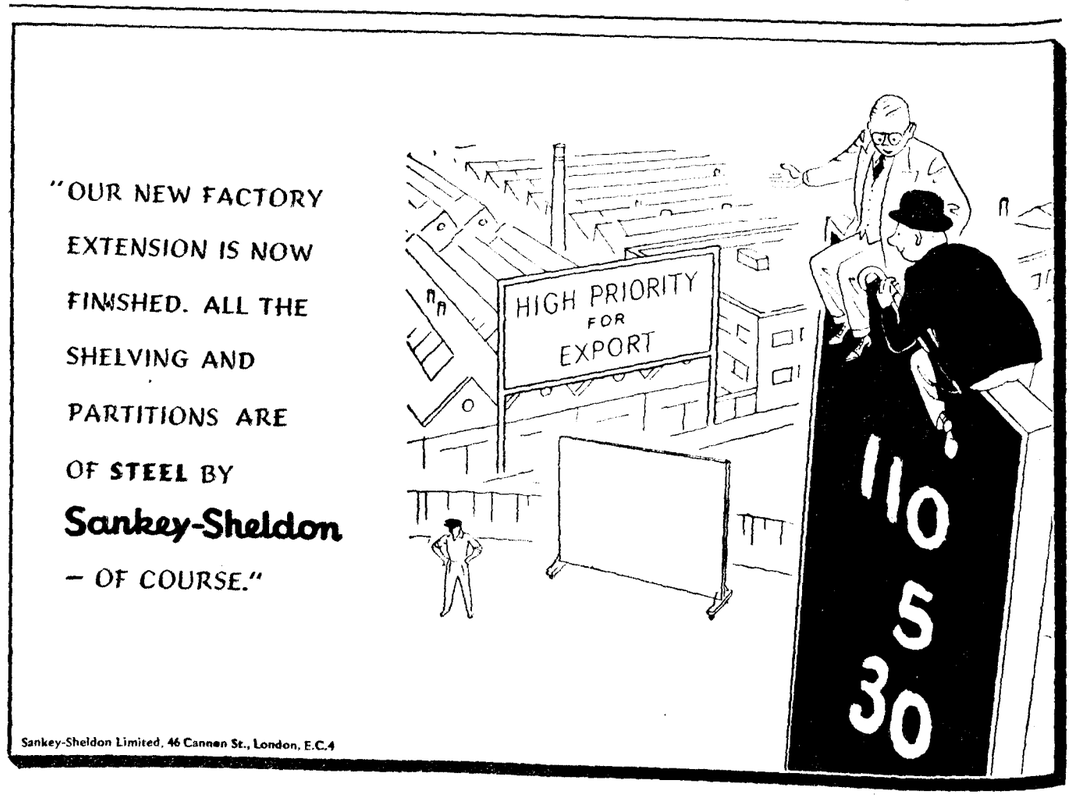
The only reservation that one feels obliged to make in recommending Mr Tourtellot's book to an English public is that having been written as an introduction for the American reader, its presuppositions, both as to knowledge and to ignorance, are American rather than British. An English beginner must, therefore, expect occasional mystification when confronted with what every American schoolboy knows, while at the same time finding, here and there, explanations of topics with which he is already pretty well familiar. But these are no more than minor inconveniences, which any intelligent reader, who wants to get a good, up-to-date and fair-minded description of American politics, would be well advised to tolerate. Mr Tourtellot has done a good job.

The Unthinking Reed

Somewhere South of Suez. By Douglas Reed. *Jonathan Cape.* 428 pages. 12s. 6d.

When Mr Reed confines himself to describing his travels, he is entertaining and informative. He has an observant eye, a ready pen and a nice wit. But when he branches off into political philosophy and his own curious interpretation of modern history, he reveals a mind more muddled than most and a blind disdain of relevant facts. Zionism, according to Mr Reed, is the driving force behind world events and the architect of the "Grand Design of the Twentieth Century." Mr Churchill, Mr Roosevelt, Mr Truman, General Smuts, Hitler and Stalin are all apparently puppets of the Zionist movement, shaping their policies and fighting their wars all fundamentally on behalf of the Zionist cause. He quotes a speech of Lord Melchett's in 1928: "Do you really in your hearts believe that we have been led back to Israel by nothing but a fluke?" and with this rhetorical question as a theme, he goes on to demonstrate by an ingenious distortion of historical facts how the statesmen of the world have at least played into the hands of the Jews if they were not actually controlled by them.

It seems to be an occupational disease of itinerant journalists to break out from time to time with some naive theory about the forces which shape international events and which in their saner moments they would blush to recall. But rarely has any of them ever produced such sweeping nonsense as this. Fortunately for the patience of his readers, Mr Reed has kept most of his political theorising to his last few chapters; the first two-thirds of the book are comparatively free from such blemishes and afford a most enjoyable and illuminating account of the South African scene. It is a pity for the sake both of Mr Reed's health and of his reputation that he broke his back during his travels and was forced to spend a year on a balcony in Durban where, he says, most of his theories were developed.



AMERICAN SURVEY

Men Behind Mobilisation

(From Our American Staff)

THE United States starts its latest mobilisation with a governmental machine far stronger and better co-ordinated than in any previous time of crisis. The general shape of the machine was outlined by the National Security Act of 1947, and much of it has been in working order for nearly three years, even if it has not always worked as well as was hoped. The Act established the National Security Council to advise the President on the integration of domestic, foreign and military policies related to national security and to assess the objectives, commitments, and risks of the United States in relation to actual and potential military power.

Besides the President, the members of the Council are the Vice-President, the Secretaries of State and Defence, the Chairman of the National Security Resources Board, and such other departmental Secretaries and Board Chairmen as the President may invite. This June it was further strengthened by the appointment of Mr Averell Harriman as a Special Assistant to help the President to handle foreign affairs. The National Security Act also provided for unification of the armed forces, and for the permanent organisation of the Joint Chiefs of Staff, the Munitions Board and the Research and Development Board. On the civilian side, it created the National Security Resources Board, to advise the President on programmes for industrial and civilian mobilisation.

The greatest difference between this permanent structure and those specially designed for previous crises is the absence of a temporary agency, manned by top industrialists, to speed industrial production. Mr Bernard Baruch, America's "mobiliser emeritus," urged that such an agency be set up at once, when he testified last week at Congressional hearings on the Defence Production Act; this Act would confer on the President the limited powers he thinks necessary to ensure that the shift from civilian to defence production is made in a satisfactory manner, without inflation. Mr Baruch's demand for full economic mobilisation had an immediate and wide impact on members of the Administration as well as on Congress. It has made it difficult for the President to maintain his stand, based on experience gained during his Congressional investigations in the last war, in favour of leaving the regular government departments to administer the new Act.

In the past, when mobilisation machinery had to be improvised with the outbreak of war, a temporary agency seemed the best way of meeting urgent needs, and also of prevailing upon captains of industry to come to Washington to serve under generals of bureaucracy. "Give them their own outfit," it was felt, "and they will come." And while the captains assembled under their own banner, the generals could look on with only a twinge of regret at lost opportunities: "Give them their own outfit," the generals could say, "and they will come to us—to find their way around government." Furthermore, those with long memories could reflect that, at the end of a war, it is not disadvantageous for the agencies of government that have done all the unpopular things, from quotas for industry to rations for individuals, to fold their tents and vanish with their bad marks as well as their good. Now, however, the fiction of three months' leave, which last time drew executives out of industry and into the War Production Board, is too obvious to be effective when a long effort is in prospect; the men who staff the present mobilisation agencies must accept their posts as primary and lasting jobs.

★

The final power of decision rests, of course, with the President—and it is a power that is being used. He is the focal point of all policy proposals, of all the integrated advice. His recommendations to the nation, his executive orders, his requests to Congress, are the combined outcome of the thinking of his subordinates as well as his own. But in the end, it is the President as Chief Executive, Commander-in-Chief, and head of the Democratic Party, who decides. It is he who must choose when policies prepared in the National Security Council are diverse or contradictory.

In the Council, political and diplomatic considerations are presented by the Secretary of State. Tall, lithe, with photogenic hands and a lawyer's manner of presenting a convincing brief, Mr Acheson has steadily been able to make his voice carry above Senator McCarthy's hisses. He comes to the Council backed by the advice of a policy planning staff headed by Mr Paul Nitze; this advice has included the ideas of Mr George Kennan, until he resigned in the unfounded hope of taking a year's leave, and been complemented by those of Mr Charles Bohlen.

Much more unified military advice than has ever before been available to a President can now be brought to the Council by the Secretary of Defence, responsible for all three services. Mr Louis Johnson, bald and affable, with experience both in business and the American Legion, was fund-raiser extraordinary in the Democratic campaign of 1948, and fund-cutter extraordinary in the defence economy campaign of 1949; in mid-1950 he is a more amenable man. It may be that thanks for the quick military reaction to the Korean outbreak are owing to the men actively in charge of the various services, rather than to Mr Johnson. But it is certain that under Mr Johnson a great deal of unification has been accomplished.

Some of it may be credited to Admiral Forrest Sherman, who succeeded Admiral Denfeld on the Joint Chiefs of Staff last year and who, with General Loren Norstad of the Air

"AMERICAN SURVEY" is drawn from three sources. Articles described as "From Our American Staff" are the work of a small group of regular correspondents, resident in the United States. Articles with some such attribution as "From an Industrial Correspondent" or "From a Correspondent in Ohio" are from outside contributors. Everything printed without attribution is prepared in London.

Force, was one of the original architects of unification: his capacity to take and express an overall view was proved at his first meeting with the Joint Chiefs. In the Navy-Air Force squabble that preceded Admiral Sherman's appointment, it was not General Vandenberg, who looks like a military tailor's ideal, but Mr Stuart Symington, then the Air Force's civilian Secretary, who performed the more spectacular dive-bombing feats. General Collins, who made his name as a combat officer, is still identifiable as an Army man. The main burden of military briefing of the President, the Cabinet, and the Congress is borne by the Joint Chiefs' chairman, General Bradley, whose home-spun integrity gives him the standing of a man as well as a strategist, and spreads his influence outside military circles; when he testifies before congressional committees the impression grows that a citizen as well as a strategist is talking.

*

The unified military advice given to Mr Johnson by the Joint Chiefs is now to be paralleled by unified geo-political advice given him by the Joint Secretaries, the newly formed organisation of the civilian heads of the three services. While the Secretary of the Navy, Mr Matthews, has not had previous Washington experience, Mr Pace, the Secretary of the Army, was Director of the Budget before he came to the military establishment; Mr Finletter, the Secretary of the Air Force, has a background of service as wartime special assistant to the Secretary of State, as head of the Economic Co-operation Administration's London mission, and as chairman of one of the independent committees that has declared a seventy-group Air Force to be essential. Both of these men have good reason to be aware of the inter-relationships between military and civilian programmes and of the importance of giving consideration to the views of non-military agencies in defence planning. With their new assistant, Mr Edward T. Dickinson, Jun., just transferred from ECA, as an emissary to other agencies and foreign governments, the Joint Secretaries expect potential differences to be handled informally without reaching the stage of interdepartmental clash. The preparation of the $10.4 billion request for new defence funds, submitted to Congress following the President's message, gave this new organisation an exceptional opportunity of demonstrating its "jointness," both in relating the total sum to the whole economy, and in allocating the individual sums among the respective services.

Mr Symington, having disappeared from the Defence Establishment, reappears as Chairman of the National Security Resources Board wearing a strictly civilian hat, though his air force background has accompanied him in his public relations man, Mr Leo, and his vice chairman, Mr Robert J. Smith of Texas, wartime airman and prewar airlines executive. No lover of half measures, the red-haired Mr Symington has made up for the long period of headlessness which the Board underwent before his appointment. Even before the Korean crisis, the new chairman was emphasising the necessity of planning for the long, as well as the short, term; now he is taking his cue from Mr Baruch and insisting that his Board's responsibility for wartime economic planning means that it, and not the government departments, must also be responsible for the administration of the new controls, in principle if not in detail.

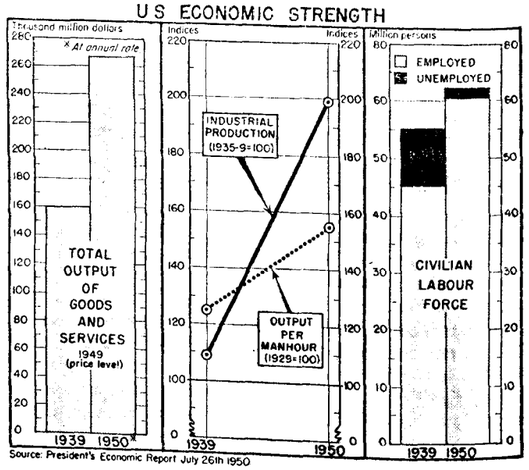
Among these varied and spirited personalities, the President's new special assistant, Mr Harriman, will have full opportunity to exercise his powers as negotiator and conciliator. Mr Harriman is at his best in a small organisation; his habit of quiet and ubiquitous consultations in advance will leave its anonymous mark on future decisions of the National Security Council.

American Notes

Business Unusual

The President's mid-year economic report needed almost complete rewriting after the Korean outbreak, but the final verdict remained the same. The remarkable growth of the American economy since 1939, and even since the war, its remarkable recovery from last summer's recession, had made it strong enough to scale new economic heights—an increase of 5 per cent in industrial output by the end of the year, for example. Before Korea the American standard of living would have benefited; now the defence of the free world will. Of course, said Mr Truman, business could not go on as usual, but the only unusual powers he wanted were those contained in the Defence Production Bill, which would permit the allocation of scarce materials, the limitation of civilian output, curbs on credit and loans to encourage defence production.

These powers would be adequate to prevent inflation, in Mr Truman's opinion, provided that the armament programme was put on a "pay-as-you-go" basis by increased taxation, and that the public made the necessary adjustments to the emergency voluntarily, especially by refraining from hoarding and panic buying. But when the President spoke, the commodity price index, rising for some months, had jumped 13 per cent since the Korean invasion and retail sales were running 46 per cent above the previous year (when admittedly they had been below average). This was a psychological inflation, before new defence orders had given any real excuse for price rises, and as such, it may check itself.



Nevertheless Mr Truman must have begun to share the doubts of some of his advisers whether the limited controls in the Bill would provide a lid heavy enough to hold down the rising indices. The point has already been reached where the increase in the cost of living is threatening to bring demands for higher wages, the whip that spins the inflationary top. The President's message contained an outspoken reminder that labour could not be excused from the restraints that were being asked of the rest of the community but, as the election draws near, the temptation to find such an excuse will be great.

The temptation could be removed by imposing price controls and this is the gift that Republicans have been offering to the President. They included wage controls and rationing powers in the package, wrapped it in the protests against price increases which every Congressman was

receiving from his constituents, and fastened it with Mr Baruch's appeal to Congress for full wartime controls even though the country was not yet at war. The parcel looked so much like what the voters wanted that even some left-wing Democrats forgot that those who bear gifts are to be feared. Not so the President, who knew that inside the wrapping was a Pandora's box full of unpopularity. Wage controls would undoubtedly weaken labour's enthusiasm for the defence effort, price controls would have the same effect on business. When forced upon an Administration that had made no preparation for them, there would inevitably be both inequity and inefficiency and even consumers would find controls much less soothing in practice than in theory.

But a refusal to accept the Republican gift could be sold to the electorate as a refusal to check price increases. The Democrats, once they realised the dilemma, hastily found a less irritating filling for the box—stand-by instead of mandatory powers to control prices, wages and consumer goods—that can be taken out on short notice should the need arise, as many believe it will. These powers the President has agreed to accept. Indeed, he may have refrained from asking for them in the first place only because he wished to avoid the delay and controversy that they have caused in the past. In consequence of the Republicans' political chicanery, the Defence Production Bill, which they originally criticised for giving the President excessive powers (Senator Taft still does), is likely in the end to give him powers which even he thinks excessive.

* * *

For the Common Defence

To enable the free nations of the world to make their maximum contribution to the common defence in the shortest possible time, President Truman has asked Congress to appropriate an additional $4 billion for military assistance to foreign nations. The Atlantic Treaty countries will get $3.5 billion, nearly $200 million goes to Greece, Turkey and Iran and the rest to South-east Asia and the Philippines. The request is part not only of the Mutual Defence Assistance Programme, for which $1.2 billion has already been authorised for the current fiscal year, but also of the new American defence programme. Appropriations for all three are apparently to be included in one Bill. The provision of funds is urgent, since the bulk of the money is to be used for procuring military equipment that takes many months to produce.

The President emphasised that American aid will supplement, not take the place of, the efforts that the Atlantic Treaty countries are making, out of their own resources, to increase both their armed forces and their production of defence equipment. This is an assurance that Congress will hardly be willing to take on trust, especially when the United States is already devoting a painfully large part of its own resources to the common defence. The dispatch of foreign troops to Korea is one form of concrete evidence that other nations are thinking of the common security as well as their own. Another would be satisfactory answers to the American request for details of possible military contributions to the collective cause.

The main purpose of the $4 billion is to enable advantage to be taken of foreign manpower and productive capacity by supplying equipment and materials so that these resources can be used to the full. The necessary defence articles are to be obtained wherever they can be produced most quickly, cheaply and efficiently—and that will not always be in the United States. This is a new departure, although authorised under the original MDAP legislation, and it might seem to be a substitute for economic aid, an idea which was perhaps encouraged by suggestions from officials of the Economic Co-operation Administration that counterpart funds might be used for military purposes. But these officials, of course, agree with Mr Truman that increased defence production abroad only makes Marshall aid more necessary

The Senate, accepting this view, not only rejected Senator Kem's perennial attempt to slash ECA appropriations to the bone, but also restored the much less drastic cut which its Appropriations Committee had made. Economic assistance may, however, still be pared by 10 per cent, along with funds for other purposes, before this appropriation Bill goes to the White House. But the loan of $100 million which the Senate has presented to Spain, undesirable as it may be in many ways, is an addition to, not a subtraction from, ECA funds.

* * *

America Goes Suburban

The preliminary results of the census taken last April gave the continental United States a total population of 150,520,198. The number of Americans has doubled in the last fifty years and has gone up by nearly 19 million in the last decade, in spite of an almost entire absence of immigration. The coincidence of births postponed from the depressed 'thirties and borrowed from the uncertain 'fifties is the usual explanation for the prolific 'forties, but it begins to look as if the long-term trend was changing as well. Ten years ago the demographers plotted population peaks of around 160 million for about 1980, but even before the census the accuracy of their sights was more than doubtful. However, the present prospect of 200 million Americans by, if not before, the year 2000 encourages the economists in their conviction that there are no foreseeable limits to the possible expansion of the American economy.

In the past ten years America has been growing from the centre outwards, from the centre of the country out to its coasts, from the centres of the cities out to their suburbs. It is Florida and, as was expected, the States west of the Rockies that show the great gains. One-fifth of the increase for the entire country was in California and the five States that have actually lost inhabitants — Arkansas, Oklahoma, Mississippi, Nebraska and North Dakota—are all rural and

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(with one exception) all in the central farm belt. Country folk who find jobs in industry, as so many have done, feel at home in suburban districts. So do families with small children—the under-ten age group has increased far more than any other—especially when wages are high and cars are obtainable. And on the outskirts of towns land has been available for the new building developments that have solved the postwar housing problem. As a result, it is in suburban, not rural or urban, districts that the sensational increases in population have taken place.

There are now 106 cities with more than 100,000 residents: most of them seem disgruntled at the results of what it is often suggested was an inefficient census, because it found them smaller than had the estimates of boards of health and utility companies. A census which went on for two weeks, and longer in some places, can hardly be entirely accurate, but enumerators, paid seven cents a head, must have been anxious to collect as many scalps as possible on their schedules. One New York City official even surveyed supposedly uninhabited islands by helicopter, looking for heads to be counted, and in Washington, D.C., a recount did not bring the city much nearer to the size which a decade of overcrowding had led it to expect. It still has under 800,000 residents, and New York City is still under 8,000,000. But when the dormitories of Maryland and Virginia are included, the Washington area as a whole has 1,452,000 inhabitants, 50 per cent more than in 1940. And while the five city boroughs of New York have grown by only 5 per cent, on near-by Long Island such commuters' paradises as Nassau and Suffolk Counties jumped by 64 and 38 per cent respectively.

Shorter Notes

The Dow-Jones index of commodity futures, nearly 17 years old, has been revised; it now contains 12 commodities instead of 11, as silk, in which there has been no futures trading since 1941, has been replaced by cottonseed oil and wool. The other commodities are wheat, maize, oats, rye, cotton, coffee, sugar, cocoa, rubber and hides. There has also been a change in the method of calculation in order to counteract the distorting effect on the old index of farm price supports. In addition there is now a new index of spot prices, calculated on the same commodities as the futures index.

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One of the most unfortunate aspects of racial discrimination has always been that in the nation's capital all the nation's citizens do not have equal rights. A test case was recently brought, after a restaurant had refused to serve Negro customers, in an attempt to revive statutes outlawing such discrimination, passed nearly eighty years ago and long since forgotten. The judge however ruled that they had been repealed, by implication, by the Act of 1878 which set up a new system of government for the District of Columbia.

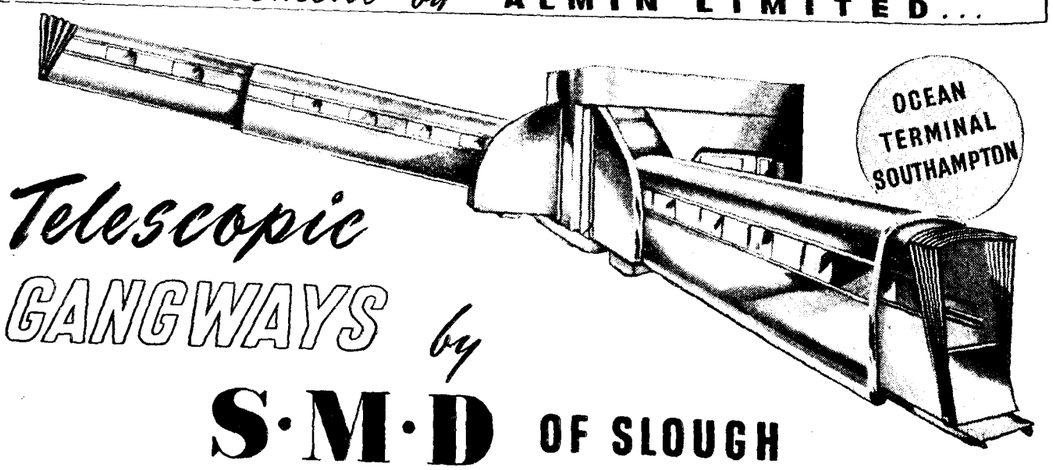
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Anti-submarine sound generators and other electrical devices are coming to the rescue of the trout in the Great Lakes. They are being killed off by sea-lampreys, but it is hoped that the parasites can be destroyed in electric fields which the fish instinctively avoid.

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All export licences covering shipments to the mainland of China have been revoked, as part of the attempt to keep strategic exports from finding their way to North Korea. Controls have also been put on shipments of oil-producing and refining equipment to Latin America, in order to ensure that it is not re-exported to the Soviet Union. These steps have been taken under the Export Control Act, valid until July, 1951. The Act will also make it possible to limit exports of any commodities in which shortages may develop as a result of the defence programme.

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THE WORLD OVERSEAS

Russia's German Base

THE Soviet zone of Germany is the one Communist dominated country in Europe that cannot present a façade to the outside world or keep its citizens in complete ignorance of conditions in the west. Nothing can prevent a constant stream of refugees from escaping over the frontier. It is a one-way stream. Germans are usually not given an inter-zonal pass by the Russian authorities if they have near relatives in the west; no such precautions need to be taken at Bonn. The western business men who find that their opposite numbers in the Soviet republic can be bribed for a pound of butter have no need of statistics to convince them that food is scarce in the east. A factory manager who has secured a valuable machine from Saxony at the price of three radio sets has a very adequate picture of the state of the consumer goods industry under President Pieck. Nor is there any sign that the western German workers do not realise that their standard of living is higher than it is in the Soviet republic. With diminishing exceptions, western Germans react to the statement, "I live in the Soviet zone," with an indifferent "Bad luck."

Russian Norms

It would be wrong to maintain, however, that no progress has been made in the Soviet zone. Production has undoubtedly increased. According to Herr Ulbricht's statement at the Socialist Unity Party congress two weeks ago, overall industrial production has reached the target of 81 per cent of 1936 output, set by the two-year plan, and will be over one hundred per cent of 1936 by the end of the year. This means that the east is some six months behind the west. Ulbricht admitted that the vitally important steel and hard coal industries were still lagging behind.

The key to the increases achieved lies in the system of piece rates based on the Russian "norms" which Marshal Sokolovsky introduced two years ago. Only a small proportion of factories have as yet followed his instructions, and the figure of 85 per cent will not be reached, it is estimated, until the end of the five-year plan. Nevertheless, the system has already brought an improvement in quantity. The poor quality of eastern German goods is, however, a constant source of agitation to the Communist authorities, who are under pressure to deliver first-class machinery as reparations to Russia. "Quality Brigades" consisting of workmen pledged to high standards made their appearance in the factories some time ago, together with the production "Brigades," which are a common feature of Soviet economic policy. In future, the Soviet title of "Hero of Labour" will be awarded to model workmen.

Shortage of Skilled Labour

Low productivity, however, remains an outstanding characteristic of the Soviet zone economy. The five-year plan assumes that it must, and can, be raised by no less than 60 per cent. Otherwise, even by working two or three shifts, the ambitious target of double the 1936 industrial output cannot be reached. Wages, it may be noted, will increase by only 16.8 per cent; the German must produce more for less, and, said Herr Ulbricht, the trades unions must undergo "a thorough change." In the steel industry, despite the importance attached to it, there are works in which twice the number of workmen are needed to produce half the prewar output. This situation is largely due to the extreme scarcity of machines for saving labour, which is in turn due to Russian thoroughness in stripping plants for reparations.

Under these circumstances, it is not surprising that there is a shortage of skilled labour which will greatly increase with the new plan. No less than 890,000 more workers must enter industry, building and transport by 1955. The Soviet zone authorities, intent on the future, are making greater efforts than their western counterparts to train unskilled youths and women. The five-year plan calls for the training of over 900,000, 40 per cent of whom are to be women, and a large, but unspecified number, landless peasants. For the first time in German history, women are to be made to undertake heavy work in mines and foundries. Opposition to this move to bring the Germans down to the Russian level is bound to be strong. Even at the height of Dr Goebbels' "total war," women were not employed on a scale in any way approaching that of Britain, not to mention Soviet Russia. One reason why they are now being roped in is that the Soviet authorities need more male labour for the uranium mines, which have already drained off a considerable army of miners.

The Worker's Lot

Miners are henceforth to be attracted by a new system of wages, announced at the SED Congress by Herr Ulbricht. In future, rewards will not only increase with performance, but the basic wage will be higher in those industries to which the plan attaches the greatest importance. All forms of mining and heavy engineering will lead the way. How miserably low the scale of wages is may be seen from the fact that the average miner's wage in the Soviet zone is at present only 1.5 eastern marks per hour. The value placed by the Berlin free market on the eastern mark before the recent reduction in prices for unrationed goods was one-sixth of the western D-mark. This value reflected its relative purchasing power. The Soviet zone workman receives wages pegged at the pre-war level, and rations of food and clothing—which vary greatly according to the value placed by the state on his type of work—also at low pegged prices. Though the heavy workers and professional men's food rations are adequate, those of workers in the lower categories and of the unemployed are not. Even the heavy worker is pitiably short of clothing and all other consumer goods. The locomotive driver who was chosen to drive the train-load of "presents" to Stalin for his birthday was obliged to borrow 200 marks from his trade union to buy—according to the Communist newspaper which published the story—a "second and third shirt." Anything to supplement the rations must be bought in the stores of the so-called state *Handelsorganisation* (HO). Prices in these shops have been successively reduced, partly as pre-election propaganda, and partly because they must be brought to the level of the prices of rations before rationing can be abolished. They are still exorbitant. A miner would still have to work five hours to earn enough to buy a pound of margarine. It is indeed hard to understand how Moscow can declare that "the German Democratic Republic

points the way to liberation for the west from the regime of hunger and misery."

The development of agricultural production has apparently been a disappointment. Last year it was proclaimed that rationing of all foods except meat and fats would be abolished after this year's harvest—that is, before the elections on October 15th. All that Herr Ulbricht could promise at the SED Congress, however, was an immediate increase in the meat and fats ration that would see the beginning of a free market. The needs of the peasants are neglected in favour of industry. The result is an increasing number of deserted holdings. The conditions which many new settlers must face are still impossible. Shortages of everything the peasant needs still persist, while delivery quotas have been raised. This situation might theoretically improve with collective farming, but—doubtless because of the bad impression collectivisation would make in the west—the Communists are going very slow in this field, and have ordered lower delivery quotas for the "medium" peasants owning 25 to 35 acres. The Five-Year Plan calls for an increase of 25 per cent in yields per hectare.

Shortage of Steel

Some food deliveries have been received from the Soviet Union, and much more is expected from the latest trade treaties with eastern Europe. Trade exchanges with Poland are to be 60 per cent higher this year than last, with Czechoslovakia 80 per cent higher, and with Hungary 70 per cent greater than was originally estimated for 1950. The obstacle to this development is that the Soviet zone is committed to provide deliveries of industrial goods that have been increased to the same degree. To fulfil these obligations, it needs Ruhr steel. Although intense efforts are being made to render the zone self-sufficient by 1956—Herr Ulbricht announced that another new works to produce 400,000 tons of steel a year would be erected on the Oder—products of the Ruhr are still required. Before the war two million tons of steel went from the Ruhr to eastern Germany, and the great expansion of heavy industry that is now planned will demand much more than that. Production in the machinery industry is to increase by 121 per cent, that of the electrical industry by 96 per cent, and of the precision instrument and optical industries by 139 per cent over 1950. These figures make it plain that the standard of living of the Soviet Germans is not intended to improve very much. Everything has been geared to Soviet requirements. Apart from obligations under trade treaties, the People's Republic still has to deliver reparations valued, at pre-war rates, at $3,171 million; and, despite the flourish made when twenty-three enterprises were recently returned to the eastern German economy, the great majority of key firms are still Soviet companies.

Moscow's Ambitions

The Soviet zone, in general, does not constitute an attraction for the western Germans. Nevertheless, Moscow conceives it primarily as a base for the acquisition of the remaining two-thirds of Germany with its 50 million inhabitants and a steel capacity of more than three-quarters that of the Soviet Union itself. Moscow's hopes appear senseless, unless they are of a long-term nature. The National Front, which was formed to win western Germans by an appeal to nationalism, is greatly handicapped by the fact that the Pieck Government has accepted the hated Oder-Neisse frontier. It has also to follow Moscow's uncompromising dictates and make the western Germans not only hate the Americans, but swear love and boundless devotion to Stalin. As the SED Congress stressed, it is not enough to concentrate on Sovietisation of the east, and gain a paltry two million signatures to the "peace" appeal in the west; henceforth, Communists must realise that the whole *raison d'etre* of the People's Republic is to gain the west, by fair means or foul.

Pandit Nehru's Foreign Policy

[FROM OUR CALCUTTA CORRESPONDENT]

INDIA'S foreign policy has lately had to face some delicate situations: notably the Prime Minister's tour in Indonesia and Malaya, and the decision over Korea at the Security Council. In handling them Pandit Nehru is uniquely fortunate. From Shyam Prasad Mookerjee of the Mahasabha, on the right, to Jayaprakash Narain of the Socialists, on the left, nobody criticises his foreign policy. Some, notably Sardar Patel, would like a more definite alignment with the Anglo-American bloc; only a few Communists want a more Russophile policy. No newspaper ever criticises the Foreign Ministry even in the restrained and tender tones with which *The Economist* disposes of Mr Bevin; the abuse which is the daily food of the State Department is simply inconceivable in India.

This lack of opposition suits Nehru's impulsive temperament; he has neither to define his terms nor to control his extemporisations. Nobody minds his proclaiming neutrality as the key to his policy because everybody knows that what he really means is independence. There can be no neutrality for India. In most of its states the Communist party has been banned, and Communist terrorism in Hyderabad and Madras is being met with the full force of army and police. Itself a free democracy, India's sympathies must, in any conflict between freedom and totalitarianism, necessarily be on the side of freedom. But India has obtained control of its foreign policy too recently to be willing to surrender any inch of its right to decide for itself when freedom is threatened. And India does not always arrive at the same conclusions as the west. The possibility of a direct Russian attack is completely discounted, and Nehru is confident that he can deal with his Communists, whether Russia supports them or no. A third bloc would only make Russia a more dangerous neighbour.

Views on Imperialism

Moreover, viewed from Delhi, the fervour of the west's belief in freedom and democracy is less evident than it appears in London. For Indians freedom means the end of colonial imperialism, democracy means votes for negroes, too. Britain proved its *bona fides* in 1947; therefore the Indian press has shown full understanding in the Malayan imbroglio; the lapse over the Seretse Khama farce has not been played up; even in East Africa, where Indian interests are directly involved, Indian public opinion has been patient with Britain's difficulties. But the other western countries find no such understanding; French clinging to power in Indo-China is seen as a threat to Asia's freedom. That Dr Hatta is now so weak that he has perpetually to perform a tight-rope act over chaos is blamed on Dutch failure to accept Indonesian independence early enough. Even Italy's intrigues to recover its colonies are quoted as evidence that the imperialist leopard has not changed his spots. Indian faith in the American way of life cannot be complete until that way is open to the negro; every fissure in the Mason-Dixon line strengthens the cause of democracy. Sometimes, also, India suspects America of being less interested in the cold war against Russia than in the dollar curtain against sterling; and India is vitally interested in sterling—the currency of its foreign balances and

of most of its foreign trade. And India, occasionally, has a horrid suspicion that the gift of Filipino independence was a Trojan horse whose true contents are the privileges given to American business and the American armed forces.

India finds an outlook truly similar to its own only in the Commonwealth; and the Commonwealth in India still means Britain. Canada is too remote, South Africa stands for all that India holds evil; only with Australia is it gradually building up a new and independent relation. Commonwealth methods suit India very well; India likes the informality, the round table atmosphere, the feeling of being an equal among equals. It realises that the Commonwealth as a body, however loosely connected, carries more weight in the world than any one of its members. Membership has indeed ceased to be a political issue: even the Socialists have nearly dropped it. Moreover, for Britain itself, Indians still have a quite unique feeling. The habit of blaming it for all India's ills is dying with astonishing speed, although many speakers may still give it the parting salute of a cliché or two. To the educated Indian, the Briton is not a "foreigner" like the American or the Russian, and the effect of this on foreign policy is strengthened by the fact that India and England get their foreign news from the same sources. The press of both countries uses *Reuter's*, which now has Mahatma Gandhi's son on its board, and the *Statesman* and the *Times of India*—two of India's biggest papers—use the foreign service of *The Times* and the *Manchester Guardian* respectively. This climate of opinion suits Nehru's own ideas exactly. Economically, he may be at one end of the Liberal tradition and Churchill at the other; but, on the great issues, the distance between them is no greater than the length of their old school tie.

Champion of Backward Peoples

It is the Commonwealth bond also which lies behind Nehru's insistence that the problem of Asian defence is not military, but economic. Russia cannot attack India without starting a world war, and no Indian believes that a world war would start with an attack through the Kyber. Admittedly Nehru is the major heir to the white man's burden of keeping the peace in the Indian Ocean. But, with the liabilities he has also inherited the assets; every stable state in the area, with the doubtful exception of Indonesia is a fellow member of the Commonwealth. Naturally Indian opinion looks sceptically on proposals for a Pacific pact; India's non-Commonwealth neighbours, with their more than Balkan instability and their somewhat Chiang-like democracy, can contribute nothing to India's safety. Delhi will do nothing to impair such stability as its neighbours may have; rebels, from the Karens to Ho Chi-minh, get no support and the loan to Burma went through Parliament unopposed. Only in Indonesia, with whom Indian relations are very close, does Indian opinion see a real ally. India considers that one of its main contributions to the democratic cause is the moral authority it has gained amongst backward peoples as the champion of their freedom and equality; this good will is too valuable an asset to be written off for some such temporary advantage in the cold war as the recognition of Bao Dai.

Channels for American Aid

Nobody knows better than Nehru that the new national governments of Asia have to give their people the three musts—food, clothing, housing—if freedom is to survive. India has always been poor, but now it has a new revolutionary consciousness of its poverty. Alas, any quick change needs capital; and, as the Indian proverb says: "Father will not work, and Mother will not let us beg!" A democracy cannot create saving by terror as the Communists do; and Indians are nervous of the Americans. They have not yet acquired the European equanimity about strings and senators, and they find it tiresome to keep on having to explain that Marwari speculators are not just brown Mr Hoffmans. But, whether for loans or gifts—and loans would do—the United States is the only available source of aid today. The sterling releases have been of vital importance, and the few millions which have been invested from outside since the war have come from Britain; but Britain can do no more, as India understands. So it looks around for a buffer through which it can deal with the Americans—even bearing gifts—as an equal. Once it thought of Uno, but realisation has dawned that, however useful Uno may be for the assertion of human rights, it has little or no money. Now hope is therefore focused on the Spender plan. The Commonwealth would be the ideal buffer, and face would be saved in benefiting from a Commonwealth plan. For India, after all, is a senior partner.

Economic Development in Ceylon

[FROM A CORRESPONDENT RECENTLY IN COLOMBO]

CEYLON is divided by a mountain backbone into two well-defined regions known as the wet and dry zones. The wet zone in the west gets the full force of the south-west monsoons which the mountains deny to the further side: the north-east monsoon, however, gives to that region a rainfall of 65 inches which, because most of it is received in the late autumn, is insufficient without storage for agriculture. The dry zone covers most of the island. The greater part of it, in remote times highly cultivated as is evidenced by the ruins of towns, villages, reservoirs and canal systems, is now smothered with dense forest.

The geography of the island—Ceylon is roughly half the area of Britain—determines its economic life. In the centre of the wet zone are the tea, rubber and coconut plantations which provide the bulk of its exports. The dry zone, which

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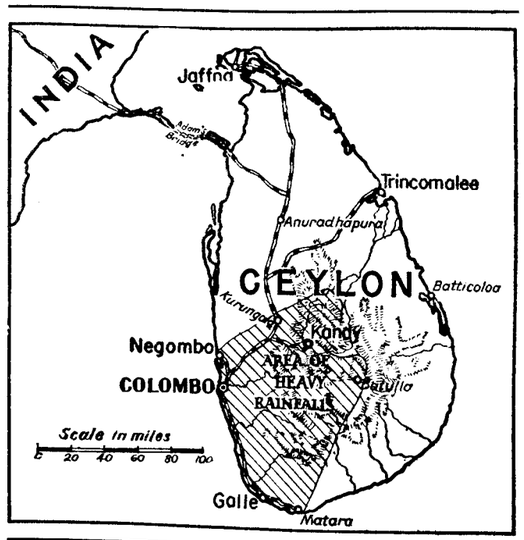
Breakfast Orange for early morning

in past ages grew all the food required in Ceylon, now barely provides one third: the rest has to be imported and paid for by the proceeds from the wet zone. No coal, oil or minerals of any consequence are found in the country. The lack of these essentials has militated against industrial development and, apart from the plantations, there is no industry organised on modern lines. The result is that the economy of the island is unbalanced, not to say precarious, depending as it does on the price of rubber, tea and coconut products in the world markets.

The obvious remedy is to recover from the forest in the dry zone the two million acres estimated to be available and restore them to agriculture. Till recently virulent malaria deterred pioneer efforts; today DDT has met the menace and made life in the forest possible.

No Communal Troubles

The population of the island now exceeds seven million people of whom four and a half million are Sinhalese Buddhists. Unlike India there is no communal trouble: Buddhism is tolerant; Muslims, Christians and Hindus live peacably with the dominant element. Nearly twenty years ago the Ceylonese were given a popular constitution based on universal suffrage, from which they derived valuable experience in self government. In 1946 this system gave place to responsible government with foreign relations and



defence reserved, and two years ago the country acquired full Dominion status; the reservations disappeared. Universal suffrage is the basis of the new constitution; and the legislature is bi-cameral.

The country has put into power a strong Union party government composed mainly of Sinhalese. The prime minister, Mr Senanayake, is an elder statesman of character, ability and integrity. He has wisely included in his cabinet a minister from the Tamil Hindu party next in importance to the Union party. The opposition is leftist, mainly Communist. The Communists, numerically weak, are split into factions and the movement is not regarded as dangerous although it causes some anxiety. It derives its support mainly from the intelligentsia of the towns.

Mr Senanayake and his colleagues place economic development in the forefront of their policy. The future of their country, perhaps indeed its independence, depends largely on whether it can make itself self-supporting in food; this can only be done by recovering from the forest the vast areas of land it denies to the plough, and the Government is determined to bring this about.

A six-year plan for clearing the forest has been elaborated. Put into force two years ago it only aims at getting ready for agriculture 131,137 acres out of the two millions involved by 1953. About 34,000 acres have so far been cleared. A dam is also being constructed by an American firm on the Gal Oya river in the southern area of the dry zone to irrigate 150,000 acres. It is to cost several millions sterling. The scheme includes a hydro-electric installation.

Electrification Plans

The six-year plan covers projects for the development of industry. This part of it, because of the absence of coal, depends for its implementation on the production of electricity on a large scale. The idea is to set up a grid over the whole island, so as to electrify every village and town. The first stage of a big scheme known as the Laxapana project is nearing completion; it is hoped that 20,000 kW will be brought to Colombo before the end of the year. In its further stages in the next four or five years, the output of Laxapana may reach 100,000 kW; this, with a contribution from Gal Oya, should meet the requirements of industry for a considerable period. There are many other schemes, recently surveyed by American engineers, which could be developed when more power is wanted. It is estimated that tea and rubber estates would take 70,000 kW if current could be delivered as cheaply as is produced by oil-driven privately owned plants. The industrial target is of moderate dimensions. It is hoped to produce 7,500 tons of steel by 1952 and 3,000 tons of paper about the same time, also cement and plywood, the plywood to be used for tea-chests. Little cotton is grown at present; as land becomes available it is planned to produce enough in five years to make possible the manufacture of much of the clothing wanted in the country.

The success of the economic policy of the Ceylonese Government naturally depends to a great extent on its financial position. Fortunately, the war has left no deep scars on the economic life of the country. British war finance did indeed bring on inflation but against this Ceylon has to its credit large sterling balances in London. Assets are officially estimated to exceed liabilities by £2,500,000. Public debt equals roughly a year's revenue (about £39 million). Unlike India and Pakistan, the charges for defence in Ceylon are less than 2 per cent of the revenue. Social service, education, public health, food subsidies and so on, absorb about £17 million of the revenue: expenditure from loans is estimated at £10 million, of which £5,000,000 go to economic development and about the same to social and public utility services. The average income is computed to be about £20 per head, the highest in Asia next to that of Japan.

Problem of Food Supplies

These statistics suggest that from the point of view of public finance the prospects for the economic development of the island are distinctly favourable, provided only that the plantation industries, which contribute 90 per cent of the state income, continue to flourish. For that there is no guarantee. To make the position secure the first essential is to ensure that the country is self-supporting in food.

The problem is urgent. Left to itself it is doubtful whether Ceylon could overcome the jungle in a generation. Some help from the outside world is therefore essential. Ceylon is one of the most important strategic centres of the Commonwealth, and it is obviously in Commonwealth interests that everything possible should be done to ensure its economic security. Not the least advantage of a prosperous Ceylon would be as an outpost against the spread of Communism in South-East Asia. It would be a proper object for the type of aid mooted at the recent Commonwealth conference at Sydney.

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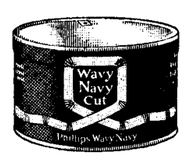
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The Consumer's Interest

"IF we do create these big public monopolies, it is right and proper that the consumer should be given new safeguards." The Member of Parliament who made this plea in the recent Commons debate on the affairs of the nationalised electricity supply industry was a Labour Member, not an opponent but a partisan of public ownership. The more critical of the partisans have begun, in the light of experience, to discard the assumption that public ownership means public service immediately and at all points. Some such assumption does appear to have underlain the nationalising Acts of the last Parliament, with their glib injunctions to the new authorities to pursue policies designed to serve "the public interest in all respects." No policy can pursue the public interest in all respects at once ; at best it can strike the happiest balance between conflicting considerations. There has become apparent in the minds of critics, including socialist critics, a realisation that the consumer's interest may need more specific protection.

The nationalising Acts of 1947-49 did, it is true, make various gestures of recognition to the user's point of view. But the bodies they set up in token of such recognition have tended to be, for the most part, either amateur bodies uncertain of their standing, or mere appendages pliable in the hands of authority. At least one consumers' council has openly fallen into the sophistry of speaking of the consumer's "best interests," which means not what the consumer wants, but what is thought by his betters to be good for him ; and, indeed, there is plenty of evidence that this subtle and elusive conception is tending to prevail. That public boards, and even Ministers, should override particular interests in favour of the public good is entirely proper. But it is equally proper that before and after they make their overriding decisions the particular interests concerned should be enabled to voice their points of view effectively. This, if anything, is what the idea of consumer representation means. It implies that the consumers' councils and similar bodies are not the consumer's mentor but his mouthpiece and his watchdog. But what has happened since the nationalised boards were set up has been—whether from weaknesses and vagueness in the Acts, or from the nature of the administrative steps taken to implement them—entirely different.

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The two Coal Consumers' Councils, industrial and domestic, have brought resentment upon themselves less by their actions or their failures to act than by the studied manner in which they have appeared to range themselves, in their rare public utterances, with the National Coal Board and the Ministry of Fuel and Power in a close circle from which the general public is firmly excluded. It is hard to know how far this attitude characterises the councils' private dealings with authority ; but certainly it is the apparent attitude, and it is certainly ill-judged. These two bodies were established under the Coal Industry Nationalisation Act ; their members were to be appointed by the Minister after he had consulted representative bodies, and they were to be appointed "to represent" consumers of coal. They were charged with the duties of considering "any matter . . . which is the subject of a representation made to them by consumers," or which in their view needed consideration, and where action seemed requisite they were to notify their conclusions to the Minister. They were also to consider and report on matters that the Minister might refer to them. The Minister might give directions to the Coal Board after hearing what the councils had to say.

These were not remarkably strong provisions. All the same, the Act does suggest what the councils were intended to do, and from their own reports it would be hard to conclude that their practice has realised the intention. In its third annual report last month the Industrial Coal Consumers' Council did, it is true, "think it fair to comment that too much dirt is still being raised and that this adds to the consumers' fuel costs." It "regretted" that the drive for more output had not gone better ; it had "welcomed" the improvement last autumn and had since been "disappointed that the rate of increase has not been maintained." It "fears" that it may be some years before output is really adequate, and in the light of this fact shows some impatience with carping consumers who will not accept the inevitable:

> Consumers take the view that it should be the aim of the National Coal Board to produce coal in the quantities and grades required to enable industry to secure the best results. It seems to us reasonable to suggest, however, that as the scarcity of special qualities is likely to continue for some time, all consumers should endeavour, in their own interest, to adjust their operations so as to introduce a greater flexibility in the demands for particular grades.

This is, indeed, "reasonable to suggest," but the National Coal Board and the Ministry are quite able to make such suggestions for themselves. Individual firms have to weigh such factors against other relevant factors and make their own decisions as to what is best for their own interests. But where can the idea have originated that it is the task of the consumers' council to indoctrinate consumers on such subjects ?

The council was intended to listen to representations from consumers and suggest action to the Minister, but it seems to have neatly reversed the procedure. This is not to say that the council is a useless body. Some of its talks with the Board and the Ministry on pricing systems, calorific values, fuel efficiency, and other technical matters have probably been valuable. But in the council's life of three years it has never received any serious volume of representations from consumers. Why is this ? Is it, as the report suggests, "because consumers recognised that in present circumstances the National Coal Board cannot do all that they would like to do to meet consumers' wishes" ? Or is it because of a feeling that representations would be a waste of time ?

The domestic coal consumers' council goes further and reproves some of those optimists (only about thirty in number) who in the past year have turned to it with their complaints. This council regards itself as a "long stop" to deal with major differences after the normal procedure has been exhausted. No doubt it is, in fact, neither equipped nor organised to handle multitudes of individual complaints. But in a seller's market and a rationed economy it is not a complete answer to tell the complainant "to seek redress from his merchant" ; the council would, therefore, have been well advised to place less reliance on this argument, and to have avoided the appearance of treating complaints as merely tiresome. If the official system (for however good reasons) does not work, then authority can act as its own apologist, and the consumer's representative ought to be the last person to come to the rescue. What seems to have happened, however, is that the councils allowed themselves to be over-impressed at the start with the idea of harmony at the top, and that they have allowed "fairness" to the authorities to become an overriding preoccupation. The domestic council now declares itself "most anxious" to avoid creating "the impression that the Council, or the merchants, or the National Coal Board, can provide a remedy for the inferior quality of some of the coal that has to be supplied." The industrial council has always taken the view that it "could best serve the interests of consumers not by captious criticism of the National Coal Board, but by collaborating as knowledgeable consumers." Before these attitudes become enshrined in the constitution it ought to be asked whether there is not a useful purpose to be served by captious critics. The merits of local representation might also be considered. The Act permitted regional coal consumers' councils to be set up, but the two national councils have opposed any such step.

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Perhaps the coal consumers' councils are a lost cause. If so, they should be a warning for the consumers of iron and steel, to whom under the Iron and Steel Act, if and when it comes to be implemented, not dissimilar representation is assigned. The Iron and Steel Consumers' Council will similarly be appointed by the Minister after consultation (some of his consultations may be with "organisations representing workers," though the Act does not say which groups of workers are meant). They are to consider "matters relating to the interests of consumers" and notify their conclusions to the Iron and Steel Corporation ; they can make representations to the Minister of Supply. The Corporation will pay their allowances and the salaries of their staff, and will provide them with "such office accommodation as appears to the Corporation to be requisite . . . or as may be directed by the Minister." These arrangements do not promise any great degree of independence.

It is true that the Iron and Steel Consumers' Council is empowered to appoint its own officers, while (by contrast) the "clerks, officers and staff" of the coal consumers' councils are supplied by the Minister. But the experience of another group of bodies that is in some ways similar, the Consultative Councils set up under the Electricity Act, has shown that this concession can mean less in practice than might appear. The Electricity Act provided for a consultative council in each of the fourteen supply areas—one, that is, attached to each Area Electricity Board. The members of these councils were to be representative of local authorities and of industry, agriculture, and other consumers' interests. They were to consider representations from consumers or would-be consumers in their area, or other matters affecting the distribution of electricity, including tariffs, and report their conclusions to the Area Board. They were also to report on matters referred to them by the Board. They have a right to be informed of the area board's "general plans and arrangements." After due consultation with the area board and the central authority, they can address representations to the Minister. The chairman of a consultative council is *ex officio* a member of the area board and in this latter capacity is paid a salary.

The appearance of strength in these arrangements is proving to be deceptive ; and if in fact the electricity consultative councils have not shown the obsequiousness of some other bodies, the cause seems to lie in their regional character—which puts the members in direct touch with responsible local feeling—rather than in any of the other safeguards in the Act. This may dispose them towards independence ; but the independence is proving hard to maintain, and in at least one area a serious struggle is going on. It is illuminating to see how the provisions of the Act work out in practice. The chairman's status as an *ex-officio* member of the area board may have been designed to give the consultative council a direct voice in the board's deliberations, but in practice it has the converse effect: it gives to the area board, the electricity supply authority, the dominant voice in the meetings of the consultative council. The council is empowered under the Act to appoint its own officers subject only to "the approval of the Minister as to numbers." But in practice, in each area, an official of the area board was seconded for service with the consultative council. Thus not only the chairman's salary but the secretary's future career and prospects of promotion are bound up not with the consultative council but with the supply authority, and at least one secretary of a council has been sharply reminded of the implications of this fact for him. The members other than the chairman are voluntary and unpaid, giving to the work such time as they can spare ; their offices are usually in the area board's offices, and their collective identity is inextricably confused in the public eye with the identity of the supply authority itself.

Suggestions to reform these arrangements were made in the Commons debate on electricity supply last week by Mrs Barbara Castle, the Labour member whose view was quoted at the opening of this article. Mrs Castle suggested that the press should be admitted to meetings of the consultative councils, that their finance and accommodation should come from the Minister's vote and not from the authority whose affairs they exist to overlook, and that their chairman should not be a board member, "a man of divided loyalties." These are sensible suggestions. It is probably too early to assume that this particular struggle has been lost. Many members of consultative councils have become disillusioned, and some have resigned ; other resignations are likely unless the independence of the councils can receive unexpected support from London. The fault is only partly in the weakness of the Act ; more influential is the official failure to understand what consumer representation is for. Because the purpose is misinterpreted—being assumed to be the provision of the public corporations with a free public relations machine—then independence

is squeezed out. But in this case it has perhaps not yet gone so far that it cannot be undone.

Transport, alone among the nationalised industries, is provided with a machine of independent supervision possessing indefeasible statutory powers. The Transport Tribunal does not, of course, "represent" the users of transport. It has, however, a decided authority in matters of charges, and its existence obliges the British Transport Commission and its subordinate bodies to submit themselves to public accountability in a searching form. No other of the national corporations has to undergo any similar test, and spokesmen of the Transport Commission have shown some resentment, which can readily be understood, at having been singled out through an historical accident for this treatment. It is a curious feature of the Transport Act that, side by side with the independent supervision of a Tribunal, a system of consultative committees was set up on lines not unlike the arrangements for "advisory" consumer representation in the other nationalised industries. The comparative performances of the two systems have provided the contrast from which lessons may perhaps be drawn for the future. Consumer representation without teeth has yet to show how it can be effective.

Profit Inflation Again?

IT would seem from the latest quarterly figures that industrial profits are again rising. The check to industry's earning power that was apparent twelve months ago has disappeared; rising prices since devaluation, the American boom and the comparative stability of wage costs per unit of industry's expanding output are in combination producing a resumption of the earlier advance that characterised 1948. At this, no doubt, there will be indignant cries that social justice is being outraged. It is desirable, however, to look more closely at the extent and nature of the increase before jumping to hasty conclusions that profits are already showing an unjustified inflation. It is the more necessary to do so because of the new demands for rearmament that are likely before long to be imposed on a British economy already at full stretch.

If the observer is content to base his arguments on the total income of the 917 companies whose reports were received last quarter, he will discover an increase of 5 per cent, from £485 million to £510 million. In terms of trading profits (that is, excluding investment income and other non-trading items) the increase was 6 per cent, from £433 million to £459 million. This rise is slightly lower than the 6½ per cent increase recorded by 559 companies in the first quarter of the year, and it has been produced by a highly representative group of industrial companies. But there are some oddities in the best sample of companies; if the trading profits of tobacco companies are left out of the reckoning (they are dominated by British-American Tobacco whose earnings arise overseas and whose accounts showed a large special credit after devaluation) together with those of plantation and finance companies, the residue of predominantly British industrial trading profits shows an increase of about 4½ per cent from £389 million to £407 million. This does not seem an excessive participation by capital and management in the fruits of economic expansion and industrial improvement during the past year.

The "average financial year" in which these trading profits were earned ended early last January. They reflect, therefore, the conditions of 1949, before the further rises in the costs of imported raw materials occurred; these seem bound to affect profit margins in at least some lines of production, but all past experience shows that profits as a whole are highly responsive to rising prices. Present indications—a high level of output, increasing productivity, rising exports, inflationary pressure in the United States, and rising rearmament demands at home—all these factors point in the direction of a further increase in profits during 1950. Some increase in profit incomes was obviously necessary to fill the gap of savings that was apparent to any casual reader of the "Economic Survey." It seems quite possible that this gap will be closed. Once again, a profits inflation promises to provide the "savings" that individuals (including the Government) are not prepared to find in sufficient volume to finance new capital formation.

There is, however, a new competitor for such "savings"—namely, the ordinary shareholder. The force of dividend "limitation," like that of the wages "freeze," has given way to "moderation and restraint." There is certainly nothing immoderate about the increase from £50.8 million to £51.9 million in ordinary dividends declared during the past quarter; there was, in fact, an increase in the issued ordinary capital of these 917 companies from £668 million to £703 million, and the average rate of ordinary dividend before deducting tax actually fell from 13.8 per cent to 13.5 per cent. But this is the first increase in ordinary dividend payments of any perceptible size since the early days of 1948. For every ten company chairmen who criticise dividend limitation but explain that, limitation or no limitation, the dividend cannot be raised, there is perhaps one who is now prepared to assert the right of ordinary shareholders to receive some modest increase. The amounts involved are small and no one could claim (except perhaps those who lodge resolutions to be put to the Trades Union Congress demanding the right to inspect companies' books to see where the swag is stowed away) that they make a pennyworth of difference to the risk of inflation.

Obviously, the great majority of industrial concerns will be chary about dividend increases, even though profits are rising and the force of voluntary limitation is less strong than it was. The table opposite shows where the profit goes. Total income is up by £25 million. Of this nearly £11 million has been set aside for depreciation, £6,000,000 to extra tax provision, £2,750,000 for contingencies, and £3,000,000 more added to undistributed profits. The pattern is too well known to require elaborate comment. The great majority of companies today rely upon surplus earnings to fortify their strained financial resources. Out of total incomes of £510 million, the latest group of companies have provided £200 million for taxation and £76 million for depreciation. The exact significance of these two items is affected by the treatment of initial allowances in company accounts—a matter on which professional accountants have different views and practices. But apart from that complication, it is the obvious fact that the tax collector habitually takes about two-fifths of total profits, and he would take much more if the initial allowances were curtailed or reduced.

The analysis of profits earned by industrial groups shows that it is easy, in talking of "profits," to overlook the considerable differences in the performance of particular industries. It is no surprise that breweries again lost ground last quarter—twenty-five companies in this group suffered a severe fall of total income from £16 million to £12.4 million, and showed corresponding reductions in tax charges and reserve provisions. There was "less money about," according to popular belief, but this was belied by the stability and indeed occasional expansion of earnings in the other consumption trades. The capital industries, as might be expected, continued to thrive, but the results of the general industries group were patchy: chemicals and paint reflected the lower profits of ICI and keener competition in paint; electrical manufacturers were very busy last year but their profits increased only modestly; and there are clear suggestions of heightened competition in the stable income figures (and lower equity earnings) for the newspaper and printing and the miscellaneous manufacturing groups.

In some branches of industry, it is less easy than it was to earn profits. And although industry as a whole may seem to be faring well enough on paper, this does not mean that it can satisfy its urgent capital requirements and pay appreciably higher dividends. Shareholders may sometimes get tired of chairmen who hurl defiant criticism at dividend limitation and then leave their dividends unchanged. But the compelling need for more finance as the prices of new plant and of raw materials continue to rise cannot be gainsaid. If, as seems possible, the trend of industrial profits is again set for a rise, this overriding fact will still be true. There are some companies that could find a little more, and others that positively should do so; but for the great majority of companies, under existing conditions, it is likely to be a matter once again of jam tomorrow for the equity shareholder.

PROFITS, PROVISIONS, AND DEPRECIATION
(£'000)

	Reports Published April—June, 1950			Reports Published July, 1949—June, 1950		
	917 Companies		939 Cos.	2,688 Companies		2,835 Cos.
	Previous Year	Latest Year		Previous Year	Latest Year	
Gross trading profit	432,982	458,951	463,928	992,302	1,029,474	1,146,660
Income from investments	31,877	32,949	33,029	73,618	75,518	83,722
Other current income	3,628	2,313	2,318	8,984	7,814	7,892
Non-recurring credits	16,481	15,845	15,893	35,049	35,034	38,518
Total Income	484,968	510,058	515,168	1,109,953	1,147,840	1,276,792
Repairs and maintenance	3,094	2,988	2,988	8,403	7,662	8,334
Depreciation	65,408	76,113	76,839	132,874	150,980	168,011
Income tax (excl. profits tax)	146,023	150,412	151,938	343,393	342,486	384,396
Profits tax	47,445	49,092	49,589	109,683	110,003	122,858
Directors' emoluments	14,713	15,441	15,747	37,402	39,738	42,171
Administration charges, etc.	9,052	9,086	9,321	32,475	32,795	33,566
Contingencies, provisions, etc.	27,013	29,799	30,266	76,219	94,210	105,926
Pensions	10,736	9,358	9,371	17,242	17,212	17,741
Minority share in profits	8,093	9,137	9,142	15,046	15,878	17,040
Profits retained by subsidiaries	32,069	38,124	38,105	56,630	66,529	70,794
Debenture interest	6,982	7,435	7,450	21,206	22,561	23,290
Preference dividends	12,939	13,018	13,112	32,571	32,758	35,688
Ordinary dividends	50,793	51,913	52,384	123,196	123,826	134,364
Revenue reserves	33,919	36,574	37,200	71,334	74,891	94,888
Brought in (parent company)	76,746	93,435	93,631	180,948	213,229	223,059
Carried forward (parent company)	93,435	105,003	105,347	213,227	229,540	240,784

NET WORTH, TRUE EARNINGS AND DIVIDENDS
917 COMPANIES REPORTING APRIL—JUNE, 1950

	Preceding Year	Latest Year
	£ Million	£ Million
Issued ordinary capital	668·0	703·1
Real equity or net worth (i.e. net assets after deducting liabilities and prior charges)	1,066·4	1,180·9
Ordinary earnings*	133·5	138·2
Ordinary dividends†	50·8	51·9
Earnings rate per cent.:—		
On issued capital net	20·0	19·7
On issued capital gross	56·4	35·8
On net worth net	12·2	11·7
On net worth gross	22·2	21·3
Dividend rates per cent.:—		
On issued capital net	7·6	7·4
On issued capital gross	13·8	13·5
On net worth net	4·6	4·4
On net worth gross	8·4	8·0

* Including amounts retained by subsidiaries and after taxation. † After tax.

PROFITS AND EARNINGS BY INDUSTRIES
(£'000)

	917 Companies			
	Total Income		Earned for Ord. Capital	
	Previous Year	Latest Year	Previous Year	Latest Year
Consumption Trades:—				
Breweries	16,036	12,392	2,891	2,583
Clothing and footwear	6,655	6,820	1,931	1,521
Entertainment	3,366	3,314	662	527
Food and confectionery	23,498	22,975	4,609	4,258
Hotels and restaurants	3,675	3,648	488	173
Shops and stores	14,940	16,050	2,891	3,265
Tobacco	29,911	38,081	5,761	5,905
Total	97,991	103,280	19,233	18,232
Capital Industries:—				
Building	15,517	17,522	2,742	2,617
Engineering	27,634	32,947	6,020	6,390
Iron and steel	46,608	52,151	9,144	9,832
Shipbuilding	4,776	4,466	822	525
Total	94,535	107,086	18,728	19,364
General Industries:—				
Chemicals and paint	49,475	45,312	8,572	7,512
Electrical manufacturing	26,563	29,158	5,849	6,185
Motors, cycles and aircraft	21,943	23,936	6,711	5,126
Newspapers, paper, printing	25,424	25,154	5,550	5,223
Miscellaneous manufacturing	42,723	42,402	10,004	9,298
Total	166,128	165,962	36,686	33,344
Utilities and Services:—				
Canals and docks	91	197	24	64
Electric supply	177	103	36	63
Gas	646	656	223	222
Shipping	43,337	42,341	4,346	5,222
Telegraph and telephone	930	3,612	278	362
Trams and buses	1,851	2,310	837	1,042
Warehousing	703	808	246	180
Waterworks	...	...	...	...
Total	47,735	50,027	5,990	7,155
Textiles:—				
Cotton	18,136	22,075	4,042	4,917
Silk and rayon	172	244	41	36
Wool	5,199	4,698	904	797
Other textiles	2,838	2,696	602	491
Total	26,345	29,713	5,589	6,241
Fuel:—				
Coal	3,404	2,214	951	555
Oil	18,841	21,679	6,479	7,789
Total	22,245	23,893	7,430	8,344
Plantations:—				
Rubber	4,712	4,676	1,586	1,041
Tea	4,521	4,832	1,207	1,265
Total	9,233	9,508	2,793	2,306
Finance:—				
Finance and land	11,261	11,168	2,350	2,810
Trusts	9,495	9,421	2,602	2,259
Total	20,756	20,589	4,952	5,069
TOTAL, ALL GROUPS	484,968	510,058	101,401	100,055

Business Notes

Poised for Advance?

The market's reaction to the Korean news prompts the question how it might have fared if the political weather had been calm. This week, a steady strengthening of spirits and prices has taken place. Gilt-edged stocks, and particularly the "shorts," have enjoyed steady support, providing an auspicious background for the issue of just over £2,000,000 of 3½ per cent Sierra Leone stock 1968-70 at 99½. For the market to have kept and indeed to improve its position to permit the resumption of trustee borrowing within six weeks of the start of fighting in Korea is no small achievement. It is not, indeed, being put to any major test, for the public offering in this case is limited to £1,600,000; but this is of less consequence than the noticeable stiffening of the terms compared with the Uganda issue, which was offered at 98 last April. On the eve of the Sierra Leone issue, the Uganda stock stood at 101¾, thus attracting, even after allowing for accrued interest, favourable attention to the terms of the Sierra Leone issue. The investment market has shown its firmness in the recent successes of the Patons and Baldwins and Manfield debenture issues. To these there has been added this week a comparative rarity—a major placing. This consists of £1,000,000 of Tees Conservancy Commissioners 3¾ per cent stock, redeemable in 1990, which Messrs Pember and Boyle have acquired at 98; dealings started on the basis of 99 and the price has since risen to 99½.

If there have been few excitements in the industrial market, prices have certainly been firm. The *Financial Times* index of industrials has improved further to 111.4 compared with 114.8 before the Korean fighting started. There has been some nibbling interest in steel shares, based on the argument that, given war or nationalisation, present prices are too low. No major buying of equities has yet become apparent on the inflationary implications of rearmament, here and in America; but the market gives the impression that it is poised to respond significantly to any increase of buying based on such calculations. Even in Kaffirs, there has been sunshine this week. It is probably safe to discount the stories of large scale American buying that were in circulation; in fact London seemed to be quite as active as the Cape—certainly in the shares of developing mines where a technical recovery was easier to contrive since dealers' books were bare.

Investors, in short, have not committed themselves about the major issues of peace or war, or about the repercussions on the British economy of a stiff dose of rearmament. But their behaviour in the past two weeks reflects few fears and suggests a certain underlying strength.

* * *

Integration of Freight Services

The statement of policy on the integration of freight services by road and rail, issued by the British Transport Commission last week, contains few surprises. The considerations it lists about the prospective role of each of the two forms of service are familiar, and were always presumed to be in mind when nationalisation was being discussed. It is something to have them explicitly stated, but they cannot be said to carry the problems of integration—which have to be solved in hard, practical terms—very much nearer solution. Integration, it is intended, will leave the trader free to choose the transport service he prefers—provided that regular services of different kinds are running between the same points. But freedom of choice depends intimately on charges and conditions of carriage; and these will not be framed and put to critical test for two years or more.

Integration of freight services rests on the principle that both forms are complementary and not rival. The circumstances in which each is specially suitable and efficient are set down—rail transport is specially suitable for trainload or trunk haul traffic, for example, while road transport is best used for local work or for more extended services up to the distance at which the economy in tractive effort by using rail for the trunk portion of the conveyance is greater than the economy from avoiding extra handling on and off rail, saving on packing, lower pilferage and shorter time. It was indeed such presumptions as these that gave transport nationalisation its technical attraction—that integration might provide a unit of transport suitable for each type of need at the least real cost. Yet the first specific proposal in the statement suggests that theoretical functionalism has been at work too, for it is proposed to put all the collection and delivery services now operated by the railway executive under the charge of the road haulage executive. In other words, it is proposed to pursue the "compartmentalising" process which has hived off former railway services such as docks and hotels from the railway executive but has not resulted, as far as one can see, in any reduction of costs. Divided and confused responsibility are obvious risks in such a proposal; it is fortunate that the proposal would take so long to bring into effect, at least in the larger centres, that there will be good time for reflection.

The concentration of long distance and wagon load traffic on rail and of cross country, feeder and distributing services on the roads will take time. One of the main problems in such changes is to gain the support of the operating staff for them. The commission seek to minimise hardships resulting from the innumerable and inevitable changes in existing arrangements; they promise elasticity, careful regard to staff interests, sympathetic handling and reinstatement of staff that may be displaced from existing jobs. There will also be awkward pay problems, for some downgrading is inevitable and the unions will certainly not relish changes affecting pay, seniority and privileges. It may be doubted whether these knotty difficulties will be unravelled, as the commission hope, by the angelic forbearance of give and take.

* * *

Dollars for Film Production?

The agreement "in principle" announced this week between the Board of Trade and the American motion picture industry contains at least one highly questionable feature, which makes it necessary to ask what was the Government's purpose in the first place in restricting the amount of dollars that the American film producers can take out of Britain. The Government has always protested that its purpose was solely and exclusively to limit the country's dollar expenditure on films. But the new arrangements, if the Board of Trade has described them accurately, serve a quite different intention.

While the details are still to be worked out by technical representatives of both sides, the new arrangements are briefly these. The amount that can be remitted without conditions from the American film companies' earnings in Britain remains unchanged at $17 million a year. From October 1st, however, for a period of twelve months an end will be made of the additional "pool" of dollars which the American companies have been dividing up among themselves—an amount equivalent to the net earnings of British films in the United States—and a new "bonus scheme" will take its place. The new scheme is an improvement in so far as—by relating the extra drawing rights of each American company to its efforts in marketing British films in the United States—it replaces a pooled bonus by a direct individual incentive to each company. But the American companies can also qualify for the new bonus in another way, by spending their "frozen" sterling on film production in Britain. In proportion as they do this the amount of dollars they are entitled to remit will be increased. There is no question here of earning or saving dollars for Britain: for every £1 spent on film production in Britain by an American company from sterling funds which the Government has declared that it cannot afford to convert, an amount (still unspecified) of dollars will be released from the sterling area dollar pool.

Thus, in effect, the Board of Trade has agreed after all to spend extra dollars, in return for the creation of employment in British film studios. It will be interesting to see how many dollars it considers £1 of employment in British studios to be worth. This is the second instance in a week in which the Board of Trade has twisted to an entirely different purpose a set of restrictions that had been introduced originally to meet the dollar crisis. Mr Wilson's decision to relax the dollar-saving and dollar-earning criteria for new industrial projects, provided that the projects are located in areas chosen by the Board of Trade, is discussed on page 256. The new films agreement resembles that decision in a manner that can hardly be accidental. Dollars are still officially "scarce" for the ordinary purposes of trade and industry. Are they ceasing to be scarce where there is a pet government idea to be served?

* * *

Cotton Prices and Utility

No intermission is yet in sight of the steady upward pressure on the prices of utility cotton goods. The major increase in cloth prices which was conceded by the Board of Trade in March—and which reflected the rise in raw cotton prices in the three months or so following devaluation—has only in recent weeks begun to be reflected in higher permitted prices for utility garments in the shops. A further general increase, this time of about 5 per cent, in utility cotton cloth and household textiles was announced on Monday. This arises from a recommendation of the Cotton Utility Scheme Committee, which the Board of Trade decided to accept; the announcement describes it as "an interim measure to facilitate the placing of orders following the issue of yarn licences" in the new period that has just begun. It was intended, in short, to meet some of the trade's immediate grievances and improve the atmosphere while the utility committee went on with its deliberations.

But in the month or so that has elapsed since the increase was conceived, the conditions of trade have once more changed; raw cotton prices, with other commodity prices, have risen sharply following the outbreak of the war in Korea. The price of American "middling," which was 34.79 cents a lb. on July 1st, was 39.10 cents a lb. on August 1st. Thus, while converters have gained a temporary advantage and will be able to sell at a better profit the goods that they now have on their hands, the advantage will be temporary and limited; any general benefit that it was intended to have for the trade has been neutralised. The slight fall that has taken place in cotton prices since then has not materially changed the position.

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Thus the second major price increase in six months has still done no more than keep pace with the rise in the price of raw cotton. This fact can only underline for the cotton utility committee the drawbacks arising from the rigidity of the scheme. The committee, which represents the trade as well as the Government, was appointed in April to make a general review of the scheme. On the trade side, the demand for radical changes—in fact, for demolition of large parts of the existing structure—was being widely voiced at the time. But it may be that the worsening of international relations since then has put demolition out of the question, for the time being at least. In that case the committee's task must be to devise ways of making the scheme more flexible, particularly in its price structure. The present system of fixed maximum prices based on rigid specifications might, for instance, be replaced by some kind of sliding scale which would move with the movements of the price of raw cotton. Such an arrangement would not be easy to devise. But it is true that the committee, by bringing about a better atmosphere, has improved the chances of getting at least a provisional solution later this year.

* * *

Building Societies' Income Tax

The Chancellor of the Exchequer has decided to give a greater measure of permanence to the present arrangements, which are subject to review from year to year, under which Building Societies pay income tax on behalf of their shareholders and depositors at a composite rate. In answer to a question in the House of Commons at the end of last week, he stated that the present arrangement for the payment of income tax by building societies at a composite rate is to continue beyond April, 1952, when it would otherwise be due for review. As a first step, Sir Stafford Cripps intends to authorise prolongation of the present arrangement up to April, 1957, subject to the necessary provision in next year's Finance Bill. This decision has been greeted with natural satisfaction by building society managements and investors.

But Sir Stafford has linked this proposal with another to "regularise" the existing anomaly whereby surtax is calculated on the actual amount of interest and dividends received by surtax payers on their deposits and shares in building societies. It is his intention that liability to surtax will in future be assessed on "the amount actually received by surtax payers from their investment plus income tax." This is as far as his statement goes; it leaves unanswered whether the amount actually received will be grossed up at the composite rate of income tax paid by the building societies (at present 5s. 2d.) or at the standard rate of 9s. in the £, or the "appropriate rate" applicable to the surtax payer.

These distinctions are clearly important for surtax payers and they may affect the societies themselves. The mounting total of building societies funds in recent years to the record level of £1,057 million at the end of 1949 owes not a little to the obvious attractions to surtax payers of investment in the societies. The concession now under fire has certainly added to the relative inducements for surtax payers of building society investment *vis-à-vis* say, investment through the Stock Exchanges. It remains to be seen whether the levelling down of the net yield to surtax payers will set any considerable volume of the vast funds of the building societies on the march. The societies are naturally reticent to express any firm opinions at this stage before the Chancellor's intentions are given specific form, but the general view is that any large outflow of funds is unlikely. Some surtax payers, however, have funds invested with a large number of societies up to the limits they are prepared to receive. If big withdrawals have to be faced, the question of liquidity would assume more importance than many societies have lately been disposed to concede. The average ratio of liquid to total assets for the movement at the end of 1949 was roughly 16 per cent; a few showed a ratio well above the average, but others were more content with 10 per cent or less. The impact of any new disposition of surtax payers' funds would be felt most heavily where liquidity ratios are low. It might, if it went to extremes, also call in question some of the more speculative types of mortgage business undertaken by certain societies in recent years.

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Bank of England Report

The Bank of England report for the year ended February 28, 1950, follows ploddingly in the steps of its predecessors

—it is handsomely printed but totally lacking in comment, new information or prose worthy of the paper and the type in which it is presented. In its references to movements in the bank return items, there is a warning to allow for the increase in the Treasury's special account (the counterpart fund) when comparing the latest figures with those in the previous report. In the comments on the floating debt there is mention of the running down of Treasury deposit receipts, but no explanation of the monetary policy that led to their gradual conversion into Treasury bills. A review of the clearing bank figures evokes the guess that the rise in advances may have been connected with the increase in prices since devaluation and with the difficulty of raising industrial capital by public issues. On devaluation itself the Bank of England is virtually silent. It was "the outstanding financial event of the year"—and it produced a new sterling dollar rate of £1=2.80 US dollars. That is all. The Bank's report used to be first in the field with figures measuring the use of sterling through automatic and administrative transferability but even this tit-bit is now snatched in advance by eager politicians when the figures tell a tale that rebounds to their credit. The figures, however, will bear repetition. The amount transferred within the transferable account area and through the special administrative facilities available at the Bank of England were as follows:

	1948	1949
	£ Million	
Automatic facilities	88	144
Administrative facilities	152	124
	240	268

These figures exclude all transfers to and from American account countries. In addition, during 1949 merchanting transactions and payments under the coffee and rubber schemes amounted to another £37 million. These figures speak well for the performance of sterling in a particularly difficult and checkered year. The report includes a useful summary of the payments and financial agreements negotiated during the twelve months. But by comparison with central bank reports in countries of more modest financial importance than that of Britain, the report is inadequate, pedestrian and unworthy of the world's oldest central bank.

* * *

Dilemma About Counterpart Funds

The change in key of American assistance to Europe from the reconstruction motif to rearmament is under way. This week, while President Truman has put the impressive figure of $4 billion to the prospective total of American military aid to other countries, the United States Senate has been valiantly reinstating the amount which had previously been cut from the ECA appropriation by the House of Representatives. As things now stand, ECA appropriations seem unlikely to be substantially affected by the spectacular stepping up of military aid. It has, however, been stated from ECA quarters, both in Washington and Paris, that the emphasis in the use of counterpart funds should be changed from reconstruction to rearmament. The text of the Foreign Assistance Act is deemed to be elastic enough to allow such diversion of these funds. ECA has estimated that on June 30th outstanding balances in national European currencies accumulated as a result of the sale of Marshall Aid goods amounted to the equivalent of over $2,000 million of which some $500 million had been specifically earmarked and released for reconstruction projects. Of the balance of $1,500 million, the largest single item was the sterling counterpart fund maintained in the Treasury Special Account at the Bank of England. This balance has risen to the figure of £246,518,530 recorded in this week's Bank return.

The steady increase of this item, which for many weeks has distended the Bank return, reflects differences of views between the British government and ECA regarding the ultimate utilisation of these funds. The Americans would like to see some more specific "tag" attached to their use. The British spokesmen point out that, in accordance with existing Exchequer practice, any surplus of funds in government accounts, whether they derive from the sale of Marshall Aid goods or from any other direction, are automatically used in the repayment of debt. In order to satisfy the American authorities that ECA counterpart funds were so used, the device was invented of creating a special form of government debt which was cancelled when formal ECA sanction to the use of counterpart funds for debt redemption was obtained. To go through the fictional motions of applying these funds to "finance" an addition to existing capital expenditures would be inflationary unless corresponding cuts were made in other parts of the capital programme.

It would, of course, be easy enough to label part of the planned capital programme as being backed and made possible by Marshall Aid counterpart funds. It would be a piece of sentimentality that would do no great harm and might do some good. The counterpart funds, of course, do not in themselves supply any new finance at all for the realisation of capital or rearmament projects. They are an accounting siding into which figures are shunted in and then shunted out. But to pretend that the counterpart funds could play a real purpose would presumably satisfy American susceptibilities; need it offend the purists at the Treasury who had already shown their readiness to admit the subterfuge of creating special pieces of paper representing national debt, which ostensibly were cancelled by the use of counterpart funds? The British official attitude remains unaffected by the suggestion that these counterpart funds should now be devoted to rearmament purposes. For the time being the finance of rearmament in Great Britain remains within the bounds of approximately balanced current revenue and expenditure. As long as that is the situation, the sterling that is realised from Marshall dollars, whether ECA wishes it or not, must automatically be used in the redemption of debt, or at least in preventing borrowing which, but for these new sterling receipts, would have been necessary. And when an expanded programme is seen to be necessary, it will have to be financed at the expense of other domestic expenditures or exports if inflation is to be avoided.

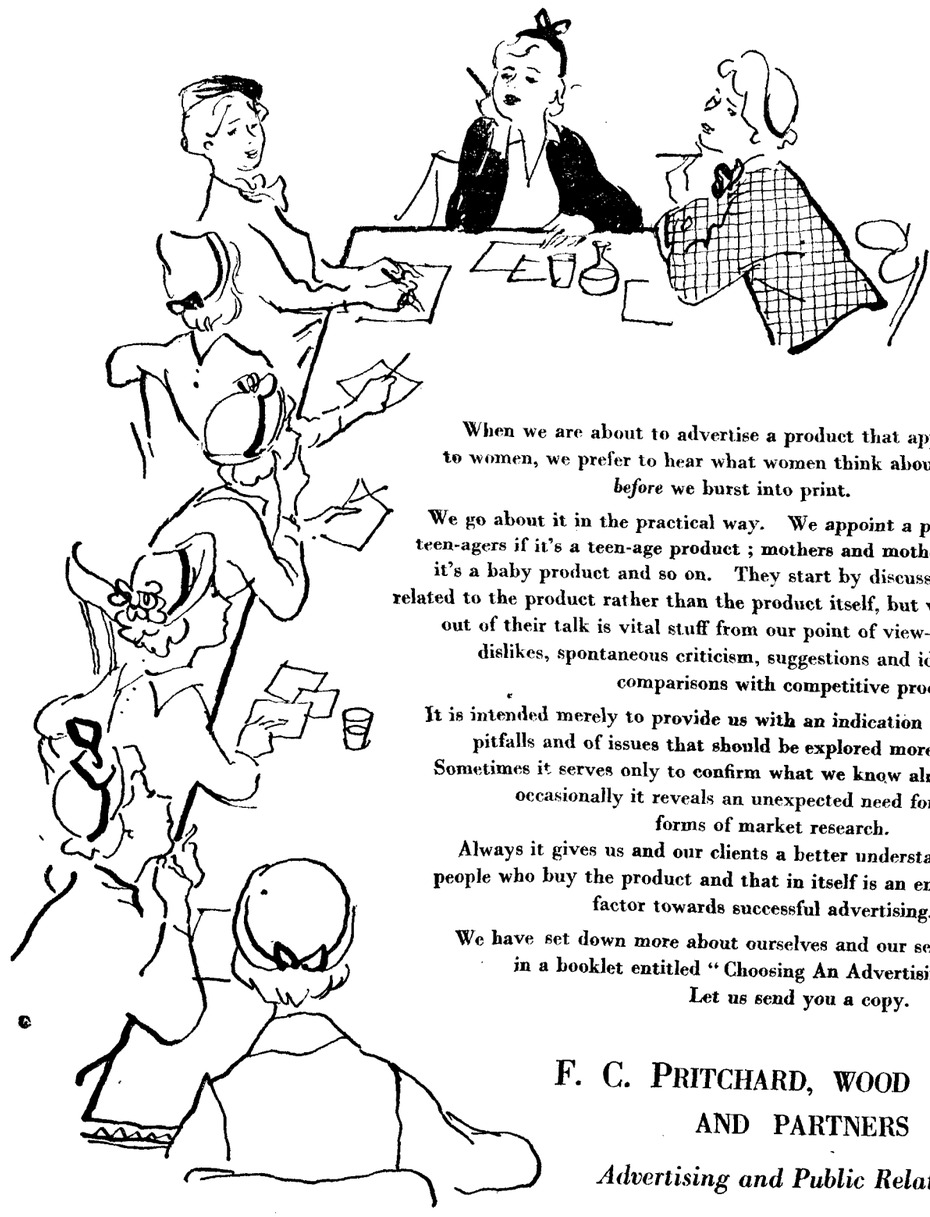
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Banking Trends—Real and Apparent

At first sight the clearing banks' statement for July seems to provide evidence of a startling change in the trend of bank advances. In the first nineteen days of July the apparent level of bank advances declined by no less than £66.8 million; the last eight of these monthly statements had all shown rises in bank advances, the net increase between mid-October and end-June amounting to over £182 million. The real reversal of trend, however, is not as marked as these figures suggest. For one thing, the second £35 million call on last May's Electricity Loan was made in the period covered by this statement; the BEA undoubtedly used the greater part of these funds to repay outstanding bank advances. For another, the clearing banks' statement for July habitually shows an apparent "fall" in bank advances as a result of the customary decrease in inter-branch transit items after the end of the half-year. Only one bank—Lloyds—lists these items separately; the others include them among their advances. Lloyds' return shows a fall of over £6,000,000 in "items in transit." If the other clearing banks experienced a similar fall and hid it (as they would do) in their advances item, then this accounting oddity and the BEA repayments between them may explain away the greater part of the apparent £66.8 million fall in advances. Nevertheless, careful analysis suggests that the curve of bank advances has flattened out and even turned slightly downward over the past two months.

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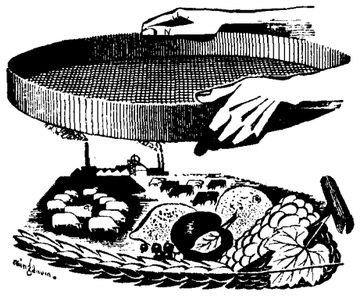
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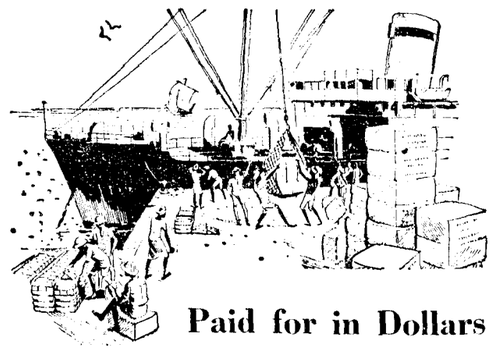
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From the point of view of monetary stability this check may have come just in time. The clearing banks' statement shows that Government indebtedness to the banks (as indicated by bank holdings of money market assets and Treasury deposit receipts) increased by nearly £100 million in the nineteen days covered; holdings of Treasury deposit receipts, in fact, increased for the first time this year. In addition an increase of £18.8 million in bank cash set free an equivalent volume of central bank finance for the Government. Even allowing for the fact that some of the "departments" may have been switching out of floating debt to take up new BEA stock, it is difficult to see what has caused this sudden increase in Government demands upon the banks. The effect of these demands has been to send the recorded level of "net" deposits up by nearly £44 million. This figure is struck after allowing for the decrease in inter-bank transit items but before allowing for the decrease in inter-branch transit items (the extent of which is discussed above); the true increase in "net" deposits may well have been £70 million or more.

* * *

Flexibility in the South African Agreement

After a lightning three weeks' tour of the European continent (during which he has discussed a loan in Switzerland and a trade agreement with Germany), Mr Eric Louw, the South African Minister for Economic Affairs, has been back in London this week to resume his discussions with the British Treasury and Board of Trade. He has now returned to Pretoria with an agreed (but unpublished) list of the commodities on South Africa's import programme for 1951, which will be designated as "essential" within the terms of the Havenga-Cripps agreement.

The main feature of this agreement, it will be remembered, is that South Africa pays in gold for all its "essential" imports; if these "essential" commodities can be supplied in open competition by sterling area or other soft currency countries then the gold in question finds its way into the vaults of the Bank of England (against sales of sterling or the required soft currency). In order to maintain "flexibility" in this rather makeshift agreement, neither South Africa nor Britain has ever revealed exactly what commodities are included in the Union's "essential" list. There is, unfortunately, a widespread suspicion abroad that this secrecy is in fact maintained so that South Africa can inject a little anglophile discrimination into what is supposed to be a non-discriminatory agreement. Some European countries also believe that the list is not published so that they themselves need never know—and therefore in theory never grieve about—the amount of gold they are involuntarily contributing to the sterling area central pool by selling essential goods to South Africa.

Despite these rumblings of discontent on the Continent there is no doubt that Britain itself is well satisfied with the working of the agreement so far. In the first six months of 1950 South Africa is unofficially reported to have contributed £50 million of gold to the sterling area central pool—considerably more than was originally expected. South Africa, for its part, has given voice to some discontent about the relatively small inflow of genuine investment capital into the Union this year and about Britain's tendency to ration supplies to the Union of certain scarce British exports not paid for in gold; it is possible however that the private tenor of Mr Louw's complaints on this latter score has not been as bitter as one of his political speeches in South Africa once suggested. The time has come, however, when both countries should face the reasons for the agreement's success. Britain and South Africa have had a reasonably happy honeymoon in the past six months because it has been almost immaterial to South Africa in this period whether it has paid out gold or whether it has paid out sterling at the current rate of exchange. If sterling should again become much less desirable to South Africa than dollars, then the vaunted flexibility to which this unhealthy secrecy gives rise is likely to generate in both countries a great deal of ill feeling and pother.

* * *

Richard Crittall Judgment

Judgment was delivered this week in the Richard Crittall case. The principal defendant, A. E. P. Hinds, former managing director of Richard Crittall & Co., engineers, was found guilty on twelve counts including inducing people to subscribe for shares in the company by reckless misleading statements and forecasts in the prospectus. Another former chairman of the company, J. L. Musgrave, was found guilty on three counts of making misleading forecasts and not guilty on three other charges of making misleading statements. Mr K. F. Steven, partner in a firm of chartered accountants which certified the profits figures, was found not guilty on charges of recklessly making misleading statements. Hinds was sentenced to three years imprisonment and Musgrave to a heavy fine with the alternative of imprisonment if not paid within three months.

The case arose from the prospectus published by the company in December, 1947, in connection with the issue of 450,000 5 per cent. cumulative £1 preference shares. The prospectus included an estimate that the company's profits for the year ending December 31, 1947, would be in the region of £100,000 whereas an actual loss of some £600,000 was incurred. Mr Justice Humphrey's observations on the responsibility of auditors will no doubt receive very careful consideration by the profession and by the Companies Department of the Board of Trade. It deserves quotation in full:

> I think it calls for consideration by the authorities whether this system of appointing a firm as auditors is a satisfactory one. The law used to be different. An auditor at one time had to be the person signing the document and had to accept a personal responsibility. Now the practice is that a firm which may consist of nine or ten partners can act as auditors. It may be that this case has shown that this is not very satisfactory because one does not get what everybody desires —the personal assurance of the individual expert that a matter is right.

Although Mr Steven signed the offending statement, it was his partner who had made tests and satisfied himself of its accuracy.

* * *

Plentiful but Dear Wheat

This year's wheat harvest in Europe should exceed the average and yields may be larger than in 1949, despite the damage caused by July's heavy storms. Harvest estimates for the sixteen wheat producers of western Europe are provisionally put at 1,022 million bushels compared with 974 million bushels last year and 995 million bushels before the war. Production in the United K[ingdom], we[st]ern Germany, Portugal and Belgium is well ab[ove] [la]st [yea]rs. France, however, will have a much smalle[r] [har]vest even than its 1935-39 average. This is a [ser]ious check to France's resumption [of] wh[eat] [ex]ports, since is no information about wheat crops in the [U.S.S.R.]. But the weather has, on the whole, been fav[ourable] [for] substantial harvest[s] [are] therefore expected. Ac[cording to] *Marshall's Corn Trade News*, imports of whe[at] into Europe during the [next] twelve months may [be] 400 million bushels [be]low the annual import before the war.

The American crop is [est]imated at about 950 million bushels, against 1,140 million bushels last year, but this fall is cushioned by a rise in carry-over stocks at the end of the season from 293 to 450 million bushels, and available supplies in the new season will be little smaller than in 1949-50. The

area under wheat in Canada declined slightly from 27½ million acres to 27 million acres, but the outturn is expected to reach 400 million bushels compared with 367 million bushels in 1949.

These preliminary estimates suggest that the supply of wheat in the new season should be more than adequate to meet importers' requirements, even after allowing for the lowering of the extraction rate in Britain (the largest importer) from 85 to 80 per cent. The chance that "international agreement" wheat might be sold below the maximum price of $1.80 a bushel would on the face of it seem distinctly favourable. But during last season, the first covered by the agreement, sales of wheat by the United States fell short of the quota by 30 per cent. Importers are required to take up the full quota only when the price is at the minimum. This did not happen last season; the United States Government was content to hold larger stocks in an effort to keep the price at the maximum, and no doubt other exporters followed the same policy. Wheat is only likely to fall to the minimum price under the agreement when exporters' stocks reach burdensome proportions; that may not happen for two or three years, and world politics may cause a revision of ideas about what is "burdensome." Despite the larger harvest in western Europe, $1.80 a bushel seems likely to set a standard for wheat prices during the coming twelve months.

EUROPEAN WHEAT ESTIMATES
(Millions of Bushels)

Country	1935-39 Average Crop	1949 Final Crop	1950 Provisional Estimate
Austria	15·1	12·7	12·0
Belgium	14·3	21·9	20·8
Denmark	16·2	11·0	10·0
England	7·0	9·1	8·8
France	289·3	294·4	282·4
West Germany	92·5	90·9	100·0
United Kingdom	62·4	82·3	90·0
Eire	7·8	13·5	12·0
Greece	30·2	26·5	29·2
Holland	14·8	15·6	14·4
Italy	279·1	257·6	276·0
Norway	2·3	2·2	2·4
Portugal	16·1	12·0	20·0
Spain	114·8	93·4	112·0
Sweden	26·5	23·8	24·8
Switzerland	6·2	7·0	7·2
TOTAL 16 countries	994·6	973·9	1,022·0

Source: Broomhalls Corn Trade News.

* * *

Korea and Sugar

The Korean fighting has quickly converted the prospective surplus of sugar in the world market into a shortage, for it has prompted the American housewife to buy on a panic scale. American consumption of sugar last year amounted to 6,700,000 tons and consumption this year was expected by the US Department of Agriculture to run at roughly the same level. But the sudden increase in American consumers' demand during the past month first made the Department raise the import quota by 310,000 tons, and later to arrange to buy 549,000 tons from the Cuban surplus. The department has started negotiations to buy 225,000 tons of sugar from Puerto Rico, the Virgin Islands and Hawaii. Total purchases this year by the United States will thus amount to 7,800,000 tons, or 1,100,000 tons more than in 1949.

The effect of these recent American purchases on the world market has been to absorb the surplus on the "free" market, put at 490,000 tons by the International Sugar Council only a month ago, and to reduce reserve stocks in exporting countries to the barest levels. These quantities however, are not being consumed; they represent a transfer of stocks from producers to consumers. The American Government has said that the additional purchases were being made to ensure an adequate supply for the domestic market; if American retail demand does not absorb these additional quantities, the American Government stands willing to resell the surplus to other countries at the price it paid. But at present other countries are eagerly trying to build up their stocks, and little or no sugar is available. Britain's requirements to the end of the year are believed to be more or less fully covered.

On any view of the prospects, the sugar market is in for difficulties next year. If the crisis spreads, the demand will be impossible to satisfy. If the Korean affair is localised and the threat of general war subsides, American buying will be seriously curtailed as housewives use up their hoarded stocks. Cuban production is expected to reach almost record proportions; the provisional estimate is put at 5,850,000 tons, some 400,000 tons larger than this year. If the political situation were to improve, the world might well be faced with a burdensome surplus of sugar.

* * *

More Synthetic Rubber

The American Government's decision last week-end to increase the output of synthetic rubber by a further 100,000 tons came as no surprise to the rubber market. The spot price for natural rubber in London hovered around 3s. a lb. for the first part of the week but by Thursday it had spurted again to 3s. 9d. The relatively wide discount on future dealings suggests that the market does not expect the present high price to continue indefinitely. American synthetic production has increased steadily since the beginning of the year: January output totalled 27,800 tons and by June production had reached 41,500 tons, representing an annual rate of almost 500,000 tons. On July 7th the Reconstruction Finance Corporation ordered the reopening of plants with a capacity of 88,000 tons a year; this with the new extension of output should raise annual production of synthetic rubber to about 675,000 tons. This rate of output is not likely to be reached before the beginning of December. It still leaves a margin of total capacity in hand, for the plants owned by the American Government are capable of producing 875,000 tons a year.

Meanwhile, pressure on natural rubber continues, despite the considerable expansion in output this year. Production in Malaya in the first half of the year was virtually unchanged at 325,800 tons, compared with the corresponding period of 1949. But apparent production in Indonesia has increased strikingly, even allowing for the appearance in the current output figures of rubber previously produced and hoarded.

AMERICAN CONSUMPTION OF NATURAL AND SYNTHETIC RUBBER
(Tons)

	Jan.	Feb.	Mar.	April	May	June	Jan.-June
Natural rubber:—							
1949	*50,041*	*46,126*	*52,908*	*47,692*	*45,966*	*46,945*	*289,678*
1950	59,992	56,580	60,859	57,816	63,641	62,546	361,434
Synthetic rubber:—							
1949	*37,085*	*34,889*	*39,041*	*36,529*	*35,528*	*37,211*	*220,283*
1950	33,966	31,860	37,647	38,037	46,369	48,246	236,125
TOTAL							
1949	*87,126*	*81,015*	*91,949*	*84,221*	*81,494*	*84,156*	*509,961*
1950	93,958	88,440	98,506	95,853	110,010	110,792	597,559

Source: Secretariat of the Rubber Study Group.

Output for the January-June period totalled 293,700 tons, of which 207,600 tons came from smallholders, whereas production in the first half of 1949 (of estates and smallholders together) amounted to only 190,400 tons. Stocks of rubber previously kept off the market by smallholders must by now be almost liquidated, though some margin of stocks is no doubt retained by the estates. If the present level of production is maintained, Indonesian output for the year might well exceed the estimate of 520,000 tons made by the Rubber



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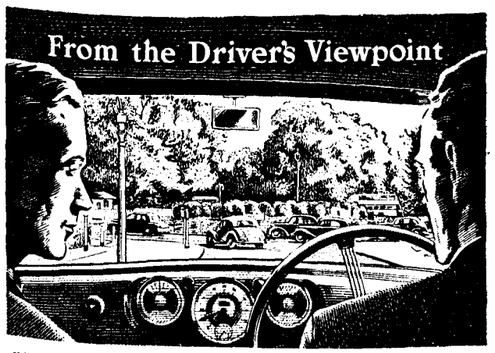
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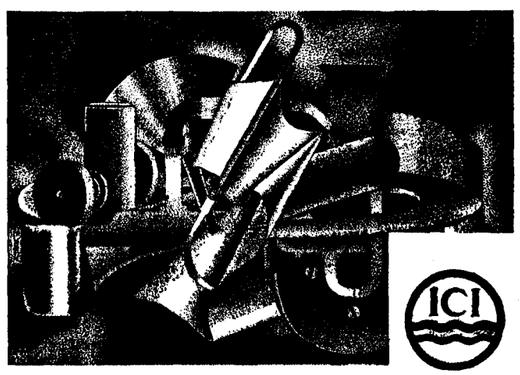
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Achievements of an Industry

Genius for invention is inherent in the British people. In a previous series of announcements — "Ancestors of an Industry" — I.C.I. told the story of Britain's scientific pioneers from A.D.1144. The present series is designed to describe some recent British chemical achievements, many of which have been the genesis of new products and processes which have given fresh vigour to the nation's industry.

Such achievements have been sometimes the brilliant discoveries of inspired individuals, but are more often the work of teams of research chemists co-operating on a given task and working to a set plan. The announcements in this series are proof — if proof were needed — that the British spirit of initiative and enterprise is still alive.



ICI

Study Group last March—a figure which then seemed distinctly optimistic. At this stage, only tentative forecasts can be made of world production in 1950 ; present trends suggest a total in the region of 1,625,000 tons against 1,487,500 tons in 1949.

The big question mark about rubber in recent months has now become an exclamation mark. American consumption in the first half of 1950 totalled 361,400 tons against 289,700 tons for the first half of 1949. Synthetic consumption which declined towards the end of 1949 has increased very rapidly in the past three months ; the total for January to June was 236,100 tons against 220,300 tons for the first six months of 1949. These figures suggest that total American consumption of rubber in 1950 may exceed 1,200,000 tons, of which 650,000 tons might be met by natural rubber. If American consumption were sustained at this level next year, the use of natural and synthetic rubber might be reversed, with natural rubber accounting for only 550,000 tons of the total.

The new American rearmament programme, superimposed on an already high level of industrial activity, demands an expansion of synthetic production in the United States. But it will raise problems for natural rubber at a later stage when the normal commercial demand for rubber manufactures or the military programme is curtailed. It may be much more difficult to scale down synthetic production next time when American demand for rubber begins to decline ; if so natural rubber will feel the effect very sharply, since production will be at a very high level.

* * *

American Inquiry for British Tankers

Tenders for the construction of several large tankers are being invited from British shipbuilders by the Standard Oil Company (New Jersey) through its United Kingdom affiliate, the Anglo-American Oil Company. Such an inquiry has been expected since the company's agreement with the British Government which preceded the derationing of petrol ; the Jersey Standard group agreed to take sterling in payment for the additional requirement of oil products. It was announced at the time that the sterling receipts thus obtained by Standard Oil would be used for the purchase of British materials and equipment, and that these would include tankers. The Anglo-American Oil Company already has a considerable tanker fleet operating under the British flag ; its ocean-going vessels are managed by the Esso Transportation Co., Ltd., Anglo-American has not built any such vessels since the war. Tankers have been built in the United States, however, for the parent company, whose fleet is managed by the Esso Shipping Company.

It is understood that the new tankers to be built in Britain will be modifications of the more recent types built in the States, and will have a deadweight tonnage of 26,650 tons (about 17,800 tons gross). There are already several British tankers of 28,000 tons deadweight under construction, and the first of four ordered by the Shell group, the *Velutina*, has just entered service. The new Esso tankers, however, are to have a designed speed of 17 knots, compared with the *Velutina's* normal speed of 15 knots. It is expected that the Esso tankers, when they come into service, will be used to carry crude oil from the Middle East to the new refinery at Fawley, which is designed to produce 5½ million tons of petroleum products a year. The size of these tankers limits the number of shipyards that can tender for them, and for the moment there is no shortage of work of this kind. In consequence Standard's decision to build in Britain will not come as a relief to those British yards that have received no contracts for twelve months or more. British shipbuilding costs are less than half those of American yards.

* * *

France Revalues its Gold

Under an agreement between the Bank of France and the French Treasury the French gold stock is henceforth to be entered in the Bank's books at the gold price derived from the current exchange rate of Francs 349.6 to the dollar ; hitherto the stock has been valued at the 1945 rate of Francs 119 to the dollar. The result of this simple and overdue accounting reform has been that the value of the stock on the Bank's books has leaped by Frs. 126,000 million to about Frs. 180,000 million—the wholly illusory "profit" of Frs. 126,000 million accruing to the Treasury. If the Treasury used this "profit" to meet its current expenditure or to increase the investment programme, it would of course be generating inflationary pressure just as much as if it deliberately resorted to a larger Budget deficit or to the printing press. Fortunately M. Petsche has turned his back on this expedient. In part the Treasury's "profit" will be used to buy back Treasury bonds from the Bank ; to the extent that the "profit" is used in this way all that will happen is that as one item in the Bank's list of assets (gold) goes up, another (Treasury bonds) will go down. In part, too, the "profit" will be used to buy gold from the Bank with which the Treasury will repay before term certain loans from a group of American banks to the French Government. It is perhaps misleading to say that the revaluation operation has made this repayment of loans possible. The improvement in France's balance of payments has made repayment desirable and the accounting change in the make-up of the Bank's weekly statement of assets is a separate issue of no real significance.

* * *

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement.

Prices, Year 1950 Jan. 1 to Aug. 2 High	Low	Name of Security	Price, July 25, 1950	Price, Aug. 2, 1950	Net Yield, Aug. 2, 1950 (n) £ s. d.	Gross Yield, Aug. 2, 1950 £ s. d.
		British Funds				
101[27]	100[1]	War Bonds 2½% Aug. 1, 1949-51	100[1]	100[3]	0 9 7	1 12 2
100[8]	98[3]	War Bonds 2½% Assented	98[3]xd	98[3]	1 10 4	2 13 0
102	101[4]	War Bonds 2½% Mar. 1, 1951-53	101[1]	101[1]xd	0 14 11	1 16 7
102[19]	100[18]	War Bonds 2½% Mar. 1, 1952-54	102	102[4]xd	0 15 7	1 17 4
101[15]	100	Exch. Stk. 2½% Feb. 15, 1955	101[4]	101[8]	0 19 6	1 19 5
103[1]	100[1]	War Bonds 2½% Aug. 15, 1954-56	101[4]xd	101[8]xd	1 2 0	2 4 2
102[1]	101[1]	Funding 2½% June 15, 1952-57	101[1]	102[4]	1 4 5	2 9 5
104[4]	102	Nat. Def. 3% July 15, 1954-58	102[4]	102[8]	1 5 9	2 12 6
104[11]	101[3]	War Loan 3% Oct. 15, 1955-59	103[3]	103[8]	1 5 11	2 13 5
101[18]	96[3]	Sav. Bonds 3% Aug. 15, 1955-65	99[1]xd	99[1]xd	1 13 8	3 0 8
100[1]	97[4]	Funding 2½% April 15, 1956-61	99[1]	99[3]	1 10 1	2 13 6
99[3]	98[3]	Funding 2½% April 15, 1956-61'A'	99	99	1 9 11	2 13 0
99[8]	95	Funding 3% April 15, 1959-69	97[3]	97[4]	1 16 10	3 4 11
108[3]	104[8]	Funding 4% May 1, 1960-90	107[4]	107[4]	1 9 6	3 5 3
98[3]	94[4]	Sav. Bonds 3% Sept. 1, 1960-70	95[1]xd	95[3]xd	1 17 10	3 5 4
95[3]	91[4]	Sav. Bonds 2½% May 1, 1964-67	93[4]	93[4]	1 16 8	3 0 7
110[8]	106[3]	Vict. Bonds 4% Sept. 1, 1920-76	107[3]xd	107[3]xd	1 12 5	3 6 5
96[4]	91[8]	Sav. Bonds 3% Aug. 15, 1965-75	93[4]xd	93[3]xd	1 19 5	3 7 6
105[4]	100	Consols 4% (after Feb. 1, 1957)	102[4]xd	102[3]	2 2 11	3 18 0
96[4]	91[4]	Conv. 3½% (after Apr. 1, 1961)	94[7]	94[4]	2 1 0	3 15 0
71	66[4]	Treas.Stk.2½% (after Apr.1,1975)	69[4]	69[4]	1 19 10	3 12 10
84[4]	79[8]	Treas.Stk.3% (after Apr.5,1966)	82[4]	82[4]	2 0 3	3 13 7
100[18]	99	Treas. Stk. 3½% June 15, 1977-80	100[3]	100[3]	1 18 2	3 9 10
91	86[3]	Redemp. Stk. 3% Oct. 1, 1986-96	89[3]	89[3]	2 0 6	3 10 3
94[3]	90	War Loan 3½% (after Dec. 1, 1952)	93[4]	93[7]	2 1 6	3 15 9
71[3]	68[4]	Consols 2½%	69[4]	69[4]	1 19 7	3 12 0
96[3]	92[4]	Brit. El. 3% Gd. Apr. 1, 1968-73	94[4]	95	1 19 1	3 7 8
95[3]	91[7]	Brit. El. 3% Gd. Mar. 15, 1974-77	94	93[7]	1 19 7	3 8 5
100[3]	99	Brit. El. 3½% Gd. Nov. 15, 1976-79	99[3]	99[4]	1 18 10	3 10 7
91	86[3]	Brit. Tpt. 3% Gd. July 1, 1978-88	89[4]	89[3]	2 1 0	3 10 2
96[8]	92[4]	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	94[3]	94[7]	1 19 3	3 7 10
90[4]	85[8]	Brit. Gas Gd. 3% May 1, 1990-95	88[4]	88[3]	2 1 0	3 10 8

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (n) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield. * Assumed average life 14 years 3 months.

Prices, Year 1950 Jan. 1 to Aug. 2 High	Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, July 26, 1950	Price, Aug. 2, 1950	Yield, Aug. 2, 1950 £ s. d.
					Other Securities			
100[3]	95[1]	(d)		(d)	Australia 3½% 1965-69	97[4]	97[4]	5 8 6
101[1]	99[3]	(d)		(d)	Birmingham 2½% 1955-57	100[4]	100[4]	2 15 6
8[7]	6[3]	50	c	60	c Anglo-American Corp., 10/-	6[1]	6[1]	4 7 3
7[3]	5[1]	5	a	25	b Anglo-Iranian Oil, £1	52xd	52xd	5 6 8
77/6	67/9	5	a	10	b Assoc. Electrical, Ord. £1	76/6	76/6	3 18 5
87/-	71/6	7[1]	a	15	b Assoc. Port. Cem., Ord. Stk. £1	84/6	82/6	5 9 1
25/4[1]	17/0[1]	40	c	40	c Austin Motor, Ord. Stk. 5/-	22/3	23/9	n
70/7[1]	66/-	7	b	7	a Barclays Bank, Ord. 'B' £1	68/-xd	67/6xd	4 3 0
145/-	129/-	†19	b	†5	a Bass Ratcliff, Ord. £1	136/10[1]	136/10[1]	3 10 0†
98/-	87/4[1]	8	a	12	b British Oxygen, Ord. £1	95/-	95/-	4 4 3
39/3	32/1[1]	2[1]	a	5	b Courtaulds, Ord. £1	37/3	36/9	4 1 8
18/9[1]	16/6	5	a	15	b Distillers Co., Ord. 4/-	18/6	18/6	4 6 6
32/9[1]	28/9	8	c	8	c Dorman Long, Ord. £1	29/10[1]	31/4[1]	5 2 0
63/6	59/-	15	c	15	c Dunlop Rubber, Ord. £1	60/-	60/-	5 0 0
44/3	39/6	3	a	7	b Imp. Chem. Ind., Ord. Stk. £1	40/6	40/9	4 18 2
109/4[1]	95/-	18[1]b		13[1]	a Imperial Tobacco, £1	100/7[1]	100/7[1]	6 7 2
37/3	29/7[1]	10	c	5	a Lancs. Cotton, Ord. Stk. £1	36/6	37/-	5 8 1
44/6	36/1[1]	10	c	10	c Lever & Unilever, Ord. £1	38/9	38/9	5 3 3
63/-	55/6	15	c	15	c London Brick, Ord. Stk. £1	57/6	56/3	5 6 8
82/9	69/6	15	a	45	b Marks & Spencer ("A") 5/-	77/-	74/6	4 0 6
43/9	33/3	7[1]	a	17[1]	b P'chin J'nson, Ord. Stk. 10/-	45/6	46/-	5 4 4
48/9	41/-	8	a	4	b P. & O., Def. Stk. £1	38/-xd	37/6xd	6 13 4
33[3]	27[1]	†77[1]½	c	†77[1]½	c Prudential, 'A' £1	45/6	46/-	5 4 4
56/3	50/-	12[1]	c	12[1]	c Stewarts & Lloyds, Def. £1	31[1]	31	2 9 9†
70/2[1]	59/3	†2[1]	a	†5	b "Shell" Transpt., Ord. Stk. £1	55/6	55/6	4 10 1
6[1]	5[1]/6	12[1]	b	12[1]	a Tube Invst., Ord. Stk. £1	60/7[1]	63/1[1]	2 7 6†
85/3	73/3	3[1]	a	11[1]	b Turner & Newall, Ord. Stk. £1	6[1]	6[1]	4 2 6
33/6	27/-	8	c	8	c Union Castle Ord. Stk. £1	81/-	79/6	3 15 6
48/4[1]	41/9	27[1]	b	15	a Woolworth (F. W.) Ord. 5/-	32/-	31/6	5 1 7
						46/-	44/6	3 18 8m

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly (f) To latest redemption date. † Free of tax. (m) Yield basis 35%. (n) Yield basis 26[1]% after capital bonus.

General Electric

Although the increase in the trading profit of the General Electric group from £4,996,454 to £6,021,980 in the year to March 31, 1950, is partly attributable to rising turnover, the report also connects it with the completion of remunerative contracts taken in previous years. There were also signs of more difficult trading conditions—higher turnover was accompanied by lower profit margins while new orders were on a somewhat reduced scale in the current year. In particular, production difficulties have arisen in certain GEC factories which have felt the scaling down of orders for the building industry. These circumstances raise the possibility that profits for the current year may be lower. But good progress is reported in the export field and substantial economies may well result from the completion of extensions to the heavy electrical and mechanical engineering works and re-equipment elsewhere.

A striking improvement in the group's liquid position has been secured by the issue of £8,000,000 3½ per cent unsecured loan stock 1954-59. The group's bank overdraft has been cut from £7,373,166 to £13,669, while cash has increased from £1,108,269 to £4,102,870. Part of this improvement is derived from the big surplus of group earnings which amounted to 61.4 per cent compared with 56.7 per cent of the parent company's ordinary capital in 1948-49 and covered the maintained ordinary dividend of 17½ per cent over 3½ times. But the continued demand for finance is marked by the absorption of £539,000 (after depreciation) by fixed assets and a further £444,000 by trading items during the year.

Shorter Notes

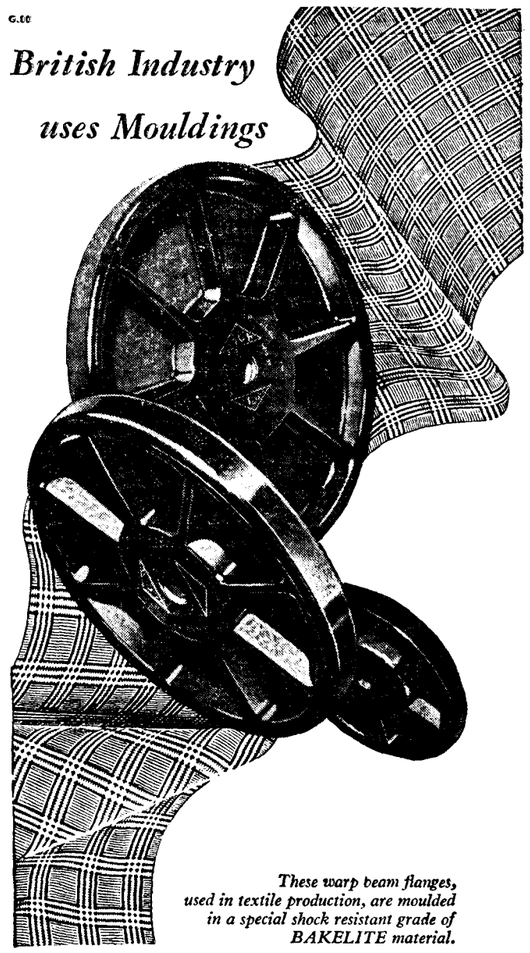
German exporters to the dollar area may in future retain 20 per cent of the proceeds of their dollar sales, to be used to pay for business journeys or to import goods for which foreign exchange would not normally be provided. German exporters had at one time asked for a 50 per cent bonus. The concession has been granted against stiff opposition from the German banking authorities, who may well be justified in their fear that it will lead to a free market in bonus dollars.

*

A scheme is to be proposed for the repayment of the £1,000,000 4½ per cent preference capital of Silver Line. The original proposals have been revised in the light of observations made by the joint special committee of the British Insurance Association Investment Protection Committee and the Association of Investment Trusts. The final scheme provides for either repayment in cash at a premium of 1s. per £1 stock unit plus all arrears of dividend or 16s. in cash per £1 stock unit plus all arrears of dividend plus one 10s. ordinary stock unit for every £2 preference stock held.

G.00

British Industry uses Mouldings



These warp beam flanges, used in textile production, are moulded in a special shock resistant grade of BAKELITE material.

—in BAKELITE Material to be sure

Textile Manufacturers know how to profit by the serviceable qualities of BAKELITE Plastics—do you? Take these strong warp beam flanges, for example; they can be dropped on a concrete floor without being damaged. Intricate shapes present no difficulty, either, with mouldings. Simple or complex, they can be turned out to fine limits quicker and cheaper. BAKELITE materials can satisfy industry's most exacting demands—for production components or finished products. Why not go into the details with the BAKELITE Technical Staff?

BAKELITE PLASTICS

TRADE MARK

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COMPANY MEETINGS

BRITISH PLASTER BOARD, LIMITED

YEAR OF STEADY PROGRESS

DIVIDEND MAINTAINED

LORD BELPER ON THE OUTLOOK

The thirty-third annual general meeting of The British Plaster Board, Limited, was held on July 27th at 20, St. James's Square, London, S.W., the Rt. Hon. Lord Belper, P.C., D.L., J.P., the chairman, presiding.

The secretary, Mr Robert G. Forsyth, read the notice convening the meeting and Mr J. G. Hurst, of Messrs. Bretherton, Hurst & Co., read the report of the auditors.

The following is the chairman's statement circulated with the report and accounts:—

As you will have observed from the balance-sheet and accounts, the activities of your company during the year to March 31, 1950, have yielded steady progress and, whilst I need to draw your attention to a number of matters, there is nothing of a particularly exceptional nature.

Board of directors—We have recently invited Mr L. K. Reid to join our board of directors, and you will be asked to confirm his appointment presently. Mr Reid, who is a joint managing director of D. Anderson & Son, Limited, has a wide knowledge of the needs of the building industry and his presence at our meetings will be of considerable value.

BALANCE SHEET

If you will refer to the consolidated balance-sheet, to which this statement is attached, you will see that the increases in the authorised and issued capital duly reflect the decision made last year to bring the share capital of the company a little more into line with the real value of the assets.

I advised you in my previous statement that steps were being taken to have a revaluation of the fixed assets by professional firms, in order to have corroborative evidence of the values involved in terms of the post-war pound. Our instructions emphasised that the valuations were to be on a conservative basis. In spite of this, figures totalling over £6,000,000 were established in respect of the fixed assets which appear in the consolidated balance-sheet at £2,171,493. In addition, there are the considerable net liquid assets amounting to £2,238,727, and a substantial value for goodwill to be taken into account, as well as the investments in our associated companies. So you will see that your shares are well covered.

SALE OF THREE BUSINESSES

We have disposed of three small businesses during the year, that is to say, the businesses carried on by Henry Wilkinson, Limited,—the paper company—and by Raynal Manufacturing Company, Limited, and Dunelt Cycle Company, Limited—cycle manufacturers.

In pre-war days the bulk of our sales of plaster board was of a type for which the product of our paper factory could be used, but this is no longer the case, and your directors thought it best to take a good opportunity to sell the business.

The Raynal Manufacturing Company, Limited, and Dunelt Cycle Company, Limited, were acquired with the enlarged premises bought a few years ago for our expanding stampings business; the vendors making it a condition for the sale of the premises that we should also acquire these two companies. Continuous developments in stampings have made it necessary to utilise the space occupied by these cycle companies, thereby necessitating the sale of the latter.

The profit on sale of capital assets—£36,755—which you will have noticed in the consolidated profit and loss account, includes the profit realised on the sale of the fixed assets of the companies named.

A SOUTH AFRICAN MERGER

At the beginning of this year, the capital of our associate company in South Africa was increased and we subscribed for £80,000 of the new shares. Towards the end of our financial year, negotiations were concluded whereby the whole of the share capital of the main competitor of our associate company was acquired by the latter for shares and cash. Loans amounting to £140,000 were required to finance the arrangement and provide necessary working capital. £90,000 of this loan has been advanced by The British Plaster Board, Limited, as shown in the balance sheet.

As the result of the merger, various buildings and other fixed assets will no longer be required, and it is hoped that their liquidation will provide sufficient money to pay off the loans. There will be ample productive capacity to serve the needs of the whole of the Union of South Africa and adjacent territories, with a margin for further expansion, and your directors are of the opinion that our associate company's prospects in the Union are greatly enhanced by the arrangement.

FRENCH INTEREST

An agreement has been reached with Societe Anonyme Placoplatre, a company which has recently introduced the manufacture of plaster boards into France, whereby, in return for services to be rendered, your company have the option to take up a substantial interest in the French concern. This company has the support of two of the most influential gypsum concerns in France, and your directors consider it would be of advantage to secure a stake in this development of the French gypsum industry.

CAPITAL EXPENDITURE

The contracts for future capital expenditure outstanding at March 31, 1950, amounting in total to £90,510, are small in comparison with the much larger sums involved over the past few years, and are made up of a considerable number of minor, but necessary, improvements to the various units.

PROFIT AND LOSS ACCOUNT

The aggregate turnover for the year was slightly larger than for the previous year, and the company's mines, mills and factories are running on a reasonable output basis. In the plaster board industry the closure of two factories—one being our own Wallasey factory, as I mentioned last July—has left the industry sufficiently near to maximum capacity for satisfactory operation, while plans are ready for a substantial increase in output if required.

The trading profit for the year under review at £1,155,456 is slightly larger than for the previous year. This improved result has been achieved after writing off a larger sum than heretofore for depreciation; the comparative figures being £285,593 for this year, as against £209,032 for the previous year. Unfortunately, yet heavier tax absorbs a still larger proportion of your Group's profits, the necessary provision for profits tax being increased by approximately £15,000, while provision for income tax and also for relief in respect of initial allowances together require an additional £66,000. I have coupled the relief in respect of initial allowances with ordinary income tax in my remarks because, after all, it is only a deferment of the payment of the tax which eventually has to be met in any case, and thus, for a concern which is adequately financed, is of no assistance at all, except in so far as the money represented thereby can be invested and earn a little interest—which again is subject to tax in its turn. The result of the additional demands by the Exchequer is to leave some £42,000 less for appropriation than was the case a year ago.

DIVIDEND 16⅔ PER CENT.

Your directors have placed £100,000 to General Reserve and recommend the payment of a final dividend of 10 per cent. which, with the interim dividend of 6⅔ per cent., makes a total for the year of 16⅔ per cent. The latter, after making adjustment for the recent 50 per cent. capital increase, is therefore equivalent to the dividend paid for many years. We are conscious that the continuance of this policy means, in effect, a progressive reduction in the real value being paid to the shareholders, as the purchasing power of the pound falls and taxation on each pound received by shareholders continues to be so high. You will understand that we feel our hands are tied in this because of requests made to industrialists by spokesmen of the Government, but, at the same time, I must point out our view that such a response cannot be expected indefinitely.

EXPORTS

Considerable attention is being paid to the export markets and I am pleased to be able to tell you that we are achieving satisfactory expansion, both in total value and in the number of countries served.

PERSONNEL RELATIONS

We are much indebted to all grades of employees for the results achieved. Personnel relations continue to be excellent throughout the Group, and I am glad to inform you that we have maintained a cordial association with the trade unions with which we are connected.

THE FUTURE

Every effort is being made by continued research work in all branches of the company's activities to improve and enlarge the range of the company's products.

For the immediate future, we are having to face large extra costs on raw materials such as paper and paper bags, and, particularly, on transport of materials into our factories and the finished products going out, as well as on other less important items.

There are, however, encouraging signs of a general improvement in the industries served by our various units. In the building industry, being the most important to your Group, the indications of increasing freedom of action—recommended so strongly in the reports of the Building Industry Working Party and the Productivity Team—are particularly welcome and, subject to avoiding a disastrous timber shortage, such freeing of the industry should rapidly lead to more and cheaper houses and thus, so far as we are concerned, to a greater demand for the products of your Group of companies.

The report and accounts were unanimously adopted; the proposed dividend was approved; the retiring directors, Lord Belper, Mr T. S. Durham, Mr H. Leigh Newton, Mr L. K. Reid and Mr J. F. Strable, were re-elected and the remuneration of the auditors, Messrs. Bretherton, Hurst and Company, was fixed.

GOODLASS WALL AND LEAD INDUSTRIES, LIMITED

STRONG LIQUID POSITION

MR. H. S. TASKER'S STATEMENT

The nineteenth annual general meeting of Goodlass Wall and Lead Industries, Limited, was held on July 27th at Winchester House, Old Broad Street, London, E.C., Mr H. S. Tasker (chairman of the company) presiding.

The following is an extract from his circulated statement:—

Although there are no particularly unusual features which require comment, I should like to draw attention to several items in the consolidated balance sheet. There has been substantial expenditure during the year on land, buildings and plant, the increase in the value of these items amounting to £579,000. There is no large single item to refer to, but during the year the new paint factory at Speke, near Liverpool, was completed, as also was the central block of offices, laboratories, canteens, etc., in our Millwall works. Substantial progress was made with similar staff accommodation at the antimony works on the Tyne. These last two items represent important steps in our policy of improvement in the working conditions of our staffs and work people at the factories. Similar improvements are either in hand or proposed at other centres. The war interrupted progress in these developments, which we regard as essential, particularly in old-established factories. The immediate return cannot easily be estimated, but these provisions are nevertheless essential features in an efficient organisation and are greatly appreciated by our employees. Further expenditure was incurred in enlarging the manufacturing facilities at the paint factories in Bombay and Melbourne, and substantial progress was made during the year in the erection of our new factory for the production of lead products and pigments in Durban.

There is a small decrease of £5,502 in shares in subsidiaries which have not been consolidated. This is explained by the sale of a small overseas subsidiary at a satisfactory figure which entailed a profit on its book value, which has been transferred direct to capital reserve.

The increase in the value of our trade investments is mainly accounted for by the subscription of further Ordinary capital in British Titan Products Company, Limited, and by further investments in existing companies in Australia and South Africa.

Our liquid position remains strong. Our cash resources appear to us to be adequate for the remainder of our development programme which is at present foreseen, and there remains a balance which is available for other promising developments that may come to our notice.

PRICE FLUCTUATIONS

Trading throughout the year was considerably affected by the wide and somewhat arbitrary fluctuations in the prices of the metals in which we are interested, giving rise to heavy demands at some periods and to equally heavy pressure on our ability to absorb supplies of raw materials in other periods.

In the case of lead, the price fell from £123 0s. 0d. per ton on January 1st to £75 10s. 0d. on July 12th, and during the large part of this period the price in this country was maintained by the Ministry of Supply at a level substantially above that ruling in other markets, which no doubt helped that Government Department in its capacity as a bulk trader, but which was by no means helpful to those manufacturers of lead products who were attempting to maintain their goodwill in world markets. On July 12th this policy was abandoned, and since then the price maintained by the Ministry of Supply has closely followed the ruling price in America. This price, of course, is quoted in dollars, and when devaluation took place, the Minister took for himself full advantage of the situation and raised the price from £87 5s. 0d. on September 21st, to £122 0s. 0d. This price afterwards fell to £97 0s. 0d. at the end of the year.

Since September 21st, the equivalent sterling price has been calculated on the basis of the devalued pound, so that so far as our main raw material is concerned devaluation has brought no assistance to the manufacturers and would-be exporters of lead products. As a matter of fact, the official UK price has been and now is in excess of that prevailing on the Continent. In spite of this, it is satisfactory to note that, during the year, our rate of export was maintained, although the tonnage was smaller than could have been reached in more favourable circumstances. This result was only obtained through excellent work on the part of our export staff.

In reviewing the work of our manufacturing departments at home, it may be noted that our metal smelting, refining and alloying departments have had a particularly successful year. In metal and pigment manufacture we again did well but evidence is increasing of the effect of the continued high price of lead (six times prewar) on the consumption of white lead now that increased supplies of titanium oxide are becoming available. Although the volume of trade in prewar years may not easily be reached again, the inherent qualities of this pigment will ensure its continued use for a long time to come. Antimony metal and compounds have again done well.

MANUFACTURING ACTIVITIES

As you already are aware, the major part of our manufacturing activities was consolidated at the beginning of 1949 for trading purposes under Associated Lead Manufacturers, Limited. The commercial organisation is based on three centres—namely, London, Chester and Newcastle-on-Tyne. I am glad to say, after 18 months under the new organisation, that it has proved efficient and economical in practice, and I believe that it distributes with better service to our customers our various old-established brands, as "Associated Lead Products."

Our relations with our work-people are good and we are continuing to develop in our factories incentive schemes by which production per man-hour is increased in such a manner that our men receive benefits closely related to improved productivity.

TRADING RESULTS OF PAINT GROUP

The trading results on the paint side of our group have shown some reduction in total. Competitive conditions in this country are increasing, but with the completion of our new factory at Speke and following on this the concentration of manufacture there from our older factories in the Liverpool area, we are well placed to meet any competition.

Considerable attention has been given to our interests overseas. In India these include lead products and alloys, zinc products and paint. Although during the past few years these companies have enjoyed profitable trading, conditions in India are making this increasingly difficult and the attitude of labour in particular is not encouraging to enterprise. Hitherto we have pursued a progressive course in that country, and we hope that we shall not be forced by this less favourable trend to adopt a more cautious policy. We take rather a different view as to future prospects in Australia, where we are encouraging our subsidiary companies in schemes of energetic expansion. Our associated company in Eire continues to increase its business successfully, and in South Africa our new paint company has made good progress. Our other main undertaking overseas is Goodlass Wall y Cia. (Argentina) Ltda. The inflationary conditions in that country are reflected in our subsidiary's accounts, and the financial results in Argentine currency are satisfactory.

Our interest in British Titan Products Company, Limited, has increased and is now very substantial. The new Grimsby plant of that company began production early in 1949 and has more than fulfilled expectations. The capacity of this factory is now to be doubled although it will take two years before the additional supplies reach the market. We are providing in our forward estimates for the further finance that will be required in this field.

Your Board has given the most anxious consideration to the question of this year's rate of dividend, and only after careful discussion has it decided to adhere to the same rate of dividend distribution as before, even although earnings in recent years would justify some increase. We disagree in principle both with the limitation of dividends for risk-taking capital and with the limitation of reward to the more industrious or more capable worker. Nevertheless, owing to excessive and often extravagant expenditure by the Government, the danger of further inflation is still with us. That is why we have decided once more to support the policy of restraint.

The report was unanimously adopted.

MARLU GOLD MINING AREAS, LIMITED

The fifteenth annual general meeting of Marlu Gold Mining Areas, Limited, was held on August 1st, in London.

Maj.-Gen. W. W. Richards, C.B., C.B.E., M.C., chairman of the company, presided.

The following is an extract from his circulated statement:—

The tonnage mined and treated during the year shows an increase of 91,400 tons over the previous year's results. Working costs per ton showed a reduction of approximately 3s. 6d. per ton compared with 1948, due mainly to the increased tonnage; similarly, the amount of gold recovery of 42,832 ozs. was 12,262 ozs. higher.

The item "Prospecting and development" in the balance sheet is up on last year by some £25,000—approximately half of this expenditure was incurred in the reopening and testing the sulphide-underground section of the Bogosu mine.

In the profit and loss account it will be seen that the West African expenditure was some £23,000 higher than the previous year, but against this, revenue from gold won was £118,000 higher than that received in 1948. The net result of the year's working is the small balance of £12,045 on the wrong side.

Since the close of the financial year under review—that is, from October 1, 1949, to May 31, 1950—we have treated 316,180 tons of ore for a yield of 32,731 ozs. of gold and a net mine profit of £142,537. This compares with 267,980 tons, yielding 29,122 ozs. for a mine profit of £29,305 for the corresponding period of the previous year.

On the question of labour there are many opportunities for employment open to the African today, and there is competition for his services.

The report was adopted.

FOY, MORGAN AND COMPANY, LIMITED

(Timber Agents and Brokers)

A YEAR OF FRUSTRATION

SIR GERALD LENANTON'S STATEMENT

The fifteenth annual general meeting of Foy, Morgan and Company, Limited, was held on July 31st at the offices of the company, 16, Eastcheap, London, E.C., Sir Gerald Lenanton (chairman of the company) presiding.

The following is the chairman's statement which had been circulated with the report and accounts and was taken as read:—

The net trading profit of your company, after due allowance for taxation, for the year ended December 31st last is £55,219, compared with £56,412 in the preceding year. Dividends have already been paid on the preference and ordinary shares amounting to £11,818, leaving an available balance of £43,401, to which has to be added the balance of £54,997 brought forward from the 1948 accounts. From this sum it is proposed to transfer £11,250 to pensions account, £10,000 to the first preference dividend reserve fund, and £5,000 to the preference share redemption fund, leaving a carry forward of £72,148—an increase of £17,151 over the 1948 figure.

ADDITIONAL DIRECTORS

The increase in the number of directors mentioned in my statement last year has been effected. Messrs I. R. Lundborg, R. V. Cooper, N. E. Graydon, A. J. S. Waterman, L. Hartley Sharpe and E. A. Cremer joined the board of your company on August 1, 1949, and we shall ask you to confirm their appointment. They are all men of experience and standing in the timber trade, and I regard their election to the board as an important addition of strength to the company. I very much regret to tell you that Mr Marcus Beresford has been obliged, for reasons of ill health, to resign his position as a director of your company. The good wishes of all his colleagues go with him in his retirement.

During the year under review the balance of the £100,000 seven per cent. second preference shares were redeemed in accordance with your company's articles of association and in their place were issued £50,000 five per cent. second redeemable preference shares, and the remaining £50,000 will be issued during the current year.

The style of your subsidiary company in South Africa has been changed to Foy, Morgan, Africa (Pty.), Limited, and has incorporated the business of Frank Siebert (Pty.), Limited, the two directors of that company, Messrs F. Siebert and R. B. Laburn, joining the board of the South African company—Mr Siebert as managing director. The business is being expanded and an office in Cape Town has been opened.

PROSPECTS FOR 1950

The year 1949 has been one of frustration, and I regret that the prospects for 1950 do not confirm the hopes expressed last year. Though the importation of hardwood and wallboard is now largely, and plywood partially, free of Governmental control, the Board of Trade still acts as sole buyer of softwood. The effect of this policy on the current year's imports is likely to be disappointing, for it is doubtful whether the total quantity of softwood which can now be purchased for import before the end of the shipping season will be sufficient economically to fulfil the minimum requirements of the country for housebuilding and other essential needs—at least from those exporting countries best qualified by long experience to cater for this market. It is hoped that when the Board of Trade decides to allow individual companies to resume purchase of softwood and plywood abroad sufficient notice of the effective date will be given to the trade. Over-hasty abandonment of control might cause as great a dislocation of supply as over-protracted maintenance of the present purchasing arrangements.

Your directors have taken steps to prepare the company to meet the new situation which will arise when control of softwood buying comes to an end. The selling staff has been largely augmented, and connections with shippers abroad have been maintained by personal visits of your directors and staff. They look forward to the day when freer trading is allowed.

The report and accounts were unanimously adopted and the dividends as recommended were approved.

The retiring directors, Mr I. R. Lundborg, Mr R. V. Cooper, Mr N. E. Graydon, Mr A. J. S. Waterman, Mr L. Hartley Sharpe, and Mr E. A. Cremer, were re-elected and the remuneration of the auditors, Messrs Hope Agar and Company, having been fixed, the proceedings terminated.

WILSON BROTHERS, LIMITED

FURTHER PROGRESS

The third annual general meeting of Wilson Bros., Limited, was held on August 1st in London, Mr Harry Wilson (chairman and joint managing director) presiding.

The following is an extract from his circulated statement:

I am happy to be able to report that your company has made further progress with results which are satisfactory.

The profit for the year under review, before taxation, was £110,698, as against £106,755 for the previous year.

Of the profit of £110,698 provision for taxation absorbs £62,655, leaving, with the balance of £12,258 brought forward, the sum of £60,301 available for appropriation.

A final dividend of 27½ per cent. is proposed which, together with the interim dividend already paid, will absorb £24,750 and leave £18,551 to be carried forward.

You will recall that, following the annual general meeting last year, the capital of the company was increased to £100,000 by a bonus issue of £50,000. The total dividend of 45 per cent. for the year under review is equivalent to a dividend of 90 per cent. on the capital before it was increased, as compared with the dividend of 85 per cent. which was actually paid last year.

The new factory covering 16,000 square feet, adjoining the old premises situated at 78-80, Great Eastern Street, is now working to full capacity and has enabled your company to increase the output of merchandise in all departments.

It must be appreciated that the heightened competition encountered in the greeting card industry since the removal of paper control in February, 1949, has necessitated an increased turnover with smaller profit margins in order that the company's profits might be maintained. Nevertheless, your directors are pleased to report a substantial increase in the sales of your company's publications and at the same time an encouraging increase in profits.

Your company's export trade is quite satisfactory, and as the result of the facilities afforded by the new factory, your directors are planning an intensified drive to promote increased shipments of greeting cards to overseas markets.

The current year has opened satisfactorily and orders in hand justify your directors' confidence that, save for unforeseen contingencies, the present year's trading will be equally successful.

The report was adopted.

GROSVENOR HOUSE (PARK LANE) LIMITED

DIVIDEND 6 PER CENT.

The twenty-second annual general meeting of Grosvenor House (Park Lane) Limited was held on July 28th at Grosvenor House, Park Lane, London, W., Major G. C. S. Black, C.I.E., M.V.O., O.B.E., the deputy chairman, presiding.

The following is an extract from his circulated statement for the year to March 31, 1950:

The consolidated profit, after charging debenture stock interest, amortisation and directors' emoluments, amounted to £168,436.

Pursuant to the articles of association, a transfer to special reserve of £5,626 has been made; and the provision for maintenance has been increased by £15,000. It is proposed to increase the general reserve by £10,000.

Provision has also been made for the "writing off" of £5,400, being the goodwill of a subsidiary company. After providing for taxation and bringing in the balance from the previous year, the amount available is £100,971. The board has pleasure in recommending the payment of a final dividend of 3½ per cent., less tax, on the ordinary stock, making 6 per cent in all for the year.

It has been the practice in recent years for the directors to declare an interim dividend in January and to recommend a final dividend at the annual general meeting. Your directors consider it prudent in future years to discontinue this practice and to recommend dividends at the end of the financial year when the profits of the year have been ascertained. It should not be assumed that this presupposes any change in the dividend which we hope will be earned and distributed for the current year.

I regret to record that costs in all departments continue to rise. While turnover records are broken, and may be broken again in future, net earnings do not keep pace with turnover.

Notwithstanding difficulties, we pursued the policy established in 1936—unfortunately interrupted by the war years—of maintaining our furnishings and equipment at the highest possible level, with the object of satisfying the most exacting client and of doing so with the utmost efficiency.

THE GREAT ROOM

The Great Room is now in service again, not only for exhibitions, but also, for the first time since the war, for dinners, dances and receptions. The room is the largest ballroom in any hotel in Europe, and can cater in comfort for more than the 1,500 guests whom the authorities permit us to accommodate in it at any one time.

The Great Room has also been successfully let for exhibitions, such as the Sunday Times Book Exhibition and the International Stamp Exhibition, as well as for purely trade exhibitions. This use may well have to be restricted as the demand for it as a ballroom and social centre expands.

I am pleased to be able to state that your company has to the maximum possible extent assisted the nation's effort to close the dollar gap. It is interesting to observe that the number of our visitors from overseas in 1949-50 was 2½ times as great, and the number from the U.S.A. 3½ times as great, as in 1947-48.

With loyal and attentive staff, the willing and cheerful personal service, which is the greatest asset of any good hotel, and for which we are now happily well known, can be maintained. Grosvenor House will maintain it. As sales conditions tend to return to normal, we face the future with the knowledge that the goodwill and prestige of Grosvenor House, both at home and abroad, continue to grow.

The report was adopted.

BRITISH GLUES AND CHEMICALS, LIMITED

MR ROGER DUNCALFE'S REVIEW OF SUCCESSFUL YEAR

The directors' report and accounts of British Glues and Chemicals, Limited, for the year ended April 30, 1950, were issued to stockholders on July 31st.

In his circulated review, the chairman, Mr Roger Duncalfe, said that the consolidated profit, after full taxation provision, was £261,685 (against £106,418). With amounts brought in, the total available for appropriation was £352,230 (£222,488).

Appropriations were: £40,000 further contribution for back service liability under the group's pension schemes; £18,000 to replacement reserve (making it £80,000); £51,000 to reserve for tax deferred by initial allowances; and £150,000 to general reserve (making it £300,000).

Mr Duncalfe emphasised the directors' view that it was in the best interests of stockholders to strengthen the company's reserves rather than to make an increased distribution this year, particularly in view of the proposal for £50,000 bonus issue.

Dealing with the consolidated balance sheet, Mr Duncalfe explained that consolidation at the current rates of exchange of all assets and liabilities of the North American subsidiaries had resulted in an increase of £26,496 in capital reserve, which now stood at £57,574. Fixed assets, at £1,029,703, had increased by £29,204; and new capital expenditure schemes in progress totalled £60,000. Current assets had further increased during the year by approximately £340,000, and now exceeded current liabilities by approximately £730,000

PRODUCTION AND SALE

Mr Duncalfe continued:—

A feature of the year has been a substantial increase in production of gelatines, glues, greases and cattle feeding stuffs, including mineral supplements, with a corresponding increase in turnover.

Our technical department has been particularly successful in translating our development department's new processes into full scale works production; we now produce in five U.K. factories a far greater tonnage of gelatine and glue than we did in seven factories pre-war. Research and development work has had our unremitting attention in all divisions of the group; the need for it is obvious, the cost is substantial; the benefits of our sustained endeavour are beyond doubt and are expressed in our results.

In our gelatine division the most noteworthy features are the expanded production and sale of high-grade technical gelatine for specialised industrial uses, and the encouraging development of export business. Our Murray division increased its business in casein plastics and essential oils. Although our soap division had to face keen competition, personality soap continued in public favour. Production by the Croid division of a new veneering glue, possessing a number of advantages over synthetic adhesives, has met with considerable success. Our Calfos product to remedy calcium and phosphorous deficiency has been well received in North America and has proved a useful dollar earner.

PERSONNEL

The appointment to the board of Mr C. G. Smith, B.A., and Mr D. N. Walton, A.C.A., will, I believe, commend itself to stockholders. Mr Smith has been in the service of the company since 1936 and has been for some years in charge of our gelatine division. Mr Walton, as a non-executive director, brings to bear on our problems his specialised professional experience.

The profit for the year is the result of a great co-ordinated effort on the part of all workers in the group, powerfully led by your managing director, Mr Harold J. Cotes. On your behalf I extend to them all sincere thanks for their endeavours. The total contribution by the company to the pension funds over the past three years, amounting to approximately £140,000, is a practical expression of our appreciation.

A BONUS ISSUE

The company's revenue reserves and surplus today total some £620,000 over and above our issued capital of £700,000. Your directors feel it is time for the first step to bring the issued capital into closer relationship with the capital employed. We therefore propose to issue a bonus to ordinary stockholders' £50,000 ordinary stock (two 4s. units for every seven units held).

It would be unwise for stockholders to expect a continuance of profit on the scale of the year under review. Although, as I have said, it was a year of difficult trading conditions, there were certain favourable winds which may not last. The year was one in which we achieved a substantial reduction in works costs, and it did not suffer the full impact of the rise in those costs outside our control which occurred in the later months of the year. This rise has continued and may not yet have reached its peak. We gained, in the last six months of the year, certain important benefits from devaluation—adverse effects are apt to become apparent later. Competition is becoming keener. We are fortunate to have had a good trading period in which to rehabilitate and improve our works and to pay the heavy cost involved. Your company is in a sound position to face the future. The first three months of the new year have given us an encouraging start; international conditions may move against us, but the year's trading should, in my view, yield a reasonable profit.

BATANG CONSOLIDATED RUBBER ESTATES, LIMITED

IMPORTANCE OF REPLANTING

The thirtieth annual general meeting of Batang Rubber Estates, Limited, was held in London on August 3rd, Mr E. G. Estall (chairman) presiding.

The chairman, in the course of his speech, said that the estimated crop for the year to March 31, 1950, was 1,046,000 lb., the shortage being mainly due to the unsettled conditions caused by bandit activities. The "all-in" cost was 8.62d. per lb. and replanting costing 1.12d. per lb. A year ago the low price of rubber was causing concern being near to the cost of production. Consequently when the price did eventually rise to over 1s. a lb. the directors considered it prudent to sell forward part of the crop and thus ensure production expenses for 1950.

A large proportion of the mature area was old rubber and unless this was replanted with the best high-yielding material the company could not hold its own in the future. For the current year they were replanting 213 acres. Much had been said about the advisability or otherwise of replanting. He and his colleagues were in agreement that it was imperative to continue replanting. He believed the whole industry was solidly behind a gradual replanting programme, as this was the only way in which they could ultimately compete with synthetic. He did not think a defeatist attitude would solve shareholders' problems. On the contrary, it was just playing into the Communists' hands.

The report was unanimously adopted and the recommended dividend of 7½ per cent. was approved.

SILVER LINE, LIMITED

PREFERENCE CAPITAL REPAYMENT

The twenty-fourth annual general meeting of Silver Line, Limited, will be held in London on September 1st.

The following is an extract from the statement of the chairman, Mr Henry Barraclough, circulated with the report and accounts for 1949:

The difficulties reported to you in my last statement continued during the early part of 1949, but showed some promise of being mitigated by the steps taken to improve the position. A recession, however, occurred in the second half of the year, and whilst this was to some extent arrested by the effects of the devaluation of sterling, this occurred too late in the year to make any material difference to the year's results.

The operating profit for the year was £85,987, as compared with £18,905 in 1948. Our Canadian subsidiary showed a trading profit of $28,056.77, as compared with a loss of $358,596.35 in 1948.

Since I took office as chairman in 1948 and later as managing director in 1949, there have been considerable changes in the company's operations. It was inevitable that post-war conditions throughout the world should lead to close examination of and variations in our trade routes. We have withdrawn from trades that held out no immediate hope of becoming remunerative, and have found it necessary to reduce the size of our fleet of cargo-liners to conform to our reduced requirements. Additionally, we have come to the conclusion that our almost entire dependence upon dollar trades for our revenue places the company in a position that is too vulnerable to the impact of forces and events outside our own control. Our policy now is not to confine ourselves to cargo-liner business and we are therefore passing through a transitional period from which we expect to emerge with a mixed fleet engaged in more diversified trading.

As part of this policy we have placed orders for two motor tankers, each of 16,500 tons deadweight, for delivery in December, 1951, and November, 1952.

CAPITAL POSITION

As I informed you last year, we disposed of two new cargo-liners then building, and in furtherance of our present policy of reducing our unprofitable cargo-liner services, we have recently sold the two other cargo-liners now under construction. This latter sale puts us in the position of being able to approach the preference shareholders with the proposal that the preference capital should be repaid on terms which I will later set out, and which I feel confident will be regarded as equitable. We feel that a shipping company such as ours should not have any preference capital, but that the capital should consist entirely of ordinary shares, held by those who know well that they must, over a period, take the lean years as well as the good.

The proposal which is to be made to the preference shareholders will, in effect, mean that they will receive a return of the price of 21s. per share paid at the time of the issue, plus all arrears of dividend down to the time of repayment. We have, however, had indications from some of the larger holders that if this proposed repayment is made they would wish to take an interest in the ordinary stock of the company.

By way of addendum it is stated that the scheme will provide, at preference stockholders' option, for either (*a*) repayment in cash at a premium of 1s. per £1 stock, plus all arrears of dividend, or (*b*) 16s. in cash per £1 stock, plus all arrears of dividend, plus one 10s. ordinary stock unit for every £2 preference stock now held.

PARKLAND MANUFACTURING COMPANY

A MOST SUCCESSFUL YEAR

The forty-seventh annual general meeting of the Parkland Manufacturing Company, Limited, was held on July 28th at the Midland Hotel, Bradford, Mr Jonas Hanson (chairman and managing director) presiding.

The secretary (Mr R. Richmond Mann, C.A.) read the notice convening the meeting and the report of the auditors.

The following is an extract from the chairman's statement: The accounts show that your company has had a most successful year. During the year the new weaving plant in our main mill at Greengates has settled down to something like full production, and as a result there has been a remarkable expansion in our turnover.

PROFITS

Our profits, therefore, showed a substantial increase over the previous year. In the parent company the net profit before taxation was £314,375, compared with £201,521 for the previous year. For the group as a whole the net profit, before taxation, for the year to February 28, 1950, was £374,223, against £281,297 in the previous accounts, when the periods covered were a year for the parent company and 14 months for each of the subsidiaries.

The surplus remaining for the group, after deducting taxation, is £174,194, against £138,910 for the previous periods to February 28, 1949.

The reserves now total £591,532 made up of capital reserves £96,224, and revenue reserves and balance on profit and loss account £495,308. With the issued capital of £470,000 the total capital employed in the group is £1,061,532.

Since the date of the balance sheet, the authorised capital of the company has been increased by the creation of 1,500,000 ordinary shares of 5s. each. In April last, £44,000 of the above-mentioned reserves were capitalised, and in satisfaction thereof 176,000 ordinary shares of 5s. each in the capital of your company were issued, credited as fully paid, to the ordinary shareholders in the proportion of one new ordinary share for every five ordinary shares held.

On the assets side you will have seen that the total written down value of the fixed assets was £282,889 at February 28, 1950. This figure includes additions during the year which cost £73,025.

The current assets are shown at £1,013,752, against current liabilities of £235,510, which are thus covered nearly five times.

Stocks on hand are shown at £559,592, against £559,671. During the year we have been able to eliminate the bottleneck in burling and mending. This has enabled us to reduce very considerably the number of pieces carried in stock and, of course, we now give quicker delivery to our customers.

In the home market a heavy purchase tax is added to the price of all higher quality cloths which do not come within the permitted ceiling prices for utility cloths. On top of the high cost of wool the tax makes high grade non-utility cloth very difficult to sell in this country. Thus, a manufacturer has to plan his production in two ways; for the home trade he must concentrate, as far as possible, on the modestly priced utility cloths, but for the export trade a better quality cloth at a rather higher price is called for. Our principal difficulty, therefore, is the need to produce different kinds of cloths for the home and export markets. I believe we are well fitted to overcome all the difficulties which lie ahead and to obtain our share of the available business in home and export markets.

The report and accounts were unanimously adopted.

At a subsequent extraordinary general meeting of the company, new articles of association were approved.

JOHN BROWN AND COMPANY, LIMITED

SHIPBUILDING PROBLEMS

The eighty-sixth annual general meeting of John Brown and Company, Limited, was held on July 28th in London.

The Rt. Hon. Lord Aberconway, C.B.E., LL.D. (the chairman) said that the balance added to the credit of the profit and loss account as a result of the year's working was £515,256, an increase over the previous year of some £7,000. That modest increase was, however, after providing for profits tax and income tax to the extent of £547,280 as compared with £177,259 for the preceding year. They proposed a final dividend on the ordinary stock of 11d. per unit, free of income tax, which, with the 4d. per unit already paid would maintain the dividend at the same rate as last year.

During the past few months, the shipbuilding industry had been passing through a critical period. For some time very few orders had been placed because shipowners were rightly perturbed by uncertainty about the price they would ultimately have to pay for the vessel they wanted. The shipbuilder was equally uncertain about the cost to him of the materials and labour he would have to use.

SUBSIDISED COMPETITION

The merchant shipping of Great Britain was now, even more than before the war, exposed to competition from ships subsidised both in first cost and in running expenses. Great Britain was most vitally dependent upon the existence of a vigorous merchant navy, and our economy could not be maintained unless we hold a large and he might even say a predominant part of the international carrying trade. If they were to keep that leading position the ships which were its instruments must be the best of their kind.

They as shipbuilders realised how important it was that large and costly vessels should get into service as quickly as possible. They had made it their policy to maintain exactly and, if at all possible, to anticipate their contract dates for the delivery of new ships. They looked upon that policy and its effective fulfilment as perhaps the most important element in the goodwill of their clients.

EXTENSION OF ACTIVITIES

As indicated last year, they were seeking to extend their activities into other engineering fields. Notably they had been accepted by the British Electricity Authority as contractors for steam power plant which the country required to meet the ever increasing demand for electric power. Their experimental work with gas turbines suitable either for land or marine use continued actively.

With the help of Costain-John Brown Limited, they were investigating schemes for the construction of oil refinery plant, a branch of engineering in which they considered there was a substantial future. The work that they were doing in the manufacture of water turbines for hydro-electric schemes both for Great Britain and for foreign countries was both substantial and continuous.

Such projects would add to the work that could be taken at Firth Brown's and Markham's and in certain of their shops at Clydebank. The main addition to the work undertaken at Clydebank was, however, being placed in an additional works being built at Whitecrook on vacant land acquired a short time ago. It would thus be seen that the company was employed in a much broader range of activities than used to be the case.

The report was adopted.

ELLAMS DUPLICATOR COMPANY, LIMITED

The annual general meeting of Ellams Duplicator Company, Limited, was held on July 31st in London, Mr Frederick Ellam the chairman, presiding.

The following is an extract from his circulated statement:—

You will have noticed the increase in the ordinary share capital, which you will remember was agreed last year. The capital was increased by £75,000 by transferring this amount from our reserves and making a bonus issue to the ordinary shareholders on the basis of two new 1s. shares for each 1s. share held.

Trading conditions during the year were rather more difficult, chiefly because of restrictions in certain export markets, which is reflected in a somewhat smaller profit. The position has latterly improved, but having regard to present prevailing circumstances, your board do not feel that the time is opportune to recommend an increased dividend.

The supply of raw materials also presented difficulties from time to time and resulted in some reduction in output. Furthermore, the cost of certain raw materials, partly as the result of devaluation of sterling, has advanced considerably. Every effort is being made to offset this tendency of rising costs while maintaining the high standard of quality upon which the good name of your company has been built, by introducing wherever possible improved methods of production, and the process of installation of new and up-to-date plant and equipment is continuous.

Trading conditions during the first six months of the current year can be considered satisfactory, and orders in hand are being maintained at the normal level.

Report and accounts were adopted.

NOTICES

IMPORTANT GROUP, having several foreign branches and subsidiaries, requires qualified Accountant, thoroughly conversant with Foreign, Dominion and U.K. taxation law and practice. Applicant should be prepared to travel if necessary. Write, giving details of qualifications and experience, to Box 476.

FORMER Assistant in large house of general merchants, importers and managing agents in India, desires similar position, or in Hong Kong or Malaya. Age 37. Excellent references. Returned to England for family reasons.—Box 480.

THE CHARTERED INSTITUTE OF SECRETARIES.—Directors requiring the services of CHARTERED SECRETARIES to fill with the Secretary of the Institute, 16, George Street, Mansion House, E.C.4.

FIRST-CLASS Hons. B.Com. (Lond.), knowledge commerce and distribution, experience in economic and statistical research, capable writer, ex-editor trade journal, initiative and imagination, organising ability, 31, invites offers around £1,500 p.a.—Box 477.

Statistical Summary

EXCHEQUER RETURNS

For the week ended July 29, 1950, total ordinary revenue was £74,789,000, against ordinary expenditure of £38,608,000 and issues to sinking funds £100,000. Thus, including sinking fund allocations of £5,798,000, the surplus accrued since April 1st is £131,535,000 compared with £68,084,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	Receipts into the Exchequer (£ thousand) April 1, 1949 to July 30, 1949	April 1, 1950 to July 29, 1950	Week ended July 30, 1949	Week ended July 29, 1950
	£'000				
ORDINARY REVENUE					
Income Tax	1388000	259,406	253,203	16,024	16,888
Sur-tax	120,000	26,800	27,000	800	900
Estate, etc., Duties	195,000	62,200	63,450	5,400	3,400
Stamps	50,000	16,900	16,365	1,200	950
Profits Tax	270,000	71,360	61,020	6,200	5,300
E.P.T.		17,000	4,500	...	300
Other Inland Rev.	500	70	50	...	...
Special Contributn.	4,500	10,300	1,970	100	100
Total Inland Rev.	2028000	464,036	427,558	29,724	27,838
Customs	870,650	253,433	275,091	10,224	10,582
Excise	713,150	218,500	220,636	39,900	34,636
Total Customs and Excise	1583800	471,933	495,727	50,124	45,218
Motor Duties	56,000	7,041	7,277	557	520
Surplus War Stores	35,000	27,953	10,476	52	30
Surplus Receipts from Trading					
P.O. (Net Receipts)	85,000	4,045	25,974	...	...
Wireless Licences	13,000	3,040	3,100	800	650
Sundry Receipts	27,000				
Miscell. Receipts (inc. Crown Lands)	70,000	5,913 19,361	5,172 20,316	... 472	... 533
Total Ord. Rev.	3897800	1003321	995,600	81,729	74,789
SELF-BALANCING					
Post Office	172,150	49,000	52,900	4,000	4,000
Income Tax on E.P.T. Refunds	5,700	2,833	3,160	232	275
Total	4075650	1055154	1051660	85,961	79,064

Expenditure	Estimate, 1950-51	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1949 to July 30, 1949	April 1, 1950 to July 29, 1950	Week ended July 30, 1949	Week ended July 29, 1950
	£'000				
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	490,000	125,022	122,076	2,618	2,800
Payments to N. Ireland	36,000	10,428	10,910	1,453	1,446
Other Cons. Fund Services	11,000	4,973	3,697	42	75
Total	537,000	140,423	136,683	4,113	4,321
Supply Services	2918069	842,943	779,645	49,831	34,287
Total Ord. Expd.	3455069	983,366	916,328	53,944	38,608
Sinking Funds	...	3,704	3,798	...	100
Total (excl. Self-Bal. Expd.)	3455069	987,070	920,125	53,944	38,708
SELF-BALANCING					
Post Office	172,150	49,000	52,900	4,000	4,000
Income Tax on E.P.T. Refunds	5,700	2,833	3,160	232	275
Total	3632919	1038903	976,185	58,176	42,982

After increasing Exchequer balances by £147,642 to £3,038,000, the other operations for the week decreased the gross National Debt by £26,851,021 to £26,176 million.

NET RECEIPTS (£ thousand)

	Nil
NET ISSUES (£ thousand)	
Post Office and Telegraph (Money) Act, 1948	450
E.P.T. Refunds	335
Export Guarantees Act, 1949, s. 3(2)	340
Housing (Temporary Accommodation) Acts, 1944 and 1947	100
Local Authorities Loans Act, 1945, s. 3(1)	6,700
Overseas Resources Development Act, 1948:—	
Colonial Development	800
Finance Acts, 1946 and 1947, Postwar Credits	359
	9,084

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Tax Reserve Certs.	3,545	Treasury Bills	46,492
Other Debt:—		Nat. Savings Certs	1,500
Internal	8,320	2½% Def. Bonds	155
Treasury Deposit Receipts	25,000	3% Def. Bonds	471
		Ways & Means Advances	13,355
	36,865		63,716

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
July 30	2210·0	2266·2	335·5	...	1246·5	6058·2
1950						
May 6	2960·0	1872·9	420·0	4·8	430·0	5687·7
,, 13	3000·0	1865·4	416·2	...	410·0	5691·6
,, 20	3020·0	1839·4	457·9	...	410·0	5707·3
,, 27	3050·0	1812·0	439·1	4·0	400·0	5705·1
June 3	3070·0	1838·2	431·2	...	390·0	5729·4
,, 10	3080·0	1765·2	413·2	...	380·0	5638·4
,, 17	3090·0	1784·8	411·9	2·0	370·0	5638·7
,, 24	3100·0	1769·7	421·4	4·0	350·0	5645·1
,, 30	4856·9		404·2	12·5	350·0	5623·6
July 8	3120·0	2034·9	387·4	...	375·0	5917·3
,, 15	3120·0	2046·9	380·9	5·0	366·5	5919·3
,, 22	3130·0	2025·9	396·2	...	380·0	5932·1
,, 29	3140·0	1969·4	382·8	...	405·0	5897·2

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
July 29	170·0	321·6	170·0	10 4·99	41
1950					
April 28	240·0	337·1	240·0	10 2·84	60
May 5	250·0	337·6	250·0	10 4·30	3
,, 12	240·0	313·0	240·0	10 3·03	68
,, 19	250·0	312·5	250·0	10 3·13	73
,, 26	240·0	293·5	240·0	10 3·47	77
June 2	240·0	343·5	240·0	10 2·64	57
,, 9	240·0	317·8	240·0	10 3·08	67
,, 16	240·0	299·6	240·0	10 3·33	75
,, 23	240·0	315·4	240·0	10 3·06	68
,, 30	240·0	302·4	240·0	10 3·21	73
July 7	240·0	306·4	240·0	10 3·19	72
,, 14	240·0	327·1	240·0	10 2·90	63
,, 21	240·0	335·4	240·0	10 2·78	60
,, 28	240·0	340·8	240·0	10 2·72	58

On July 28th applications for 91 day bills to be paid from July 31st to August 5th were accepted dated Monday to Saturday as to about 58 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million are being offered for August 4th. For the week ending August 5th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Week Ended July 23, 1949	Week Ended July 22, 1950	Total, Apr. 1 to July 22, 1950
Savings Certificates:—			
Receipts	2,000	1,600	27,650
Repayments	2,200	2,900	41,700
Net Savings	*Dr 200*	*Dr1,300*	*Dr14,050*
Defence Bonds:—			
Receipts	490	390	5,680
Repayments	900	990	17,278
Net Savings	*Dr 410*	*Dr 600*	*Dr11,598*
P.O. and Trustee Savings Banks:—			
Receipts	11,213	11,566	201,386
Repayments	15,780	15,267	216,853
Net Savings	*Dr4,567*	*Dr3,701*	*Dr15,467*
Total Net Savings	*Dr5,177*	*Dr5,601*	*Dr41,115*
Interest on certificates repaid	442	644	8,996
Interest accrued	2,349	2,422	38,327
Change in total remaining invested	*— 3,270*	*— 3,823*	*— 11,784*

BANK OF ENGLAND RETURNS

AUGUST 2, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1328,875,200	Other Govt. Securities	1328,271,152
In Banking Department	21,481,623	Other Secs.	703,292
		Coin (other than gold)	10,456
		Aut. of Fid. Issue	1350,000,000
		Gold Coin and Bullion (at 248s. 6d. per oz. fine)	356,823
	1350,356,823		1350,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	596,066,441
Rest	3,777,131	Other Secs.:—	43,481,801
Public Deps.:—	257,732,947	*Discounts and Advances*	*14,846,380*
*Public Accts.**	*11,214,417*	*Securities*	*28,635,421*
H.M. Treas. Special Acct.	*246,518,530*		
Other Deps.:—	391,759,929		
Bankers	*293,111,338*	Notes	21,481,623
Other Accts.	*98,648,591*	Coin	6,793,142
	667,823,007		667,823,007

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1949 Aug. 3	1950 July 19	1950 July 26	1950 Aug. 2
Issue Dept.:—				
Notes in circulation	1307·5	1311·4	1319·7	1328·9
Notes in banking department	42·8	38·9	30·6	21·5
Government debt and securities*	1349·2	1349·3	1349·3	1349·3
Other securities	0·7	0·7	0·7	0·7
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	12·9	12·0	14·5	11·2
Treasury Special Account	32·4	228·7	237·1	246·5
Bankers	286·1	300·1	286·8	293·1
Others	89·8	95·2	97·9	98·6
Total	421·2	636·0	636·3	649·4
Securities:—				
Government	0·8	568·7	572·7	596·1
Discounts, etc.		15·1	18·0	14·8
Other		25·0	26·5	28·6
Total		608·7	617·2	639·5
Banking dept. res	47·6	45·6	37·4	28·2
"Proportion"	% 11·3	% 7·1	% 5·8	% 4·3

* Govern... is £11,015,100, capital £14,553,000. Fiduciary ...sed from £1,300 million to £1,350 million on ... 17, 1950.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
July 27	63⅛	72½	179 6	114 3
,, 28	63⅛	72½	177 6	113 10
,, 29	Markets	Closed	177 1	113 9
,, 31	63⅛	72½	178 12	113 15
Aug. 1	63⅛	72½	178 4	113 12
,, 2	63⅛	72½	179 9	114 2

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CLAIMS PAID EXCEED	£207,000,000
(1949 Accounts)	

HIS MAJESTY'S COLONIAL SERVICE—NIGERIA

A vacancy exists for a Statistician in the Department of Agriculture on the staff of the Oil Palm Research Station at Benin, Nigeria. Duties will be to assist in planning and interpreting field experiment and progeny trials in connection with the Oil Palm Research programme and to organise the recording and treatment of routine statistical data.

The appointment will be on three years' probation for permanent and pensionable employment. Salary scale, including pensionable expatriation pay, is £660 per annum to £1,300, with an efficiency bar at £860 and a promotion step at £1,140. War service and professional experience will determine the point of entry into the scale. In addition, a temporary cost of living allowance is payable. Where Government quarters are provided a sum varying from £60 to £90 a year is deducted for rent. Free passages are provided for the officer, his wife and up to two young children on first appointment and on leave. Income tax is at local rates, which are very much lower than those in the United Kingdom. The tour of service is 18-24 months. Leave on full salary is granted at the rate of seven days for each completed month of resident service.

Candidate must be under 40 and must possess a good Honours degree in an appropriate subject, preferably statistics or mathematics with statistics. Practical experience in design of experiment work is desirable. Forms of application can be obtained from the Director of Recruitment (Colonial Service), Colonial Office, Sanctuary Buildings, Gt. Smith Street, London, S.W.1, to whom completed applications should be submitted within two weeks of the appearance of this advertisement.

NUFFIELD FOUNDATION

The Nuffield Foundation has a vacancy for an Assistant Secretary. He must be a university graduate (in any faculty) with a good academic record, of proved administrative ability in responsible posts and having the capacity to consider novel proposals imaginatively and practically. Preferably he should be aged between 35 and 40 years.

The commencing salary will be £1,500 a year, with superannuation and child allowances.

Anyone wishing to be considered for this post should write to the Secretary, Nuffield Foundation, 12, Mecklenburgh Square, London, W.C.1, stating age and full details of qualifications and experience and the names of three referees.

L. FARRER-BROWN, Secretary.

SENIOR Official required by the International Tin Study Group (an intergovernmental organisation in The Hague). Qualifications include some administrative or parallel experience, interest in international aspect of economic problems, and good knowledge of English and French (latter essential). Duties will comprise general supervision of organising and administrative work of the Group, ability to undertake enquiries into the tin industry, working with committees, etc. Minimum age 28 years. Salary about 8,500 Netherlands guilders (currently about £800) per annum. Contributory pension scheme. Apply in English or French before August 15th with full details of age, education, languages, experience, special qualifications, date at which appointment could be taken up, references, etc., to the Secretary, International Tin Study Group, 7, Carel van Bylandtlaan, The Hague, Holland.

FOR SALE, "Records and Statistics," Nos. 1-158 and "The Economist," Jan. 18, 1947—May 27, 1950.—Offers Box 478.

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One studentship for women of the value of £[illegible] (plus supplementation by the Ministry of Education) will also be offered for award in October, 1950, tenable for two years, for full-time research—preferably in Economic History.

Application forms, which must be returned by September 6, 1950, may be obtained from the Registrar, London School of Economics, Houghton Street, Aldwych, W.C.2.

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Mr Malik's Manœuvres

TEN days of Mr Malik's performance as President of the Security Council have been quite enough to show the world the purpose of his return. North Korea's unprovoked attack on South Korea united the free nations in an all but universal condemnation of the Soviet puppet and of its powerful backer. The original resolution in the Security Council condemning North Korea and calling on the United Nations to assist South Korea has since been accepted by 53 of the 59 member nations and the unanimity of opinion cuts across every division which normally prevents the crystallisation of what can reasonably be called "world opinion." Great states and small, eastern states and western states, Asian states and American states, Arab states and Israel—all have joined in the denunciation of aggression and in the determination to check it at its source. Thus the Soviet Union, in the full spate of its peace campaign and of its efforts to fix responsibility for "atomic aggression" on the United States, has suddenly found the tide reversed and the charge of encouraging aggression pinned upon it by a unanimous world.

The chief purpose of Mr Malik's return to the forum of the Security Council has been to put an end as speedily as possible to this unanimity of world opinion and to drive back the wedges which tend to hold the nations apart. There is little point in dwelling on the sophistries by which he has sought to prove that the war in Korea is a civil war and that the only aggression that has taken place has been the intervention of a foreign power in the shape of the United States. This "upside down talk" has not for one moment convinced the United Nations, which was itself responsible for establishing the South Korea Government as a legal government, whose own Commission on the spot confirmed the fact of the attack on June 25th and whose flag now flies over the American forces desperately seeking to retain a foothold in South Korea. In all the votes on the issue of Korea itself, Mr Malik has had the Council almost solidly against him.

From the very first day of his Presidency, however, the Russian delegate has used more effective tactics for confusing the issue and destroying the unanimity of opinion in the free world. He has sought to shift the debate from the issue of Korea, upon which there is unity of outlook among the free nations, to others upon which there is not. It may, indeed, have been Pandit Nehru's well-intentioned efforts to call in Stalin as a peacemaker that first suggested a possible policy to the Kremlin. It will be recalled that Mr Nehru proposed a settlement of the Korean issue through the Security Council, strengthened by the prior admission of Communist China. The Soviet Government was thus reminded that almost every issue concerning Mao Tse-tung's regime could be made an apple of discord among the free nations. In particular, Asian opinion could be inflamed and played off against Atlantic opinion and the old overtones of western imperialism and Asian independence reintroduced. The Security Council itself was divided on the question whether Communist

representatives should oust the Nationalist delegate. Opinion generally was uncertain about the exact status of Formosa and the legitimacy or otherwise of Chinese Communist claims to it. Here, clearly, were troubled waters for the Soviet hook. Mr Malik settled down to some very intensive fishing.

The aim of his speeches, his accusations, his innuendoes and violent tirades has been to convince the outside world that Korea is a subordinate issue in a general American "attack" upon the Far East. The proof he offers is the refusal of the United States to admit the Chinese Communists to the Security Council, its backing of Dr Tsiang, the Nationalist representative, and its "active military support" for the "corrupt regime" of Chiang Kai-shek in Formosa. In the last week, General MacArthur's somewhat flamboyant visit to Formosa, the even more flamboyant press releases issued by Chiang Kai-shek and the revival of Nationalist bombing of "invasion barges" have been woven into the fabric of Soviet propaganda. Again and again, Mr Malik has thrust the issue of the Korean fighting to one side and brought up instead the question of the rights and the representation of the Chinese Communists. And it must be admitted that his efforts to put an end to unanimity have not been entirely unsuccessful. Both Britain and India have voted in the last week for the admission of Communist China and America against it, and doubts and uncertainties about developments in Formosa have been voiced not only in India but in Australia and even the United States. What was clear on August 1st—the fact of North Korean aggression—has been slightly muddied. So much must be conceded to Russian tactics.

*

The immediate aim of the free nations should therefore be to buttress their unanimity at the points where it is endangered. In the specifically Korean issue there can, of course, be no wavering in the admirably unanimous view that the only acceptable end to the incident would be a withdrawal by the Communists behind the 38th parallel of latitude. This insistence will be the firmer if a similar unanimity can be achieved on the other two points, on the representation of China in the Security Council and on the status of Formosa. This should not be an impossible task, as the real divergences are by no means as great as they appear.

The arguments for the admission of Communist China to the Security Council which the British and Indian Governments have for some time been pressing upon the other members of the Council are, firstly, that it is really absurd to go on recognising Chiang Kai-shek's nominee as the representative of the people of a China from which he has been expelled, and secondly that to bring Mao Tse-tung out of his lonely *tête-à-tête* with the Kremlin and into the open forum of the nations cannot, at least, do any harm. It is true that the Chinese representative is equipped with a veto, which might be useful to the Russians if they chose to walk out once again. But it can be taken for granted, after the brief demonstration of what the Security Council can do in the absence of a Communist veto, that by one means or another, the veto will now be a permanency in any case. The Security Council cannot hope to be more than a talking-place, and there might be some virtue in having the Chinese Communists there to talk to. In any case, the alternative, that Chiang Kai-shek should continue to be treated as a Great Power, is getting more ridiculous every day.

Nor is the American opposition absolute. The State Department has declared that it will not interpose its veto against the wish of the majority. Indeed, if it had not been for the aggression in Korea, Communist China would probably by now be seated in the Security Council. There would certainly be no harm in letting Peking know that it is the action in Korea that has postponed the matter. The hesitations of the State Department were very largely due to domestic American politics—to the fear that Senator McCarthy and the China Lobby would proclaim a vote for the admission of Mao Tse-tung as proof of the assertion that the State Department's policies are dictated by disguised Communists in its midst. The transformed political situation in Washington should by now have at least diminished this obstacle. In any case, a positive American vote would not be needed, provided there were a change of attitude among the other members of the Security Council who have hitherto voted with the United States. What is needed is to let it be known that, at the proper time, Communist China will be seated at the Security Council. Agreement will, of course, be needed on what the proper time is. Sir Gladwyn Jebb has rightly been insisting that there is no connection between the matter of Communist China's admission and North Korea's aggression—or at least not enough connection to justify the bargaining of one against the other. But it would certainly be very odd to admit one Communist regime in the Far East to the Security Council while another was still openly defying its authority and warring against its troops. However this may be, the essential first step is to see whether the free nations cannot agree on what should be done, so that Mr Malik can no longer make them vote in different camps.

*

The question of Formosa, at first sight, seems more intractable, since the verbal disagreements are more embittered. To listen to some of the British left-wing criticisms of American action, one could easily be forgiven for supposing that the American Seventh Fleet is a greater menace to world peace than all the tanks and bombers of the Russians. And it must also be candidly said that General MacArthur's visit, or the interpretation that he has allowed the Chinese Nationalists to put upon it, is calculated to put the very worst face possible upon American policy.

But in reality, the breach over Formosa between the more sober elements in the free nations, and between their governments, is not nearly as wide as it seems; it is largely a matter of emphasis. The United States did suddenly reverse its policy on June 27th by deciding to prevent a Communist invasion of Formosa. But this was a temporary expedient dictated by obvious strategy. It would clearly be lunacy, at a time when Communist aggression was loose in the Far East and the United States was preparing to repel it, to allow Communist forces to occupy a valuable strategic island. Only the most foolish of the critics attempt to suggest that the American action was wrong or unnecessary in the context in which it was taken.

What has excited criticism, outside the ranks of the extremists, is the insufficient care that the Americans have taken to explain that their change of policy was no more than a temporary expedient dictated by strategy, that it does not imply any going back, as a matter of permanent policy, on the Cairo undertaking that Formosa should eventually be Chinese, and that it certainly does not betoken any willingness to support Chiang Kai-shek in his dreams of reconquering the mainland. It should not surely be difficult to achieve a statement of policy to which all could subscribe. There seem to be four essential points. First, Formosa is at present in international law Japanese territory and cannot become anything else except by international treaty. Secondly, the free nations might reaffirm their declaration that when the time comes to draw up such a treaty they will support the retrocession of Formosa to China, which will imply their recognition as rightful rulers of Formosa of whatever is at that time the *de jure* government of China. But, thirdly, the time for peace making clearly cannot come so long as aggression is rampant in the Far East. And, fourthly, in the meantime, it would be both wrong and dangerous to permit any change in the status of the island to be made by force of arms. The working out of such a joint policy, which might even achieve the agreement of Pandit Nehru, is an urgent matter, since Mr Malik must not be left a day longer than is necessary in the position of compelling the free nations to take different sides.

In all these matters, it is essential not to lose sight of the main issue. There is only one possibility of world-wide total war breaking out, and that is if the Kremlin wishes it. It is most unlikely that the decision to be taken in Moscow will be swayed one way or the other by anything that the western nations do, or do not do, to Mao Tse-tung. On the other hand, it is highly likely to be swayed by the degree of unity and resolution in the free world. In Washington no less than in London—indeed, in Washington even more than in London—it should be realised that, at this moment, the need for unity is paramount.

Partition for Kashmir?

LAST month's official negotiations in Delhi for a settlement of the Kashmir dispute were completely unsuccessful. They represented the first formal attack on the problem by Sir Owen Dixon, the new United Nations representative, and they followed his stay of several weeks in Kashmir to study the situation at first hand. Fortunately for the peace of Asia, Sir Owen is still travelling between Delhi and Karachi, and the two Prime Ministers and their closest advisers, resuming the series of meetings begun over the Minorities Agreement in April, are to meet again soon, probably during September.

This dispute is the poisoned well from which infection has spread to every other point of contact between the two countries. If it is not cleared soon, the poison will become so virulent that there will be small hope for any lasting agreement on Kashmir or on any other topics under dispute. It is little short of three years since October, 1947, when open fighting began in Kashmir and the Maharajah decided to accede to India. Pathan tribesmen from the North-west Frontier had already entered Kashmir through Pakistan territory, and a Moslem "provisional Republican government"—in so-called Azad Kashmir—had been established. Indian troops were then flown in to support the Kashmir state forces and the Maharajah accepted a new government under the pro-Indian Moslem leader, Sheikh Mohammad Abdullah. Fighting went on for several months. In January, 1948, on India's initiative, the Security Council sent a Commission to investigate the situation, subsequently arming it with instructions to restore peace and arrange for a plebiscite—objectives to which both India and Pakistan subscribed in principle. On January 1, 1949, a cease-fire was achieved, and it is now over a year since the cease-fire line was formally marked out and accepted by both sides. But no progress whatever has proved possible in organising a plebiscite.

The main stumbling block has been the Indian view that, since the Security Council demands the demilitarisation of Kashmir before a plebiscite is held, Pakistan's troops should start their withdrawal first and the Azad Kashmir forces should be disbanded. This Pakistan has refused to do, both on principle and in the fear that India would not follow suit. On the other hand, Delhi has protested, not without justification, that since Pakistan was the original aggressor in allowing and later helping the so-called Azad Kashmir forces to assemble, Pakistan clearly ought to make the first move in withdrawing.

During the long months of complex deadlock, outside opinion has tended to go against India. In an exceedingly delicate situation such as this, bordering on war, it would seem no more than reasonable to expect military withdrawals to be simultaneous. India has also received a lion's share of the blame for the lack of a settlement because it has in effect held the initiative, because it occupies the more important parts of Kashmir, and because, being more powerful than Pakistan, it runs less risk. These criticisms of Indian tactics have been made on the supposition that both India and Pakistan accept the holding of a general plebiscite throughout Kashmir as a fair means of decision. What now makes the Indian position even less tenable is the fact that, in last month's talks at Delhi, Mr Nehru apparently stiffened his terms and, by demanding the submission of northern Kashmir to Sheikh Abdullah's government before a plebiscite could be held, sought to impose conditions Pakistan must certainly reject. The conclusion is being drawn in Karachi that India no longer accepts the idea of a general plebiscite in Kashmir.

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There are, however, several important things to be said in defence of the Indian position. Kashmir has become a question of fundamental prestige to both sides; yet it is clear that if the fate of every part of the state is to be decided by a single universal plebiscite, Kashmir will go to Pakistan, because it has a large Moslem majority. This is a risk no government in Delhi is prepared to accept after all that has already happened. Not the least of its reasons is that parts of the Jammu district, always predominantly Hindu, have been made completely Hindu by the flight of the Moslem minority; there would be communal rioting in India on a very serious scale if these Hindus were simply turned over to Pakistan, most of them probably themselves becoming refugees as a result. This might undo the whole effect of the recent Minorities Agreement on Bengal.

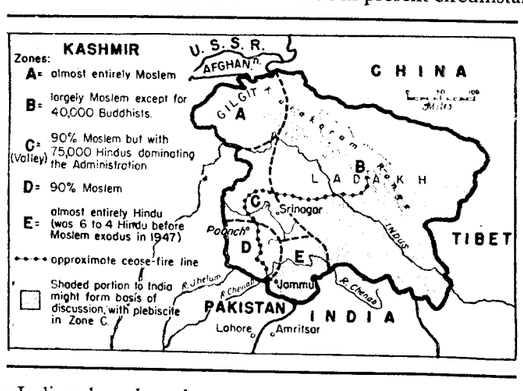
The broader facts of India's attitude are also apt to be lost to sight. For India, Kashmir is a test case. The Indians have always felt that partition of the sub-continent was a concession wrung from them at the last moment as the price of independence by the rocklike insistence of Mohammad Ali Jinnah ; they never really expected it to happen. When it did, India, which still contains well over four-fifths of the sub-continent's population, was faced with an irritating and, as it felt, dangerous, situation. Pakistan has not only received the areas producing the two most important raw materials, jute and cotton, but also holds the only two frontiers across which the sub-continent could conceivably be attacked, in the east and in the famous north-west. British military thinking in India used to be dominated by the North-west Frontier, and, rightly or wrongly, the new India is still deeply influenced by this climate of thought in which its staff officers were brought up. Yet one of Pakistan's first acts was to let raiding tribesmen go marauding into Kashmir. Quite apart from Mr Nehru's own ancestry in Kashmir and the fact that the legal ruler of Kashmir, the Maharajah—whatever his personal faults—did legitimately accede to India, the stubborn Indian claim to Kashmir springs in part from the undeniable fact that Pakistan stirred up the inflammable issue of the North-west Frontier within two months of its independence in 1947.

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Today the truth seems to be that, as in Palestine under the Mandate, no solution is possible for Kashmir other than some form of partition. If this is the case, then it is the attitude of Pakistan, as the more opposed of the two to partition, that becomes crucial. At the next meeting between Mr Liaquat Ali Khan and Mr Nehru partition is, nevertheless, almost certain to be the key issue. The Indians have been known for some time to be ready to consider partition. They might suggest that Jammu and Ladakh should be allotted to India and that a plebiscite should decide the issue in the valley of Kashmir only—presumably they would insist on keeping Sheikh Abdullah's government in power during the process. The rest of Kashmir would go to Pakistan. Opinion in Pakistan, however, has hitherto been adamant against any partition. If in Delhi the Kashmir question represents an issue of principle, in Karachi it looks like a matter of life and death ; any powerful enemy installed in Kashmir could dominate western Pakistan militarily and would have control of the waters of the Chenab on which Pakistani agriculture depends. The Jhelum could also be diverted, but at greater cost to the hostile power. In Kashmir, too, Pakistan sees at stake the whole principle of Moslem unity—to which it owes its own existence—and regards the Indian attitude as proof that many Indians still seek to do away with Pakistan altogether.

In spite of all these arguments, however, partition now represents the best means by which Pakistan can secure what it most needs and wants—namely, in Kashmir, a large accession of power and territory on its own frontiers, and, in general, peace with India. It has become a question of sacrificing part of the object in order to obtain what matters most. This reality is not entirely unrecognised among Pakistani statesmen. The two most vital aspects of the question, therefore, are on what line a partition should be made and the means by which Mr Liaquat Ali Khan and his ministers can persuade their people to accept it. The problem of precisely where partition should occur in Kashmir is closely affected by the distribution of Moslems and Hindus, by the present realities of the military positions, by the amount that either side could yield without drawing a devastating fire from public opinion, and by the grim repercussions which a false decision would have in creating another distressing and dangerous movement of refugees. On this basis Gilgit must inevitably go to Pakistan, some part of Ladakh and the now overwhelmingly Hindu parts of Jammu to India. The next step would be to make a provisional division of the rest of the territory along the cease-fire line, and then to hold a plebiscite for the Valley of Kashmir only. There would remain the area of Poonch and the rest of Jammu ; Pakistan certainly demands the whole, but it would probably accept a frontier on the Chenab.

So much for the line itself. It represents the maximum which in present circumstances each side can be expected to concede to the other, but as a basis for a full settlement, the fixing of a line is insufficient. In some areas, a temporary United Nations administration might make it possible to hold a plebiscite without a prior withdrawal of troops ; it might also help both sides to reconcile themselves to the verdict. The agreement on partition should be combined with at least provisional settlements of other points in dispute between India and Pakistan. Such a framework would enable concessions to be made in Kashmir in return for counter-concessions elsewhere by the other side. It ought to be the prelude to an Indo-Pakistan mutual defence pact. Only thus can the "frontier question" be exorcised.



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The net result of some such settlement as this would be that India would surrender territory it at present occupies while Pakistan would give up its present claims to the whole of Kashmir. Neither Mr Nehru nor Mr Liaquat Ali Khan, if they came to such an arrangement, would find it easy to secure ratification. Nor should any outsider underrate the sacrifices involved. There is far too much readiness to feel that India and Pakistan ought simply to have their heads knocked together. But if there is to be an end to the friction generated between the two Dominions, a solution for Kashmir must be found. Neither side can achieve its full aim by peaceful means Both will use force to repel any attempt at a violent settlement. For both, therefore, the only solution appears to be an "equality of discontent" and this at least a solution based on partition seems to offer.

Boutique Fantasque

IN various recent articles, it has been argued in these pages that the present prosperity of the British economy is not the presage of a new millennium nor solely the result of the wisdom and endeavour of the British people or their government, but that it is in fact merely an extension of the postwar boom throughout the world, and is dependent for its continuance upon the economic weather abroad. The toy industry is certainly a miniature case in point. At the moment it is on the crest of the wave, producing toys of better quality and more variety and earning more by exporting them than any country has ever done before, but behind this achievement lie artificial conditions of international trade which throw a more sombre light upon the future.

Germany was the first country to make toys commercially in the nineteenth century and its toy industry dominated the international market until 1939. The history of British toy making is the history of the attempt to wrest this leading position from Germany, and the issue is still by no means decided. At least some of the credit for Germany's long pre-eminence as the world's toy maker must no doubt be given to the peculiar genius of the Teutonic character for fantasy and *Gemütlichkeit*. But from the first the industry was highly organised. In the wooded hills of Saxony and Bavaria, cottage workers made wooden toys on water-driven lathes, while whole villages specialised in narrow lines, some in animal figures, some in musical toys, some in doll's furniture or buildings or even in those cumbersome pencil boxes so dear to the hearts of many generations of children. Wooden dolls in one district soon gave way to the stuffed bodies, papier maché limbs and bisque or pot faces, which became standard characteristics for so many years. Here again villages tended to specialise in various ranges of quality, while factories grew up to make such parts as wigs, eyes and shoes. Stuffed animals were a German speciality in the eighties, and it was the heirs of Siegfried who first produced the immortal teddy-bear. This extraordinary specialised and localised organisation has persisted in German toy manufacture up to the present day, and has resulted in an unchallenged cheapness and efficiency.

There were, it is true, some toys produced in most countries even before the first world war. Admirers of Axel Munthe will remember his essay about France avenging Sedan on her nursery floors, where the dainty Parisienne dolls drove out the clumsier German *Gretchen*. On the other hand English doll makers "would not spoil a good doll with an English head" and so imported heads from Hamburg. Heavy wheel toys were not at that time worth long transport, and both Britain and the United States developed these as a light engineering product. In one toy only was Germany outdone. Lead soldiers were produced in London in the nineties, after much experiment, in a hollow casting, lighter and cheaper than the solid German originals. Only after overcoming great prejudice could their formations invade the British market (six cavalry or ten infantry for a shilling), but having done so they defeated their German opponents everywhere, even in Germany itself. They continue to do so even at the present time, their descendants having now multiplied into hundreds of regiments, corps and posses—though probably today's keenest collectors of these miniature works of art are the children in middle age who have outgrown the temptation to melt them down in the kitchen stove.

The years 1914-18 ended Germany's virtual monopoly of the international toy trade. American and Japanese manufacturers fell heirs to the huge market of the United States, and in 1922 the raising of the United States tariff on toys to 70 per cent caused temporary havoc in the reviving German industry. America has been self sufficient ever since in all but the cheapest comic novelties from Japan and Germany—Christmas decorations, trumpets, rattles and puzzles—and a handful of high-quality German and British specialities. High prices, however, have largely kept American toys out of world markets.

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Britain after the first war imposed a tariff of five per cent, later to become the twenty-five per cent in force today, and aided by a little national prejudice began to develop its own toy industry. British manufacturers gradually captured the British market. Only 30 per cent of home consumption was British-made in 1922, about forty per cent in 1933 and over sixty per cent in 1938. Japan secured a foothold in the British market during the first world war and steadily enlarged it. If a celluloid aeroplane was marketed at sixpence the Japanese would copy it for another wholesaler to sell at threepence, and when the price of the original was halved would offer it to a third merchant for twopence, by which time the first maker would abandon that line for something fresh. Sometimes German firms tried to prosecute British importers of toys that infringed international patents, but so transitory is the market for a celluloid aeroplane or a clockwork mouse that the profit was reaped and the line played out before the slow processes of law could be mobilised. The Act of 1933 compelling foreign toys to be marked with their country of origin was an attempt—not very successful—to hamper Japanese competition by drawing public attention to it.

This unscrupulous stealing of ideas was not peculiar to Japan. Its manufacturers stole most thoroughly, but it has always been a trade practice, particularly in the cheaper mechanical and clockwork lines known as "novelties," in which English firms today are still copying the latest German ideas. A two-shilling tin monkey which turns somersaults may need from two to three thousand pounds' worth of machinery to produce it ; it may have one crowded hour of glorious life in a single Christmas season and then be finished, a few survivors of the brief fashion languishing in dusty corners of the suburban stationer's window. Moreover as soon as it appears it will probably be copied (if it is any good)—perhaps at a lower retail price. The only way to make it profitable, therefore, is to sell it widely and quickly ; and the common procedure is for merchants, agents with wide selling contacts, or representatives of chain stores, to place a substantial order at the outset, partially to finance the tooling, and then to reap a sufficient profit from exclusive rights to an agreed output. On the other

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hand, models, whether of famous engines, of cars or of the homely steam roller, are built with expensive accuracy; their trade names are generally household words, and once in production they stay for many years.

In 1945 British toymakers faced a market starved of toys of all kinds, and the trade was a paradise for mushroom firms making shoddy toys and evading price control. In the last two years, however, the poorest toys have been ousted, and at the same time the industry has expanded at a rate which, even allowing for greatly increased prices, is still impressive. There were 200 exhibitors at the 1950 annual trade fair; the majority are small firms which concentrate on particular lines—rubber toys, soft toys or a host of other specialisings—while a handful of engineering firms, whales among the minnows, produce trademarked mechanical and big wheel toys. It is said that about 20,000 people are employed in toymaking, but the industry is too varied to be defined exactly; perambulators and bicycles are made for young and old, rubber, celluloid or plush toys are often sidelines in firms making other goods in those materials, while a host of carnival and fancy goods begs the question of what constitutes a toy.

GROWTH OF BRITISH TOY PRODUCTION (£ million)

	Year 1938	Year 1949
Total Output	3.4 (aprox.)	21.3
Exports	0.4	4.0
Imports	1.7	0.5

Since the South African market was closed in 1948 Australia and Canada have been the main export markets for British toys. The United States market for them is still negligible—it was worth only £165,880 worth in 1949; this is due not only to the 70 per cent tariff, but to the ban on the promotion of foreign toys through trade papers and toy fairs which the American toy manufacturers have enforced. As competitors in world markets, on the other hand, American manufacturers are hampered by the dollar shortage. Germany's wooden toy districts and part of its doll-making district are now behind the iron curtain, but its metal and mechanical toys are already fiercely competitive—both in price and in imaginativeness—with those of Britain wherever they are allowed to be sold. Italy and France are making a bid for Germany's old export markets in dolls, while Sweden and Holland are doing the same thing in respect of wooden toys, in which they have the advantage of plentiful supplies of good material.

BRITISH TOY EXPORTS: YEAR ENDED APRIL, 1950

	£000		*Exports as % of*
	Exported	*Total Output*	*Total Output*
Dolls	296	1,221	24
Soft toys other than dolls	152	740	21
Wooden Toys	107	1,443	7
Metal Toys	2,167	10,186	21
Plastic Toys	625	2,262	28
All others	698	5,500	13
Total, all toys	4,045	21,352	19

It is not a welcome thought to British toy makers that their oldest competitors were beaten not at toy making but at war, and that both old and new competitors are being held at bay only as an incidental effect of political decisions and the general difficulties of world trade. The British home market is protected not only by a tariff but much more effectively by the system of import quotas which admit no American or Japanese toys, and hitherto very few from Germany or Belgium. The new European payments agreement, however, will mean that those two countries will soon be free to put their good, cheap mechanical toys on the British market, while in any move to free international trade by a lowering of tariffs, British toymakers fear that their small industry may well be used as a bargaining counter when bigger issues are at stake.

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Whether, given a fair field and no favour, British toys could hold their own against European and eventually against Japanese competition is not easy to guess. But one feature of the toys now on sale in the shops stands out clearly. In the name of "quality" toys are becoming progressively more elaborate and correspondingly expensive year by year, while the really cheap toys—the "penny bazaar" items of the prewar years—seem to have gone for good. Purchase tax at 33⅓ per cent certainly exaggerates this impression, but even when this is discounted, the tendency to persuade customers to pay bigger prices for extra trimmings is unmistakable. There are certainly some toys—mainly models for older children—where the price of each individual toy is unavoidably high and the quality argument has undeniable force. But for the toys of children under ten, this light-hearted assumption that "nothing is too good for the kiddies" and that "people don't mind how much they spend if the toy is worth it" is surely a foolish optimism stimulated by years of shortages.

There is, too, a great deal of muddled thinking about what "quality" means in toys. The demand for toys is unique in that it is indirect, that is, toys are made not to appeal to children but to their elders and betters, and the snob value of showy toys has always been a hard commercial fact. But it is possible that parents are changing their ideas faster than the trade realises. Walking crocodiles and drinking ducks, which hold a child's attention for ten minutes, are not real playthings, because they call for no imaginative effort on the child's part; clockwork models that form no part of a larger project are wasted in all their elaborate verisimilitude on the child of eight or nine and the parent has only to buy one of them to realise the fact. The needs of younger children are not so much for elaborate miniatures of the real world but for the basic materials of their own active play and when this is realised "quality" should come to mean something very different. Durable washable dolls, whose limbs can be replaced and whose clothes will survive endless undressing, are in real demand; yet the "quality" dolls are neither durable nor always mendable. A car or a tractor which shatters into brittle fragments in its first week in the nursery will command less support both from parents and from children than a simple arrangement of cotton reels. Similarly, simple constructional toys badly need research into more ingenious designs, and into lighter materials for larger sizes. There are in fact endless unsatisfied real needs in children's toys. If British manufacturers do not pay careful attention to the developments of the understanding of children's minds and habits, and at the same time yoke the element of fantasy and imagination which is inseparable from good toy making to the new materials and processes available to them, it seems more than probable that some foreign competitor will again take the lead both in foreign, and it may be even in domestic, markets.

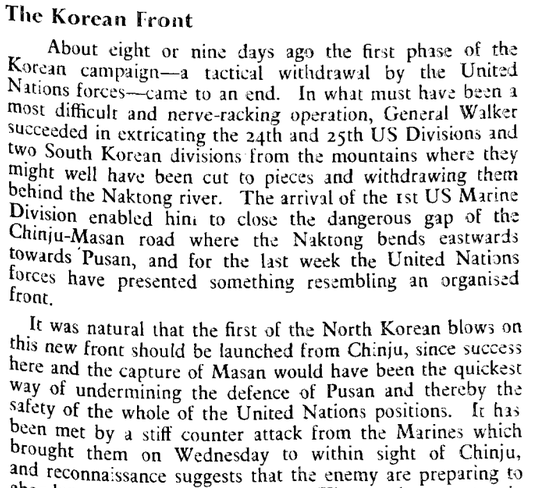
NOTES OF THE WEEK

The Korean Front

About eight or nine days ago the first phase of the Korean campaign—a tactical withdrawal by the United Nations forces—came to an end. In what must have been a most difficult and nerve-racking operation, General Walker succeeded in extricating the 24th and 25th US Divisions and two South Korean divisions from the mountains where they might well have been cut to pieces and withdrawing them behind the Naktong river. The arrival of the 1st US Marine Division enabled him to close the dangerous gap of the Chinju-Masan road where the Naktong bends eastwards towards Pusan, and for the last week the United Nations forces have presented something resembling an organised front.

It was natural that the first of the North Korean blows on this new front should be launched from Chinju, since success here and the capture of Masan would have been the quickest way of undermining the defence of Pusan and thereby the safety of the whole of the United Nations positions. It has been met by a stiff counter attack from the Marines which brought them on Wednesday to within sight of Chinju, and reconnaissance suggests that the enemy are preparing to abandon pressure on this sector. The southern sector is not, however, the only—perhaps now not even the main—danger point. To roll up the United States front it is obviously necessary for the North Koreans to bestride the complex of roads which centre on Taegu, and they appear to be attempting this by means of two thrusts over the Naktong to the north and south of it, in the vicinity of Waegwan and in the bend of the river opposite Changnyong. Both these bridgeheads have so far been contained, but if there is real weight behind the attacks they present a very ugly threat. The northern bridgehead is opposite the junction of the 1st Cavalry Division and a Korean division, and the southern one faces the 24th US Division, which is not only holding a very wide front but is extremely exhausted.

The Nangtok river runs apparently in a fairly shallow bed, and without some time in which to prepare defence positions it seems doubtful whether it really provides an effective obstacle. But it is at least an obstacle of some



kind whereas the three South Korean divisions holding the northern section of the front do not seem to rest on any kind of natural defence line. There is already a report of a Communist thrust of about a brigade strength through the 3rd South Korean division to within ten miles of Pohang. It is clear that the main weight of the enemy force is concentrated on the American sector, and it is also clear that the mere pace of advance coupled with American air attacks has considerably reduced their striking power in any sector. But there is no part of the front which can as yet be regarded as firmly held.

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This is no reason for gloom. As the accompanying map shows the United Nations forces are still in possession of a very large area. It can in fact be argued that the area over which General Walker has attempted to stabilise the front is too large and may have to be contracted to the line Taegu-Pohang. There is a definite limit to the frontage which infantry, however well equipped, can hold at night and in the face of an enemy skilled in infiltration. The pronouncements of armchair critics are rightly spurned by generals trying to fight a battle, but what the civilian can reasonably demand is that military and political considerations should not become confused. It is no longer possible to expect that the United Nations forces should deny South Korean territory to the North Koreans: that has been tried and has failed. The essential task now is a purely military one, to entrench the United Nations forces behind the strongest possible defence line—and the superimposing of the Tobruk perimeter on the map shows how a small area can be made impregnable by minefields under much more unfavourable circumstances—until reinforcements of men and material can arrive from the rest of the United Nations and an offensive can be launched. The fact that there are no fresh formations which can arrive—except for one further US Marine Division—from the United States or from anywhere else for some weeks makes it essential that the perimeter should be based on the most realistic assessment of what the forces already in Korea can reasonably be expected to defend.

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Reshaping the Services

The various pronouncements and actions of the British Government during the past fortnight have succeeded in making the public realise what it has been told often enough by everyone except the Government, that despite the large number of men in uniform Britain has virtually no reserve of first-line formations in any of the three services. To bring the Far Eastern Fleet up to battle pitch, and to scrape together a modest force in Britain for despatch to the United Nations forces in Korea, it has been necessary to call up part of the Fleet Reserve and the Regular Army Reserve, and to open recruiting for army volunteers on a special eighteen months basis of service. As an emergency measure the decision to create a special class of recruiting is sensible; it would be a mistake to deplete the whole of the reserve since its primary function is to provide the men to staff new formations and training centres in the event of total mobilisation. But such emergency measures reveal the crucial weakness of British defence policy—the static system upon which, owing to conscription and the failure of regular recruiting, it is based.

There can no longer be any question about the two chief priorities for the framers of the manpower policy of the services. The first is to raise the proportion of regulars in the Army and the RAF in order to create a reserve, not of men but of trained mobile formations. It is possible that the Government will manage to get through the present emergency by means of special measures, but it will be absurd, and in the end self-defeating, if every fresh outbreak of trouble has to be met by special appeals. Increased regular recruiting is a long-term policy and at long last the Government has decided to use the inducement of increased pay on

which an announcement is shortly to be made (Mr Shinwell in a speech claimed this as a measure of forethought on the part of the Government, but in fact it is the course that has been urged upon him for many months by the Opposition, by his own back benchers and by the press). It is to be hoped that since a higher rate of pay will in any case form only a fraction of the bill for increased defence, the increases will be sufficiently spectacular to make a strong impression on the minds of possible recruits and that they will not be confined, as in the past, to a casuistical juggling of allowances and tax concessions.

The second and equally urgent task is to undertake a drastic refashioning of the military machine in order to reduce the non-essential manpower in the services and to increase the first-line strength. The pruning of the "tail" in order to sharpen the "teeth" of the forces was a subject on which Mr Churchill continually hammered the Chiefs of Staff—without very much effect—during the last war. Whether some radical reorganisation of the system of supply and maintenance would not reduce the number of men employed on third and fourth-line duties is a highly technical question, but there are few signs that it has even been seriously considered. What is certain is that at the present moment neither the RAF nor the Army can afford to employ a single man on welfare, education or administrative duties who is capable of taking his place in a first-line formation.

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France's Share

The Atlantic Pact Powers are making, one by one, their replies to the United States Government's inquiry on the extent and form of their defence expenditure. The British estimates were published last week. Belgium has announced increases of £35 million. The interest of the French reply lies not so much in the estimates it gives but in the light it throws upon French strategic thinking. Actual French expenditure will be increased to a figure of 2,000,000 million francs (£2,000 million) over the next three years and the first purpose of this new level of costs will be to enable the army to equip 15 new divisions. The French, however, do not wish this concentration upon the expansion of the army to be interpreted as readiness on their part to provide the bulk of the Atlantic Union army. The memorandum says bluntly:

> It is necessary for the United States and Britain to share in defence by stationing a sufficient number of divisions on the Continent.

The British document pointed out that the effort of rearmament could not be carried out without considerable American financial assistance. The French take the thought further and demand not only financial fusion but a complete pooling of manpower and resources.

There will be every sympathy in Britain and the United States with France's insistence upon a joint effort and common sacrifice. Now that the French proposals bring Frances's own defence contribution up to the level of its Anglo-Saxon partners—roughly ten per cent of the national income—there will be all the more readiness to listen to France's plea for greater pooling in other fields of defence. Nevertheless, in a long effort of containment, it would be impossible to reach anything like parity in the provision of ground forces for the simple reason that the area to be defended lies in the homeland of France or in closely contiguous western Germany. Garrisoning duties become far more onerous and costly when 3,000 miles of ocean, not a short train ride, separate the soldier from his home.

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Controversies at Strasbourg

The Council of Europe has opened in an atmosphere of hot controversy and the issue—federalism versus national sovereignty—is likely to run like a clue through the labyrinth of procedural and legal and constitutional debates. M. Spaak, re-elected Chairman in spite of a Dutch protest at his handling of the Belgian royal question, fired the first broadside in a strong attack upon the Committee of Ministers who, he complained, were reducing the powers of the Council to a point at which it might as well go home. Three issues are in dispute. The first is the unwillingness of the Ministers to agree to set up special ministerial portfolios for European affairs in each national government. The second concerns the question of unanimity in Ministerial decisions. The third point, which cuts most deeply towards the bone of national sovereignty, is the proposal that Ministers shall be compelled to submit resolutions passed by the Assembly to the various parliaments for discussion even if the Committee of Ministers have not approved them. These issues, unimportant though they may seem, are being magnified by the strength of federal sentiment behind them. The initiative, in fact, lies with those who wish to see sovereign political powers conferred as soon as possible upon the Council.

In this heady atmosphere, the advocates of functional association have some difficulty in putting their case with the effectiveness it deserves. In the field of defence, for instance, which in 1950 has been thrown open to the Assembly's discussion, there is unanimous agreement upon the collective approach. No state claims total sovereignty in defence and it was British representatives—Mr Callaghan and Mr Edelman—who made the strongest appeals for European military unity. Unfortunately, the British have lost the opportunity of taking a lead in another functional field—that of European heavy industry. M. Schuman will present his Plan to the Assembly but the Labour representatives are debarred from supporting it and the Conservative counter-proposals are not calculated to appease the French and their more ardent federalist supporters.

* * *

Counter-Schuman ?

The resolutions which have been tabled in Strasbourg by the British conservatives are largely the work of Mr David Eccles and has been signed by the seven British Conservative representatives taking part at Strasbourg (excluding Mr Churchill), by Lord Layton, by Mr Ohlin of Sweden and by Mr Smitt-Ingebretsen of Norway.

The proposals accept the chief objectives of the Schuman plan—the political need to reconcile France and Germany and the economic desirability of developing the coal and steel industries in common and of moving towards a free market in these products. But here much of the resemblance ends. Where the Conservative plan departs most radically from the French is in suggesting that the authority to be set up for coal and steel should be appointed by, and subordinate to, a ministerial committee. This committee would be set up by those members of the council of ministers of the Council of Europe who decided to sign a treaty linking their coal and steel industries. The core of the French scheme, as it is now evolving in the Paris discussions, is that the authority should possess independent powers of its own in certain important fields.

A big difference also exists in the proposed make-up of the authority. The French want it to consist of independent experts, while the Conservative plan calls for a body composed of representatives of employers, trade unions and consumers presided over by an independent chairman. Moreover, under the Conservative scheme, each government would have during the first five years what amounts to a veto over any decisions taken by the authority that might injure its "basic economic, social or strategic policy." A member could also withdraw from the committee and the authority by giving twelve months' notice or be expelled by a two-thirds vote.

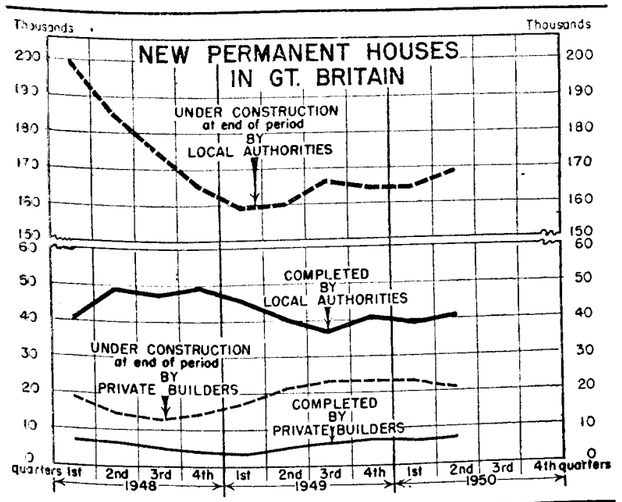
Other features of the Conservative plan include the development of a common export policy for markets outside Europe and the supervision by the authority of a common price policy for coal and steel which will aim at charging the same prices at the pit-head or ex-works to all buyers. Such a price policy, however, should result in a levelling up of wages rather than any lowering of living standards. The Conservative scheme follows the French plan in permitting the authority to impose a levy on industries which benefit from rationalisation in order to assist those who may suffer. It is clear also that the authority would be given some say in matters of production and investment plans.

The Conservatives are undoubtedly sincere in their efforts to find a constructive method of associating Britain with the Schuman plan and they have made a genuine effort to conciliate the different views of the parties within their own country. But it is already plain from the French reaction that this particular effort is not likely to be generally acceptable on the Continent. It offers very few concessions to the French desire for pooling sovereignties, nor does it shed any light on the economic policies that could be pursued by an authority, whatever its powers.

* * *

Houses and Rearmament

The housing returns for the second quarter of 1950* show that for the last eighteen months the output of houses has stabilised at an annual rate of about 200,000, and that the number under construction has risen by only about 6 per cent over the same period. This stability should have removed the obstructions to higher productivity and the speedier completion of houses which resulted from the earlier fluctuations in housing policy, but the signs of improvement in productivity are as yet hard to discern.



While it may seem absurd to go on building new houses when the possibility that they may all be knocked flat again can no longer be excluded, it is obvious that a programme of 200,000 houses a year is about the minimum to which the government will permit the housing programme to fall in conditions short of actual war. The rearmament programme is unlikely seriously to infringe on the raw materials or the labour needed for house building, at least for some time to come. On the other hand, an extensive programme of factory building or conversion, or of defensive works, would undoubtedly compete directly with the more marginal forms of construction, such as schools and offices. Even so, the amount of unused camp and factory space in the country suggests that the dislocation of building for civil purposes would be nothing like as severe as in the early years of the last war.

*Cmd. 7998 and 7999.

The housing returns also give figures of the numbers of houses being built in the new towns. They are not encouraging and underline the concern expressed by the London County Council last week in a report on the movements of population to new and expanded towns. Building sites within the LCC area are nearly exhausted, and it is expected that the natural increase of population, excluding immigration, will by 1962 bring the population of inner London to 340,000 over the desirable figure of 3,160,000. Middlesex is another of the authorities which is overcrowded, and is anxious to disgorge 200,000 persons. The new and expanded towns were intended to take this overspill population, but so far, in all the new towns together, there are only 1,368 houses under construction and a mere 263 completed. At this rate of building the new towns will provide no solution either to the problem of overcrowding or to that of strategic dispersal.

* * *

Chips off the Block

Mr Raymond Blackburn, the Labour member for Northfield, has announced his decision to leave the Labour party and to sit as an Independent, since in his view the gravity of the international situation necessitates a coalition under Mr Churchill. While resignation from one of the two main parties who could form a coalition may seem an odd way of promoting one, it is certain that if any member was likely to adopt this kind of tactics it would be Mr Blackburn, for his political career which began in 1945 has followed a curiously quixotic course. At times it has seemed that only his greater dislike of the Conservatives has restrained him from expressing his contempt for his own party. Whether a coalition is a practicable possibility or not, it is certain that Mr Blackburn's views are not shared by many of his colleagues on the Labour back benches. His resignation will reduce the government's majority over all others from four to three. Although his right to sit in the present Parliament cannot be challenged, it is likely that he will be under the very strongest pressure to present himself for re-election. A by-election in a marginal constituency at this stage would be most interesting in showing whether the government is gaining or losing support as a result of the new defence programme.

There has also been a minor disturbance on the other side of the massive mountain of the Labour party. Mr Ellis Smith and Mr Fenner Brockway, two back benchers of the left, have resigned from an organisation known as the Socialist Fellowship since they felt unable to sign a resolution demanding the end of colonial rule and condemning the action of the United States and Britain in Korea. Mr Ellis Smith was one of the guiding spirits in founding the Fellowship last year, and it showed initially a certain amount of promise, not as an organisation that would either talk sense or influence the mass of the Labour party, but as a forum for idealists in the party. It now appears, like so many other idealist organisations, to have been captured by emissaries from the Communist party, and Mr Smith and Mr Brockway not anxious presumably to go the way of Mr Zilliacus or Mr Solley, have withdrawn just in time.

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Mr Lie Speaks Out

Mr Trygve Lie, who has sometimes in the past tried too hard to appease all comers, has now begun to speak as the Secretary-General of a world organisation should speak:

authoritatively and with decision. He will not hesitate, he said at a press conference this week, to call a special meeting of the Assembly at twenty-four hours' notice should a new emergency or a new aggression occur. He is of opinion that he is in a position to set aside the rule prescribing longer notice. The difference between tackling an emergency in the Assembly and doing so in the Security Council is that whereas in the latter a great power can use the veto to give covert support to an aggressor, in the former all decisions of substance are taken upon a two-thirds majority vote.

The same new note of confidence and determination—determination provoked by Russia, confidence imparted by the backing of the United States—is noteworthy in the presentation of Mr Lie's Annual Report on the work of the United Nations from July 1949 to June 1950. Since the month during which this was printed—July, 1950—was one in which ink, however new and damp, was out of date before it reached the eye, the most interesting part of his report is its covering document, which is dated August 2nd. Here Mr Lie sets out a few basic facts about the state of the world which, although they are obvious, are expressed with a vigour and candour that is rare in international documents. "Collective security as it is envisaged in the Charter," says Mr Lie, "cannot be created until an end is put to the conflicts for power and position resulting from the defeat of Germany and Japan." To restore the task of peacemaking to perspective and effectiveness, a new effort has to be made to get the policy-makers of the Big Five once more to meet round a table and thereafter to meet periodically. Regional alternatives to collective security are at best interim measures. Nevertheless, Mr Lie had been going to add at the Mansion House on July 3rd, and in fact said at Lake Success last Monday, that pending the establishment of collective security under the Charter, "members should look to their own defence and form such bilateral and multilateral associations as would in their opinion strengthen their security."

Unhappily for Mr Lie—and for the world—the issues upon which disagreement between the great powers has so far proved radical make up the entire agenda of any possible Five Power meeting, and to call them the Ten Point Twenty Year Peace Programme does not make them any less intractable. Moreover, as Mr Lie is the first to admit, a settlement in Korea takes precedence over any such programme. For without that, the Security Council has been flouted, and his whole Organisation undone.

Indeed, in the light of Korea, the list of achievements set out in the Secretary-General's report seems very small. Some of them, however, are genuine achievements; others are not. Among the first must be classed the part played by Uno in the creation of the United States of Indonesia, in keeping the Kashmir dispute from flaring into war, in launching a $20 million programme of technical assistance to under-developed areas. Among the latter must be ranked the decision to make Libya independent in two years, the total failure to agree over Eritrea and the drafting of a Covenant of Human Rights which few lawyers think operable. It remains to be seen what the Organisation can do to implement the advisory opinion of the International Court of Justice reaffirming the principle of international responsibility for South West Africa.

In running expenses paid out of members' contributions, the United Nations costs the world under $50 million a year. Total expenses for 1950 were approved at $49,641,773 and for 1951 are estimated at $45,450,800. At this rate, the cost is approximately one-tenth of that paid annually by the United States Government to run the Department of State and its representation abroad. Even though Uno's works have not everywhere captured the public imagination, it must be acknowledged to be worth its weight in dollars. A world-wide forum would be worth preserving even at a higher cost, provided that the price paid were not that of Russian dictation.

Trouble in Denmark

The Social Democrat minority government in Denmark which, under Mr Hedtoft, has held office since November, 1947, resigned on Wednesday morning. New elections will be held on September 5th and meanwhile Mr Hedtoft carries on. His resignation follows the introduction at an emergency session of the Rigsdag of measures designed to deal with two major problems—defence and an unsatisfactory balance of payments. It was the country's economic position which caused the extraordinary session to be called. Denmark has consistently shown a deficiency in its foreign payments. Devaluation has helped little and certainly less than expected. The entry into operation of the European Payments Union at the beginning of August seemed likely to aggravate this state of affairs (which a very high standard of living at home does not help to improve). When, however, parliament met it also had to study Denmark's reply to the American request for information on possible increases in its defence preparations. They involve an additional expenditure of 350 million kroner a year—about 3.6 per cent of the Danish national income. This is not an impressive figure when set against the efforts of other countries and the need for the complete re-equipment of the Danish forces, but extra money has nevertheless to be raised and special defence taxes were therefore proposed. These involve a special tax on incomes over 10,000 kroner (about £500), heavier taxes on petrol, motor cars, tobacco, wines and so forth. Behind the taxes lay the further aim of diverting consumption from goods which involve expenditure of foreign currencies to those which do not.

There was general acceptance of the need for this extra though unwelcome expenditure, but the nature of the government's proposals was not acceptable. As Mr Hedtoft remarked in announcing his government's resignation, it was the form rather than the contents of these new measures which caused the dispute. In general the opposition maintains that the incidence of these new burdens falls unfairly and to some extent favours the Social Democrat supporters. Although the government has resigned there is little doubt that the money for its new proposals will eventually be forthcoming, but it will not be raised in the form originally proposed. The exact form will be decided by the new government which is to be elected in September.

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More Health Service Economies

Further small economies have been made in the health service. In themselves they amount to very little, but they are significant as showing the stricter attitude of the Ministry of Health towards abuses of the service of public and practitioners alike. Hospital staffs have been asked to economise in the use of drugs and dressings and X-rays. General practitioners themselves have now been given guidance through a committee of the Central Health Services Council on what constitutes a toilet preparation rather than a drug and should not therefore be prescribed under the health service.

Another abuse is to be stopped by the introduction of a means test before patients' travelling expenses to hospitals are paid for them. Patients whose condition prevents them from using public transport will still be carried free of charge by ambulance or by the hospital car service if it is authorised by a doctor. Other people have hitherto had their public transport fares—and sometimes even their taxi fares—reimbursed if their journey to hospital exceeded a certain distance or had to be undertaken frequently. From September 1, however, their fares will be paid only if the Assistance Board is satisfied that they would otherwise suffer financial hardship. Taxi fares will no longer be paid.

A more far-reaching attempt to control expenditure on the health service is the introduction from April 1st of this year of a uniform costing system throughout the hospital service. This is not intended to be the advanced costing system that will probably be required eventually if true comparisons of costs between the different departments of hospitals and between similar types of hospital are to be made possible. At present, research into advanced costing is being undertaken in certain hospitals. But additional staff would be needed for such a system to be generally applied, and the Ministry of Health's proposals are in essence an elaboration of the original system of classifying expenditure under various heads of account; notional allowances are, however, to be made to eliminate the distorting influence of out-patients and of vacant beds. These cost statements are to be submitted annually by management committees to their regional boards and a summary is to be submitted by the boards to the Ministry. Apparently, however, the individual statements are not to be published either locally or in a return to Parliament. Yet it would be a most effective stimulus to hospital administrators to keep a close watch on expenditure if they knew that comparisons could be drawn between the costs of their group of hospitals and those of another. Publication of their accounts as soon as they are compiled ought to be encouraged, not suppressed.

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Filipino Troops for Korea

The Republic of the Philippines has now, after some initial hesitation, followed the example of Turkey and Siam by promising a military contingent for service with the United Nations forces in Korea. It would indeed have been remarkable if a country linked to America by special strategic and economic ties were to have stayed out of the conflict after President Truman had coupled his declaration on Korea with an assurance of increased American aid and support for the Philippines. But it was somewhat awkward for the republic to be called on for troops to fight against Communist aggression in Korea, because the Philippine army has for some time had its hands full with fighting against Communist guerrilla revolt at home, and the critical state of the Republic's finances makes the expense of a foreign expedition a serious matter even if American financial aid is to be increased.

The budgetary troubles of the Philippines and their unfavourable balance of trade (which springs from the failure to restore export production since the war) could probably be overcome by American capital investment and by improved administration. In their desire not to encroach on the sovereignty ceded to the republic in 1946, the Americans have been reluctant to apply pressure for a reform of the improvident and extravagant habits of the Philippine Government, but recently they have been more inclined to review Philippine expenditure of dollar aid and an American mission under Mr Daniel Bell is now visiting the islands and studying their economic situation. More intractable is the problem of how to induce a Philippine Government closely connected with a powerful landowning class to adopt measures of agrarian reform sufficient to detach peasant support from the dangerous rebel movement of the Huks. The leader of this revolt, known as the Huk Supremo, is a Communist, and Russian eulogies of his fight against "American imperialism and its puppets" show that high hopes are reposed in him by Moscow. In the mountains and forests of northern Luzon the Huks have so far defied the efforts of Government troops to suppress them, and in the Philippines, as elsewhere in the east, there have been signs of a belief that Russia is invincible and that it is politically wise to reinsure with Russia's *protégés*.

One of the reasons for President Truman's decision to protect Formosa against a Chinese Communist invasion may well have been a warning of the disastrous moral effect which the fall of neighbouring Formosa would have in the Philippines, combined with the fact that geographically it would be a half-way station for supplies from China to the Huks on the mountainous northern and eastern coasts of Luzon. The American naval protection of Formosa will be indirectly of great advantage to the Philippines, but it should be accompanied by firm, friendly advice to the Philippine Government to adopt speedily internal reforms which are long overdue.

* * *

The Churches under Communist Attack

Throughout eastern Europe the Communist attacks on the Christian churches continue to be pressed with unrelenting vigour and to provide convincing evidence of the impossibility of any real compromise between Christianity and Communism. The last representative of the Vatican amongst the Soviet satellites, the Papal Nuncio in Bucharest, was expelled at the beginning of July for alleged espionage. In Czechoslovakia a steady stream of propaganda seeks to divide the parish clergy from the Catholic bishops; and Archbishop Beran remains a prisoner in his palace while rumours of his forthcoming public trial circulate with increasing persistence.

In Hungary negotiations between representatives of the Government and the Catholic Church have been going on intermittently since the end of June. The Government would probably like them to lead to an agreement similar to the one signed by the Polish Government and episcopate last April. This agreement, which was never approved by the Vatican, placed the Catholic Church in Poland completely under the thumb of the Communist state. The Church, for instance, can carry on its charitable activities and religious teaching—but only "within the existing laws." But even after this surrender the Polish bishops have not been left in peace. Their reluctance to sign the Stockholm "peace appeal" unleashed a violent and widespread propaganda attack which finally led them to give way.

But the virulence of a recent press attack on certain of the Hungarian bishops indicates that the Hungarian Government will not get an agreement on the Polish model. It is more probable that a schismatic pro-Communist Catholic organisation will be formed on the lines of the Czech Catholic Action. Last week a conference of Catholic priests and monks (organised, no doubt, to put pressure on the recalcitrant bishops) expressed their ardent desire for a successful conclusion to the present negotiations between the bishops and their government as well as their loyalty to the "people's democratic state" of Hungary.

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It is more than likely that the churches in Soviet Germany will also be subjected to increasing attacks. Ideological reasons apart, the east German Communist leaders are anxious to raise their stock in the Kremlin, which still seems to be uncomfortably low. For months past both Cardinal Preysing, the Roman Catholic bishop of Berlin, and Dr Dibelius, the Evangelical bishop, have made repeated and quite fruitless attempts to stop the constant anti-Christian propaganda, not only in the press but in the schools as well. The refusal of most of the clergy to have anything to do with the Communist-dominated National Front has released a furious flood of disapproval culminating in a violent personal attack on Dr Dibelius by Herr Grotewohl at the recent SED congress. But the Protestant Church has countered this attack by asserting its complete confidence in Dr Dibelius, and both Protestants and Catholics have boldly joined in condemning the attempt—in the words of the Catholic statement—to make them "join committees and campaigns which use the name of peace but serve political purposes."

Spain Still Waits

Last week the United States Senate voted $100 million for military aid to Spain, tying this contribution into the new military aid programme for Europe. Some gesture of this kind has now become an annual affair, and has its origins as much in internal American politics as in any clear desire to help General Franco. As on previous occasions the new aid has been opposed by the State Department; it has got no further than the Senate vote. Questioned on American policy to Spain, Mr Acheson later indicated that "our basic objective with regard to Spain is its inclusion in the West European community, but it seems unlikely that Spain will be accepted by a majority of its neighbours unless and until there is a perceptible evolution towards democracy within Spain."

This wise definition may not preclude the United States from voting for a return of ambassadors to Madrid when the question of Spain again comes up in the United Nations Assembly, as it is expected to do this autumn. In last year's vote, those who wished to restore diplomatic representation to Spain were only just defeated; now they may probably squeeze their resolution through. There is no reason to cavil with this decision if it is reached, since the inconvenience and ineffectiveness of removing the ambassadors has become apparent to all during the last four years.

It should not, however, be assumed that such a step is a prelude to any closer association of Spain with the Atlantic community. It is true that as the issues between Communist imperialism and western civilisation become deeper and clearer, there is everything to be said for bringing the Spanish people back into normal relationship with the western community. But nothing has happened during the past twelve months to diminish the force of the old argument that this cannot be done while General Franco's present regime remains in power. His name, if closely associated with the Atlantic Pact or Marshall aid, would still be a liability. Spanish association with other western powers must cause a dangerous dismay to all those members of the Left in Europe whose contribution to the fight against Communism remains exceedingly valuable. And, if this risk is to be forced on an unwilling Europe for military reasons, fear that the Pyrenees and not the Rhine or Elbe will, after all, be the basic western defence line will undermine the moral effect of the Atlantic Pact.

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"Enemies of the People" in Hungary

No political fallacy of recent times has been harder to eradicate or more disastrous in its consequences than the conviction of so many European socialist and trade-union leaders that it is possible to co-operate politically with Communists in power without total submission to them. In the long list of pro-Communist collaborators since the war, which includes the names of Fierlinger, Grotewohl, Cyrankiewicz, Szakasits and Nenni, there have doubtless been some who were "cryptos," that is to say, persons of genuine Communist conviction who would have openly joined the Communist party, but accepted the orders of the Communist leadership that they should remain in their Socialist party and disrupt it from within. But a much greater number have been men who under the influence of slogans of "working-class unity" or "anti-fascism" have suffered from the delusion that they can form a coalition with Communists and still retain their political independence, as if under parliamentary rule. But in every case where governmental power has been obtained by the Communists, such leaders have in the end either submitted absolutely to Communist dictation or been eliminated from political life, with or without imprisonment in addition.

In Hungary it is now the turn of the trade unions to be subjected to the purgative zeal of the Communists and their henchmen, and there has been a wave of persecution directed against "right-wing Social Democrats and enemies of the people," who are charged with encouraging opposition among the workers to the new production norms decreed by the government with effect from July 31st. The government's aim is to increase production by setting higher norms in industries where workers "through lack of effort" have not achieved what is regarded as satisfactory output. The Hungarian radio explains that the decree is not aimed at lowering wages and that, "if there is a fall in wages, it will be temporary only." It seems, however, that not all Hungarian workers are enthusiastic about this measure, for although the press has declared that "the wish of the workers expressed in thousands of letters and speeches has now been realised," the wicked right-wing Social Democrats are accused of trying to "loosen" the norms by "playing upon the views of the more backward elements in the working class."

In other words, there are still Hungarian workers who cling to the old-fashioned idea that one of the functions of a trade union is to protect its members against wage-cuts and have not yet grasped the principle that under a Communist regime a trade union is primarily an instrument for getting more work for less pay whenever the government requires it. Such a misapprehension of the nature of the workers' state—which the propaganda of the Communists themselves before they obtain power never does anything to remove—obviously cannot be allowed to continue, and "every honest worker" is ordered to stand on guard against "any attempt made by the enemy to prevent the correct working of the new decree." Meanwhile police arrests continue to reduce the number of former Hungarian Socialists who have retained minds and wills of their own.

Science and the Community

The men of science have met this year at Edinburgh under the presidency of Sir David Brewster. He opened the proceedings on Wednesday week by an admirable discourse, which requires only to be read to be generally admired. Our space and our peculiar pursuits forbid us to give even the briefest abstract of its contents, or to take much notice of the proceedings of the Association; but Sir David refers to one subject, which our especial vocation will not allow us to pass by in silence. He proposes to take science into the pay of the State, as is done in France, and so provide by regulations for the advancement of knowledge. . . . On such a question we cannot concede that scientific men are the most impartial or the most correct judges. It is, indeed, generally, if tacitly, assumed that individuals of a particular class or calling—farmers, bankers, shipowners, etc.—because they necessarily know their own business better than other men, know also what legislation is most appropriate for it. The assumption might be correct if the action of the State, when evoked, could be limited to the business to which the law nominally applies. But this is impossible; and the interests of all classes are so linked in one with another that every law, though called a Corn-law, a Bank Regulating Act, or a Factory Act, affects, in some way or another, the whole community. . . . Because laws and regulations affect interests beyond their nominal boundaries, the particular class whose objects they are intended to serve are perhaps the very last class which should be consulted. . . . Agriculturists, in demanding or supporting a corn-law, see only the increased price they anticipate for their produce; and philosophers, in demanding the patronage and protection of the State, think chiefly of the advancement and glory of science, which they presume will be the consequence.

The Economist

August 10, 1850

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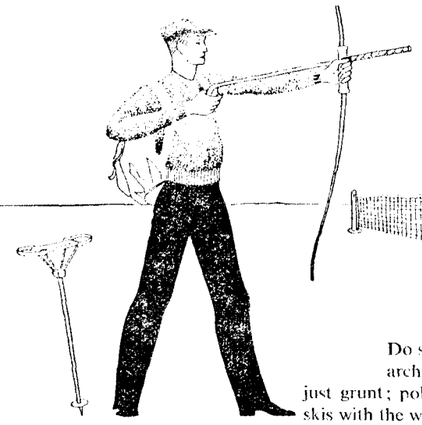
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DO SPORTSMEN TALK T.I.?

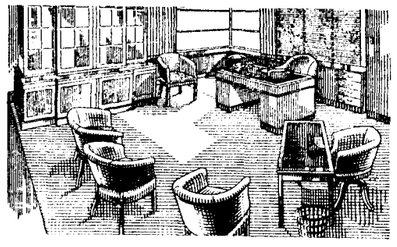
Do sportsmen talk? Fishermen are silent till the King's Arms open; archers and golfers frown at so much as a hiccup; javelin-throwers just grunt; pole-vaulters gasp; motor-racers mutter; and you can't chat on skis with the wind in your teeth. On the other hand, squash and tennis players often keep up a stream of encouraging noises; the brotherhood of the rucksack greet Wordsworth's daffodils; small-boat specialists use terrible nautical words; while shooting-stick sitters are natural natterers.

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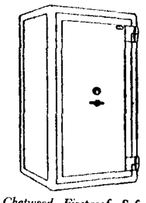
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Letters to the Editor

School Leaving Age

Sir,—In your leading article, The Cost of Defence, of July 29th, you point out that the Government obviously do not believe that any probable increase in productivity can provide the additional needs of defence and you rightly say, "The next question is obviously to ask what, then, should be cut down?" I would reply, the school leaving age. I suggest that to do so would make a large positive and negative contribution to meeting our economic difficulties with a minimum of social inconvenience and perhaps with definite educational benefit.

The easiest way to increase production would be to increase the labour force. But since the British population of working age is stable, any of the needed increases in our armed forces can only mean a reduction in the number of those in industry. Faced at this moment with the need for greatly increased production and a danger of reduced manpower in industry, it would therefore be peculiarly opportune at this moment to double the juvenile recruits to industry. That would be a positive contribution to our economic problem.

At the present time much labour and material is being used to provide the additional school places required to deal with the coming "bulge" in the school population. The wartime and postwar increase in the birthrate reached its peak in 1947 and the fall since then has been so rapid and so steady as to suggest a return to the prewar level or, for reasons I need not elaborate, to one lower still. It is therefore extravagance to provide places which will not be needed after the "bulge" has passed. To reduce the demands made upon the building industry by education would be a valuable negative contribution to our problem.

The desperate efforts now being made to increase the teaching staffs to cope with the "bulge" can only add to the difficulties of the forces and industry in finding the right type of men and women for their key positions. If a return to the old school leaving age were made, any additional recruitment to the teaching profession would enable something to be done to reduce the size of classes.

I fear that the Government will resist this proposal because it might appear to be going back upon a policy already adopted. The argument will also be used that if a reform is once abandoned, it can never be restored. Such an argument is akin to that used when the change was made in 1946: "If you do not do it now, you will never do it." It is obviously not true to say that because a good deed is not done at the wrong time, it will not be done at the right time. We have unfortunately to face new difficulties and some steps must be taken to divert our resources to defence if we are not to suffer the worse evils of inflation. —Yours faithfully, HUGH MOLSON

The House of Commons

Western Policy

Sir,—Without question, the swift and determined intervention of the United States, with the support of the majority of the United Nations, is immensely encouraging, for, without it, all nations would sooner or later come under Communist control. But there is a grave danger that American intervention may play into Soviet hands, partly because the United States has not yet worked out a clear Asian policy, and partly because the leaders of policy and opinion seem to draw too mechanical comparisons between Fascist aggression in prewar Europe and Communist aggression in postwar Asia. To come to the aid of Abyssinia, Spain, or Czechoslovakia would have meant not only a warning to would-be aggressors, but also support for peoples and governments which had overwhelming or substantial popular support. In Europe today, Communism can only succeed by force. The majority of the people, including the organised working class, oppose it because they have much to lose and nothing to gain by it. But in Asia, Communism is still able to enlist the formidable twin forces of nationalism and social discontent. In China, Korea, and Indo-China, the Communists fight with national armies, supported only by Russian weapons, advice, and instructors. But the western powers must largely fight the battle of the governments which they support, and they are compelled to do so under the most unfavourable geographical and strategic conditions. It would be a tragedy if emergency deflected the western democracies from a calm policy, conscious of the limitations of western power, and guided by a clear scale of priorities.

I submit that such a policy must face the abandonment of all those parts and governments of Asia where the western powers would have to bear the whole burden of intervention, and defend governments which would have the double stigma of being identified with foreign intervention and social reaction. Surely the preservation of non-Communist Europe must still be the first priority, and its defence implies that of the oil centres of the Middle East, and of the Mediterranean. Thanks largely to the wisdom of British policy, the western democracies have at this moment still the friendly though hesitant support of the governments of India, Pakistan, and Indonesia (perhaps also of Burma). All of them have gained their freedom by agreement, and represent progressive non-Communist policies. To keep them on the side of the west is vital. They represent at present the other Asia, that part which has reason to believe in emancipation and progress through collaboration with democracies. This collaboration—as the hesitant policy of India already shows—will be greatly endangered if western policy continues to support discredited regimes. —Yours faithfully, W. FRIEDMANN

Carlton, N.3, Victoria, Australia.

Income Tax Reform

Sir,—Nothing ought to be written on the subject of income tax reform without a tribute to the pioneer work of Lady Rhys-Williams, and the author of the article under this title which appeared in your issue of August 5th very properly made reference to her proposals. He might perhaps have gone further and mentioned the report of a committee set up by the Liberal Party which appeared in March of this year and which has the approval of Lady Rhys-Williams.

In this report, entitled "Reform of Income Tax and Social Security Payments," some of the difficulties to which your contributor refers are dealt with, even if they are not solved. Certainly 6s. 8d. is an intimidating rate of tax; but equally it is not easy to see how it can be substantially reduced if the present high level of Government expenditure is to be maintained.

As chairman of the committee which produced the report, I can testify that we attempted almost every conceivable variation between adequate "social security" and the avoidance of an intolerable rate of tax to finance it. We ultimately proposed a flat rate of 5s. on earned income (6s. on unearned) with supplementary taxes on incomes above £600.

Your contributor is of opinion that there is "no straining after pure equity" in Lady Rhys-Williams's scheme, but that it "pursues the other alternative of simplicity." It seems to me that it pursues both aims. Any committee—and the same will be true of the proposed Royal Commission—will be faced with impossible dilemmas: security or incentive; rough justice or equity? Equity (a vague term even in Law) has been long neglected in income tax methods. This fact is one of the first to become glaringly apparent when an attempt is made to "simplify" taxation.

The truth is that the present systems of income tax and social security do not even attempt to secure equity. It is convenient to impose penal taxation on all incomes above the mediocre, but it is not equitable.

There is no end to the difficulties which face the reformer, and among the chief of them is the notion that there is something "natural" about the present formula. A scheme which produces simplicity in collection, abolishes stamped cards and PAYE coding, favours the family man, and still does not depart too strikingly from the accepted formula, is worth attention. Real simplicity and real equity, however, will not come until old notions of "soaking the rich" have been forgotten; and an "incentive" rate of tax will not be achieved while Government demands remain so high and popular thought runs in the channel of "something for nothing."—Yours faithfully,

178, *Cromwell Road.* GUY NAYLOR

Books and Publications

Disarmament Fails

Documents on British Foreign Policy, 1919-1939. Edited by E. L. Woodward and Rohan Butler, assisted by Margaret Lambert. Second Series, Vol. IV, 1932-1933. H.M.S.O. 565 pages. 25s.

This volume, covering the period from June, 1932, to March, 1933, is devoted to the rise of the Nazis to power in Germany and the collapse of the Disarmament Conference into total failure. The third major topic of the time—the development of the Far Eastern crisis—is being reserved for later volumes in the series.

The two chapters on the German domestic crisis contain an almost complete sequence of the telegrams and despatches of the British Ambassador in Berlin, and are therefore a useful record of a rapidly changing situation as it appeared to well-informed observers. But many other informed observers of these events have already given their accounts to the world, and it could not be expected, especially after the Nuremberg Trial, that the material here printed would add anything important to our knowledge of these events. What is more to be regretted is that, on the subject with which this collection of documents should be concerned, on the direct reaction of the British Government to those events, the volume provides no information. Only three telegrams in the two chapters on this subject are not from the British Ambassador; and one of these advises him of the anxiety of British Jews, while the other two are factual reports of interviews with the German Ambassador in London.

This is due partly to the fact that, as in previous volumes, the editors have confined their selection of material to telegrams in and out of the Foreign Office, which must always be largely tactical in importance, and have omitted the Foreign Office minutes and memoranda, in which this sort of reaction would be recorded. But another reason, which would be beyond the editors' control, may be that Government conclusions on such developments are reached belatedly, and that only indirect evidence of the British Government's reaction to the rise of Hitler should therefore be expected within the period with which this volume is concerned.

Of this indirect evidence there is an abundance in the four chapters on the Disarmament Conference. In the persistent efforts of the British Government (ending, with this volume, in MacDonald's personal attempt) to keep Germany at the Conference, to bring her back when she had left, and to avert disaster for the Conference when she had returned, the policy of appeasement was taking shape before that debatable policy had acquired its evil but equally debatable reputation. But if a successful Disarmament Conference was clearly regarded as the only antidote to almost certain dangers from Germany under Hitler, and if the British Government was prepared to make desperate sacrifices to that end, it is impossible to believe that this line was adopted without argument or with complete confidence; and, once again, the volume suffers in that it only shows the attempt to execute a policy after its adoption. No light is thrown on the great and perennial debate that must have taken place behind the scenes, both in the Foreign Office itself and—what should be particularly relevant to disarmament—in the Service Departments.

Perhaps the chief importance of the material which the volume does contain is to show that, though the connection between the emergence of Hitler and the failure of the Disarmament Conference is obvious, and though the editors are right to deal with the two subjects in parallel, the connection was not causal. If Hitler killed the Conference in the event, German policy and the French attitude, even before his rise to power, were such as to ensure that the Conference would be abortive. The Far Eastern situation exerted, in any case, as the editors imply, an influence that would have been equally disastrous if the German problem had not loomed so large. The conclusion cannot be avoided that the Conference failed because its underlying assumptions were unreal and its objectives impossible of achievement. It will always remain a matter of opinion, on the other hand, whether this was due to an inherent fallacy in disarmament as a policy, or to the fact that the Conference was premature, or to the fact that the Conference was held too late.

The Occupation Face of Japan

Kakemono: A Sketch-Book of Post-War Japan. By Honor Tracy. *Methuen.* 205 pages. 12s. 6d.

Miss Honor Tracy is a lady of robust prejudices with a gift for extremely amusing, but biting, satire. She spent eight months in Japan in 1948 as a British newspaper correspondent, and inevitably her reminiscences are as much about the American occupation authorities as about the Japanese. It cannot be said that her account of Americans in Japan is a contribution to Anglo-American understanding; she appears to reciprocate the sentiment of an American correspondent who always opened a conversation with her with the words "The British are no damn good." But fundamentally it is clear that Miss Tracy's antipathy is not for Americans as such, but for a military administration living in luxury among a defeated and impoverished people and complacently trying to "democratise" them by arbitrary dictation in every sphere of their national life. If she had been posted in the British zone of Germany instead of in General MacArthur's Japan, her remarkable talent for making great officials look silly would certainly have been exercised at the expense of her own fellow-countrymen.

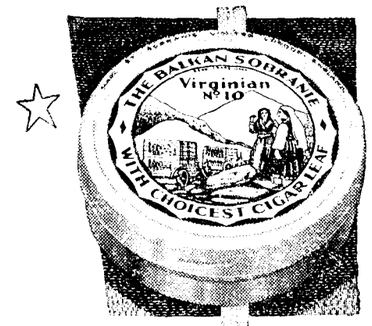
Unlike most observers who argue the question whether General MacArthur has succeeded or failed in his high task of "democratisation," Miss Tracy regards the purpose itself as absurd. As she has had no experience of militarist Japan and knows the Japanese only as rather miserable under-dogs, she is inclined to underestimate the extent of the evil which it was the original intention of Allied policy to purge. But she is keenly aware of the contradiction involved in the project of imposing democracy on a nation by decrees of a foreign conqueror, and she vividly reveals the absurdities which arise when a national press is ordered to criticise everything freely and then curbed with a drastic censorship as soon as it attempts to exercise its freedom. The Japanese "occupation face" is one of unfailing politeness and flattery, but Miss Tracy's experience led her to the conclusion that the conquered people is not so fascinated by the virtues of western civilisation as it pretends to be. The Americans, she writes, "complain that they never know what is passing in the minds of 'these people,' but 'these people' know exactly what is passing in *their* minds and play up to it in a way that it is a real privilege to watch."

Commonsense Illuminated

Economics of Everyday Life. By Gertrude Williams. *Penguin Books.* 243 pages. 1s. 6d.

This is a book for the armchair, not for the bedside or for the desk, but for somewhere between the two. The author sets out to tell the ordinary intelligent reader who knows nothing about economics "something of the economic issues which lie behind the political problems of the day," and to tell him in the language of every day. It is a measure of her success that she makes the whole subject sound like very little more than applied commonsense, but commonsense applied to familiar situations in a way that picks out a consistent pattern and shows the reader that the "economic aspect" is nothing more abstruse than a methodical selection from facts which, in a muddle-headed way, he knows already.

Each chapter is complete in itself; even "Imports and Exports" or "Price Economy and Planned Economy" have not been burked, but treated on the same basis of simple description as the more straightforward topics like "What is Money?" or the "Structure of Industry." In each case the same care has been taken to point out where the purely economic issues give place to social or political differences of opinion. "This is the choice," each chapter says in effect, "and economics alone cannot



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Scandinavia

The Democratic Monarchies of Scandinavia. By Ben A. Arneson. *London, Macmillan; New York, Van Nostrand* 294 pages. 22s. 6d. or $3.00.

Addressed primarily to the student of political science, this book, which is one of a series on the governments of Europe, is also very useful for the general reader. For him it will be more a work of reference than of study; and it is surprising that the first edition of the book, brought out in 1939, is so little known. The decade that has supervened has, however, done little to alter the structure of government in the three countries examined—Norway, Sweden and Denmark.

After two succinct introductory chapters on "Land and People" and "Political History," Mr Arneson gets down in a very workmanlike way to describing the parties and elections, the "policy making process," the instrumentalities of administration, the administration of justice, local government, labour relations and social relations. Within these limits it is valuable and unusually informative.

The book's main claim to distinction, however, in its rather specialised field, is its comprehensiveness. It does not, it is true, go very deep or attempt to interpret the facts it records, but it misses little. There are, however, traces of too hasty revision. On page 73, for instance, reference is made to "the present coalition between the Agrarians and the Social Democrats in Sweden"—a statement which, though true in 1938 when the first edition was in preparation, would now indeed be news to the worthy leaders of both these parties who, in 1948, could not agree to join forces again.

The Withdrawn Community

Brotherwoods Utopias; the Sectarian and Owenite Phases of Communitarian Socialism in America: 1663-1829. By Arthur Eugene Bestor, Jr. *Pennsylvania University Press; London, Geoffrey Cumberlege.* 288 pages. $3.50 or 28s.

One of the most persistent ideas attracting zealots to the hinterland of America was that of the "withdrawn community," dedicated to special principles of living. From the Puritan communities until the industrial revolution put an end to the economic possibilities of such a life, "communitarian" experiments were a characteristic feature of American society. Beginning with religious sects the tradition broadened until, with Owen and Fourier, it became largely secular in outlook, concerned to demonstrate through a select example the possibility of a radical reformation of the humdrum world on the principle of co-operative effort.

A new study of these communities has long been needed, and Professor Bestor has done his job with thorough research, real insight and humour. He traces clearly the essential connection between the various manifestations of the communitarian idea, whether religious, as with the Shakers and the Rappites, or secular, as with the Owenites, the Fourierist Phalanxes and Brook Farm. All shared a common impulse as seekers after a true community experience as an antidote both to the atomistic individualism of the young America and to the economic pressures of industrialised Britain. He underlines the importance of European ideas in stimulating these experiments and rightly attributes to Robert Owen the greatest influence in communitarian experiments before 1840. Much of the book is concerned with Owenism and his New Harmony venture. There is a penetrating study of Owen's ideas which corrects convincingly certain misconceptions concerning the nature of Owen's social theory.

By this view, Owen, in his American experiment, was not concerned so much with the economics of socialism as with establishing a co-operative society based upon a controlled environment and a rational education. Indeed, the tragi-comedy of New Harmony's collapse may be ascribed to the cloudiness of Owen's social philosophy and his complete failure to address himself to the economic management of what might, with his capital and managerial skill, have become, like the Shaker villages, a thriving co-operative economy. The author stresses the absence of any dominating strain of real "communism" in any of the experiments; and it is for this reason that he chooses the rather ungainly term of "communitarian" to describe the movement.

Pioneer Thought in Turkey

Foundations of Turkish Nationalism. By Urid Heyd, Ph.D. *Luzac & Co. and the Harvill Press.* 174 pages. 12s. 6d.

Far too little is known, in western Europe and America, of the nature of the Turkish revolution and of the modern Turkish way of life. The average library shelf contains only a few over-dramatised lives of Mustapha Kemal Atatürk. Kemal was unique as a driving force, but not as a thinker. It was Ziya Gökalp, a self-taught philosopher and sociologist from eastern Anatolia, who was the chief writer of the Young Turk Movement, and—in the years just before he died in 1924—an important influence upon the Kemalist revolution. This book, which is subtitled "The Life and Teachings of Ziya Gökalp," should have paid him the compliment of bearing his name on its cover. For his influence on Turkish thought was great; it was even astonishing when viewed in relation to his upbringing. First through poverty, and then through the handling meted out to young freethinkers during the reign of Sultan Abdul Hamid, he was denied a university education. He spent years in exile in his home town. He had no access to books. Scarcely ever could he brush up against a mind of his own calibre.

Although he had no chance to visit Europe, he was much influenced by French thinkers—notably Durkheim and Comte—but could read them only in translation. Yet here was the mind that first applied western sociology to Turkish conditions, and that suggested many of the changes that create the shape of Turkey today. Dr Heyd, who originally wrote this study in Hebrew as a thesis for the University at Jerusalem, has done both the English speaking world and Turkey a service by reproducing it in English.

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AMERICAN SURVEY

Doctors with Nasty Medicine

(From a Washington Correspondent)

PERFORMANCES for which no applause was expected or given have now been concluded on each side of the Atlantic. President Truman and Mr Attlee have explained to their respective audiences why it is going to be necessary to spend a lot more government money precisely at the time when the case for spending a good deal less had been elaborately and convincingly demonstrated.

Whether two months ago Mr Attlee or Mr Truman was under the greater popular pressure to economise may be a matter for argument. Taxpaying Britons could not have required much further evidence to persuade them that they would be better off if the government could be made to cost less. But in Washington the general subject of federal economies had a powerful appeal too. Senator Byrd, proclaiming with holy zeal that deficit spending in time of prosperity was a sin against the light, stirred an uneasiness in many a Puritan American soul. Living within your means, paying your debts, putting a little by for hard times—these were precepts older and easier to understand than were those of the ever-expanding economy, as set forth by the President and his economic experts. For the present at least this mental conflict has been by-passed in America. Deficit spending at a time which everyone can recognise to be an emergency is a different kettle of fish. The moral reservations disappear, and all that is needful is to prove that the money is being spent with the right objectives and in the right way.

Both the President and the Prime Minister have been provided with a case prefabricated by events that have left little room for controversy. In the United States, as in Britain, the public desire to get going—and fast—was at least as evident as the government's. All the same, the two doctors were expected to go through the joyless job of placing on the record the reasons why so much nasty medicine will have to be taken.

★

"The fire that has been started in distant Korea may burn down your house," Mr Attlee said to his British audience. Mr Truman, who is counted a more colourful personality and might have been expected to appeal with more eloquence and fire, has pitched his oratory on the whole in a low key, giving much attention to formal detail.

On the other hand, Mr Truman has contrived to sound more optimistic than Mr Attlee. In his recent Sunday night broadcast, the Prime Minister sadly observed that "it was our hope to build up the strength of the United Nations so as to remove the fear of war from all peoples." There was almost an invitation to brood upon the melancholy record of Russian obstruction and upon the "shadow of fear" which has been cast over the non-Communist world. But in Mr Truman's utterances the United Nations emerges not as the graveyard of hopes, but as something revitalised by the new happenings. He told the Congress that

> if this challenge had not been met squarely the effectiveness of the United Nations would have been all but ended, and the hope of mankind that the United Nations would develop into an instrument of world order would have been shattered.

That calamity did not occur. On the contrary, "vigorous and unhesitating actions" were taken by the United Nations and the United States, and there was "an overwhelming response" throughout the free world. In consequence, "where there had been dismay there is hope; where there had been anxiety there is firm determination."

Mr Attlee's address may well have left the impression that disappointment has numbed the hopes of the British in the United Nations, and that the new sacrifices they are accepting are primarily induced by the belief that their own house is in danger. And that might be an accurate summary of the British mood. It would not be as accurate a summary of the American mood. The American house is perceived to be in danger too, and it could no doubt be shown that the American concern for the United Nations is based upon a calculation that it would best assure peace and prosperity for the United States. But the Americans have also come genuinely to hold the conviction that they will be unable to consolidate peace and prosperity for themselves until a peaceful and prosperous world has been created. There was nothing phony in Mr Truman's emphasis. This *is* what a very high proportion of the Americans consider themselves to be fighting and spending for, and what they have by no means given up hope of getting.

If Mr Attlee, formerly of Haileybury and University College, Oxford, had said to a British audience: "My one ambition has been to obtain world peace—a peace that will help us all, a peace that will make all the peoples of the world happy," it might have sounded both naïve and egocentric. To an American audience (in Idaho, during the President's cross-country tour last spring) it sounded fine from Mr Truman, formerly of the Independence, Missouri, grade school and high school. But that is largely because the Americans and the British assign different priorities to the qualities they expect to find in their top men.

★

It is true that both Mr Attlee, the believer in socialism, and Mr Truman, the believer in capitalism, hold their jobs mainly because they are good politicians who are recognised to be pursuing the honest aim of improving the lot of the people at large. The President has powers which far exceed those of the Prime Minister, but far more in the way of profundity, dignity and public restraint is expected by the British of Mr Attlee than is expected by the Americans of Mr Truman. It is one of the important ironies that, ever since the makers of the Constitution equipped the American President with powers which set him apart from all others in the land, the American people have demanded that their President should exhibit the character of a plain Joe with as few as possible of either the airs or graces of leadership.

The view of President Truman, his qualities and his decisions, which is taken in Washington is often materially

different from that taken by the people of the towns far away across America. There is little knowledge and less curiosity in the distant places about the day-to-day details of Mr Truman's performance which so excite the capital city. They are much more concerned about the man and his character, as revealed by what are considered to be significant acts. But the distant places and the District of Columbia often have conspicuously different ideas on what are significant acts. Moreover, the distant places sometimes put wholly different interpretations on what the President does, finding good in what Washington considers to be bad, and bad in what Washington considers to be good.

One of the contemporary subjects of such schizophrenic judgment is Mr Truman's policy of awarding posts in his Cabinet or in the foreign service or in vital executive agencies to old friends of his and, having done so, of refusing to dislodge them in the face of almost any sort or degree of criticism. "Government by crony" it is called in Washington, and bitter things are sometimes said about the dead hand of mediocrity. But in the distant places, where character counts for more than efficiency, the known fact that Mr Truman rewards and stands by the friends he can trust is worth a carload of votes.

Mr Truman himself was raised and politically educated in one of the distant places, and he makes few mistakes on this plane. For it is important all the time that he should measure up to the standards of the distant places; and it is never more important—for him, for the United States, and so for its allies and the free United Nations—than at a time when there is nasty medicine to be administered. The roots of Mr Attlee's strength are fed by his restraint and dignity. But in the distant places where Mr Truman's strength abides there is more nourishment in simplicity.

American Notes

Clear and Present Danger

President Truman's message to Congress on the steps needed to preserve America's basic liberties and to protect its internal security was more a warning to Congress that it was endangering the liberties than it was a request for additional powers to safeguard the security. That it is more difficult to do the latter now than in previous times of international tension has been impressed upon the country by the arrests made as the American ramifications of the Fuchs case have been tracked down, by the trials of Communists, and by Congressional inquiries into alleged Communist influences in the Government. Subversive agents today are not aliens, but Americans who put loyalty to their party before allegiance to their country. But last week Judge Learned Hand ably documented the President's belief that even this unfamiliar peril can be met without resort to police state methods and without abrogating the Bill of Rights.

The occasion was the unanimous refusal of a Court of Appeals to reverse the conviction, in New York last October, of the leaders of the American Communist Party for conspiring to advocate the overthrow of the US Government; they can still apply for leave to appeal to the Supreme Court. Judge Hand translated into present day terms Mr Justice Holmes's famous decision that the constitutional guarantee of free speech applies unless the words used form a clear and present danger that Congress has a duty to prevent. In view of the evidence given at the trial and of that supplied by recent international events, Judge Hand held that the probable danger of the Communist conspiracy was as clear and present as it could be, "unless we must wait till the actual eve of hostilities" before dealing with it.

There were other demonstrations last week of the adequacy of the present safeguards against subversion—and of the danger of hysteria. In San Francisco, Mr Harry Bridges, on bail pending his appeal against his conviction for perjuring himself by denying that he was a Communist, was sent to prison for menacing the security of the United States by speeches opposing the Korean war. What is perhaps even more significant is that, partly as a result of Mr Bridges's speeches, several of the branches of his Longshoremen's Union are turning away from the leadership of the union, which has long been regarded as a Communist stronghold. Some of these branches have even joined with other maritime unions and the shipping employers in a plan to keep known Communists off American ships. But a less satisfactory type of voluntary co-operation against Communism has been tried in Birmingham, Alabama, and McKeesport, Pennsylvania, cities where attempts are being made to expel all Communists.

*

This is pure witch-hunting and there are elements of witch-hunting, too, in various Bills now before Congress. Until the President's warning was received, the Senate was for the first time thinking of approving the Mundt-Nixon Bill, which had been before it for many months. It is widely believed that this "Communist control" Bill would not even be able to excuse its attack on civil liberty by its effectiveness. Another Bill, passed by the House and nearly as dangerous, would empower heads of government agencies to dismiss employees considered to be bad security risks because of personal weaknesses, without even the right of appeal allowed in loyalty cases. The President, however, recognised that there was at least something to be said for the House's attempt to deal with deportable aliens whose native countries will not accept them; he recommended a less objectionable version of this Bill. Congress has been so busy concocting its own remedies for the Communist menace that it has not found time to consider certain improvements in the existing espionage laws, which the Administration first asked for at the beginning of 1949. Mr Truman has now asked for them again, for he still believes that they are all that is really necessary to counter the present danger.

* * *

Defence Keeps on Growing

With the President's latest request for an additional appropriation of $1,156,000,000, the amount to be spent on defence purposes in the current fiscal year, without including foreign military aid, has almost doubled in six weeks; it now amounts to $26,722,000,000, nearly two-thirds of the total allowed for all purposes in the original budget for this year. The Senate, using a technique slightly different from that of the House but with much the same effect, has cut an indiscriminate ten per cent from all domestic appropriations, and also from those for Point Four, but not from Marshall Plan funds. Even so, it has only pruned half a billion dollars from its all-embracing Appropriation Bill.

The latest billion for defence is to be spent chiefly on naval aircraft, a tribute to their proven value in the Korean campaign and a consolation prize to the Navy for the Air Force's success in reaching the 70 group star to which it long ago hitched its wagon. Admittedly, it will take the Air Force over two years to achieve its ambition and then it will have only 69 groups officially—but groups are larger today than they were when the star first rose in 1947.

The Army's goal, less spectacular but more urgent in view of the shortage of men for Korea, is to bring its existing ten divisions up to full strength and to add four more. The first is being done by calling up units of the Organised Reserve and about 60,000 individual reservists and by increasing the number of conscripts to 100,000 by the end of October. The second has meant that four divisions and two combat teams of the National Guard, totalling about 43,000 men, have been summoned to active duty. The Guard is organised by States and a partial mobilisation of this kind inevitably bears unfairly on certain sections of the country, a matter about which Congressmen are sure to hear from home. The divisions now called come from New England, Pennsylvania, Oklahoma and California, four well-separated parts of the country. The whole Marine Reserve, of 124,000 men and 2,000 women, is being mobilised. The Navy and the Air Force have so far only called up selected reserve units and individuals. Reservists and Guardsmen are not regarded as civilians and the services are not expected to look very favourably on requests for deferment; lists of essential activities and critical occupations have, however, been issued for guidance.

The way in which the defence programme keeps on growing strengthens the case for giving the President powers to control wages, prices and consumer goods. The most telling argument for this has always been that he would need such powers far sooner than he realised. On the other hand, Congressional wrangling over the form the powers should take has also justified the President's reluctance to ask for them, explained by his fear that such a request would delay the more urgently needed controls over industrial materials and credit. Delay inevitably weakens the effectiveness of such limited checks on inflation, and delay there has been. The House of Representatives, determined to give the President the powers he did not want, got into such confusion over the whole question last week that it went back to the beginning and started work on the Bill all over again. Meanwhile prices have continued to rise. As a result Mr Truman will now probably be glad to have the discretionary authority to set ceilings on prices and wages, which the House has finally given him and which the Senate is also likely to approve.

* * *

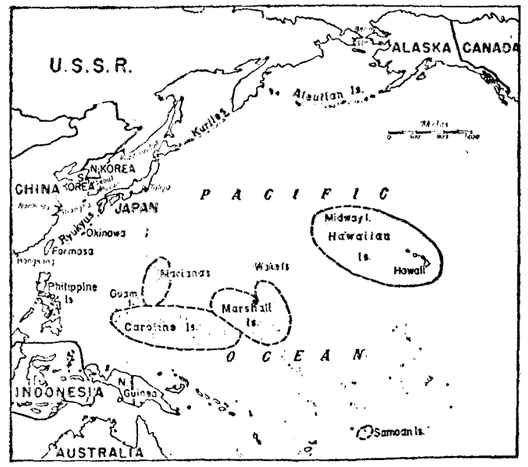
Pacific Wards

The transfer of the island of Guam, in the western Pacific, from naval to civilian rule was postponed for a month, until August 1st, because of the Korean invasion. The 58,754 inhabitants therefore had to forgo the celebrations planned for July 21st, the anniversary of the island's liberation from the Japanese and the day by which they had also hoped to be liberated from the Navy and to be enjoying a considerable degree of self-government, under the civilian governor appointed last year. The postponement has, however, given the US Congress time to pass an Act giving the Guamanians full American citizenship, a bill of rights and a Congress with power to legislate on domestic affairs. No one appears even to envisage the possibility of future statehood for the island.

Guam has been run by the Navy for 52 years and is politically the most backward of the territories seized from Spain in 1898. The Philippines have achieved independence; recently Puerto Rico, in the less stormy Atlantic, was given the privilege of writing its own constitution, assuming that it provides for a republican form of government, and the right to elect all its own officials. An organic Act, similar to that granted Puerto Rico in 1917, and repealed, in part, by the new Act, was promised to Guam at the time of its annexation. It is hoped that the Department of the Interior, with only civilian responsibilities, and without the Navy's custom of shifting its men every eighteen months, will be able to provide more continuity of policy for Guam and cheaper and more democratic government.

The only outright American possession in the western Pacific today, Guam lies in the midst of the 96 island groups of the Mariana, Caroline, and Marshall Islands over which the United States exercises a strategic trusteeship from the United Nations. This special arrangement with the Security Council permits the islands, formerly fortified by Japan when it was the mandatory power, to be fortified by the United States and to be closed to inspection. In fact, only Eniwetok has been closed, at the time of the atom bomb trials, and a UN mission is just completing a tour of the strategic trusteeships in the western Pacific.

A report on the stewardship of the Navy presented to the United Nations in February showed that about $7,000,000 a year is being spent on the islands, though only $1,400,000 of this is direct aid to the islanders. Great progress is being made in eradicating disease, somewhat less in spreading self-government. The chief criticism of other colonial powers, however, was that the United States was overdoing its good



works and pampering its wards, thus postponing the day when they might, despite their slender resources, be expected to stand on their own feet. On the political side, it is hoped that the transfer of both American Samoa and the trustee islands to civilian rule may be completed by the middle of 1951 and that larger grants of self-government will then be possible.

* * *

Putting the Stockpile First

The Munitions Board prepared its semi-annual progress report on the stockpile of strategic materials before the Korean outbreak, but even so it said that the rate of procurement should be accelerated or completion of an adequate stockpile would be dangerously deferred, until 1956 at least. President Truman has now asked Congress for an additional appropriation of $600 million for the current year, which nearly doubles his original request for this purpose. The value of materials in, or on order for, the stockpile at the end of June was $2,051 million, just over half the present estimated cost of the completed stockpile. The increase from last year's estimated total of $3,400 million is explained by a recent review and consolidation of stockpile objectives. As a result four materials—pepper, rutile, baddeleyite and zircon—have been taken off the list and reserves of another eighteen, including antimony, chromite, lead, mica and quinine, are regarded as adequate or nearly so, for the moment at least.

But the stockpile is far from adequately supplied with such important and expensive items as rubber and tin, copper and zinc. This unsatisfactory situation is partly due to last year's delays in making appropriations, not likely to be repeated this year. More recently industrial demand has been so high that little has been left over for the stockpile, and the Board has been accused of driving up prices by badly-timed purchases. But early in June its chairman pointed out that the national security was more important than market fluctuations and that the needs of the stockpile must come first. If that was so then, it is even more so now. But once the new armament contracts are placed, buyers for the stockpile will be competing not with civilian demand but with military requirements. Then there may well be conflict between the immediate and the long-term safety of

the nation and the time for putting the stockpile first may have passed almost before it has begun.

The ideal solution, of course, is to increase supplies until there is enough for everyone, including civilians, and a certain amount is being done in this way. The Senate is reluctantly preparing to lift the duty on copper reimposed at the beginning of July. Marshall Plan dollars and counterpart funds are already being used both for the purchase of strategic materials and for the development of fresh sources of supply. The new Defence Production Bill permits government loans to producers of scarce materials so that they can expand their output ; it remains to be seen whether this will lay the ghost of the wartime subsidies to marginal mines which has been haunting Congress for many months. The search for satisfactory methods of using the low-grade American manganese has become most urgent now that Russia refuses to export manganese ; the various government research bodies have been giving much attention to this and similar problems and also to experiments with domestic substitutes for strategic materials. Synthetic rubber is the classic success story in the latter field; most of the stand-by capacity has been opened up as an answer to the Korean emergency. If enough benzine is to be found, synthetic rubber output will be running at an annual rate of 675,000 tons by December and more of the imported natural rubber will be going into the stockpile.

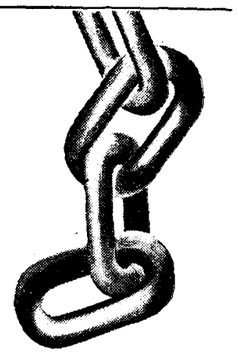
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Fair Weather at Chicago

The honour of holding the first international trade fair in the United States has been won—or perhaps bought, since it is financed by local business men, not by the government—by Chicago, a traditional setting for exhibitions and conventions. Although a more temperate month than August might have been chosen, there are many reasons why Chicago seems an especially suitable setting for this practical application of the slogan of this year's American World Trade Week—"Buy an Import." The main purpose of the fair is to show Americans how profitable it can be for them as individuals to fill the dollar gap with purchases of foreign goods. That the fair is being held in the supposedly nationalist heart of the isolationist Middle West should demonstrate to doubting Europeans that Americans are ready to practise their new-found faith in the value of a two-way exchange of goods. That it is being held in the commercial heart of the rich farm belt should encourage cautious Europeans to venture into the market that they have been so inclined to neglect for the better-known but better-exploited east coast.

The fair is intended to bring foreign goods to American buyers who hitherto had to go to fairs abroad to find them. For this reason the space allotted to American firms has been limited to one-third of that available. The Economic Co-operation Administration has naturally been grooming its charges for the show ring and the recipients of Marshall aid are doing it credit by putting up a high proportion of the exhibits. There are no exhibitors from behind the iron curtain, but two from its fringe, Finland and Jugoslavia ; the Czech reservation was cancelled by the fair authorities after the closing of the Czech consulates last May. Of the 40 countries represented, France has the biggest display, with the United Kingdom second, despite a slow start, and Western Germany third ; all three ex-enemy countries are taking part.

The Korean war caused a rise in the barometer of anticipated orders at the fair, since American buyers, foreseeing shortages at home, are attaching increased importance to supplies from abroad. The possibilities of importing steel and steel products are said to be arousing special interest, often damped by the high prices being asked. Foreign manufacturers will be in no hurry to adapt themselves to a spell of fair weather in America which looks very temporary, especially when they expect the clouds of the dollar shortage to be dissipated by expanded defence programmes. They would be more inclined to take advantage of the Chicago sunshine if Congress showed any sign of improving the foreign trade climate permanently by acting on the pending Bill for simplifying customs procedures.



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Shorter Notes

The two chief rivals in the American trade union movement, the American Federation of Labour and the Congress of Industrial Organisations, have formed a permanent Unity Committee and seem at last to be ready to make a serious approach to reunion. As a first step, they have agreed to work together at the national as well as the local level on political problems ; the next and more difficult step will be to find some method of dealing with jurisdictional disputes between individual unions.

*

The defence programme has done what the Reconstruction Finance Corporation could not do and reopened the famous Waltham Watch Company, in Massachusetts. An Air Force order for 2,700 clocks for aircraft has given the company's trustees and the RFC representatives something more important to do than argue over the disposal of the company's assets, as they have been doing since the plant shut down six months ago.

*

Even before the Korean crisis encouraged hoarding, sugar consumption was running ahead of the advance estimate on which sugar imports are based. Now this year's import quota has been raised by 350,000 short tons, and the government has arranged to buy all the Cuban reserve. This should provide enough for the sweetest tooth and check the panic buying that has cleared retailers' shelves. Average individual consumption of sugar, 90.4 pounds last year, has never climbed back to prewar levels, but nevertheless the present estimate of consumption for 1950 is 7,850,000 tons.

THE WORLD OVERSEAS

War Boom in Japan

(From Our Tokyo Correspondent)

AFTER the first initial shock, Japan is bearing the burden of the Korean war with fortitude and expectancy—sustained and consoled by increased production, rising prices, shrinking stockpiles, greater domestic autonomy and the hope of generous peace treaty concessions to come. There is a buoyant atmosphere in the Diet ; the Prime Minister, Mr Yoshida, looking like an Oriental Mr Pickwick, righteously rebuked militaristic questions about possible Japanese participation or even a specific proposal for Japanese volunteers to fight the Communists, and Ministers generally do not attempt to conceal their satisfaction over the benefits which they believe the war will thrust upon Japan. With the one doubt of possible American non-intervention removed, the Government, sceptical of any early development of the Korean fighting into a world war, are smugly anticipating bigger and better peace treaty rewards from the United States and Britain for continued Japanese democratic loyalty.

Mr Yoshida was privately astonished at the lack of any adverse world reaction—even in Australia—to General MacArthur's sudden order to him to enlist a reserve police force of 75,000 men, which, bland denials notwithstanding, may be the nucleus of the new Japanese standing army. But for the encompassing shadow of the Korean crisis, a storm of denunciation would have followed General MacArthur's order. Today no one appears even to be paying attention to open disclosures that the police force will be led by former Japanese army officers and that such essential prerequisites for normal police work and traffic control as light armoured cars, grenades, aircraft, machine-guns and light mortars are being confidently requested by the Japanese for the new police. For 18 months the Japanese Government, while secretly but vainly pressing for this police increase, had denied strongly and repeatedly that they were seeking any such increase. Yet within two days of General MacArthur's surprise yielding—influenced, of course, by the transfer of United States Occupation forces to Korea—a complete and detailed plan for the organisation and set-up of the new police force was operating, based on the Army's prewar district scheme for the military defence of Japan.

More Dollar Funds Expected

On the economic side, by coincidence, the long-awaited removal of the restriction on the number of Japanese cotton spindles to four million (compared with more than 12 million before the war) was anounced in the first week of the war. This wide-open concession, when even the most optimistic Osaka textile industrialist had expected permission only to operate six or eight million spindles, also passed comparatively unnoticed in the confusion of continuing American withdrawal to stronger positions south of the 38th parallel.

The Stock Exchange has reflected the general financial opinion that American intervention in Korea and participation in the affairs of all non-Communist areas in Asia would mean more dollar funds for the revival of Japanese industry and more orders for Japanese factories. The volume of turnover of shares in both Tokyo and Osaka in the first week of the war set soaring post-war records—3,275,000 a day in Tokyo ; 2,160,000 in Osaka. For the western observer, there was pensive interest in the anticipatory rush for shares in old companies which had been engaged in war production in the past but which are now allegedly broken down into deconcentrated units concentrating only on harmless peacetime production. Long range forecasting by the Japanese Ministry of International Trade and Industry visualised increased demand for heavy materials and supplies for the United States bases in Japan and increased credits for manufactured exports to South-east Asian countries which may later be menaced by the Communists.

Already United States prices are rising for Japanese stockpiles of non-ferrous metals which could not be sold profitably before because of inefficient Japanese production methods and high costs. Tin prices have jumped 30,000 yen to 570,000 yen a ton, and copper and zinc by 5,000 yen to 165,000 yen and 125,000 yen, respectively.

Automobile manufacturers and general construction concerns have also returned eagerly to overtime conditions, if not so eagerly to democratic scales of overtime wages. The Japanese also have high hopes of speeding up the resurgence of the shipbuilding industry and of steadily returning Japanese shipping to the world's trade routes. Already most of Japan's idle shipping has been pressed into wartime convoy service for the United Nations at freightage charges twenty per cent above normal fees, while most dockyards are back to a 12-hour-day seven days a week.

"Japan For The Japanese"

Nor have the Japanese been slow to use the Korean crisis as an opportunity to redouble their efforts for wresting local autonomy from the occupation. The Americans, they argue with democratic bows of unselfish co-operation, should not be tied down by red-tape occupation supervision and routine in democratised Japan when they are faced with a life-and-death challenge on the Asiatic mainland. They should now restore greater flexibility and sturdy American-like independence to Japanese factories (that is, they should relax supervision over Japanese working hours, wages and minimum living standards). They should now place the control and operation of occupation land reform laws in the experienced hands of the Japanese landlords. They should instal as many Japanese members as American members on all occupation boards and committees charged with occupation duties and occupation control (that is, they should officially wind up the occupation).

Supporting this "Japan for the Japanese" campaign, the *Oriental Economist,* an influential and conservative Tokyo periodical, has denounced "undue Japanese submissiveness" to the occupation authorities and has demanded that the government should "resolutely embark upon the necessary steps to restore autonomy in Japanese affairs to the ultimate benefit of the Americans as well as the Japanese." On the human side, there is no doubt that the Japanese people, like most people, do not want war or any part of war. But the government would like a Japanese army again, and knows that many occupation military advisers privately endorse the vigorous public pleas by General Robert Eichelberger,

General MacArthur's former deputy, now in the United States, for the creation of a new, lightly armed Japanese defence force. Minority but influential pressure is increasing for the swift mobilisation of five Japanese divisions for the Korean fighting. And only a brave or foolish man would deny that the new-style, democratised, faintly Anglican, vaguely royal Hirohito could summon a holy crusade against the red devils at the drop of an imperial rescript.

The Soviet Budget Estimates for 1950

[BY A CORRESPONDENT]

THE dearth of Soviet statistical data makes the study of the Soviet budget an interesting though not wholly satisfying task. Once a year the Soviet Government reveals in figures its past and future economic policy, but, true to its methods, this picture is far from complete and lucid. This year's report of the Finance Minister, A. G. Zverev (*Pravda*, June 14, 1950), is no exception to the rule that Soviet budget figures conceal as much as they reveal. Yet much can be deduced by studying the items mentioned and those omitted.

The budget for 1949, endorsed by the June session of the recently elected Supreme Soviet, and the estimates for 1950 present the following picture:

	1949		1950	
	Million Roubles	Percentage of Total	Million Roubles	Percentage of Total
Income :—				
Turnover tax	?	ca.66·0	239,000	55·2
Profit tax	?		40,000	9·2
Direct taxes	36,400	8·3	36,400	8·4
State loans	22,900	5·2	31,800	7·4
Other revenue	?	20·5	85,800	19·8
TOTAL	437,000	100·0	433,100	100·0

	1949		1950	
	Million Roubles	Percentage of Total	Million Roubles	Percentage of Total
Expenditure :—				
Grants to National Economy	161,900	39·0	164,400	38·4
Social and cultural services	116,000	28·1	120,700	28·2
Defence	79,200	19·2	79,400	18·6
Administration	13,500	3·3	13,900	3·3
Unspecified	41,700	10·4	49,500	11·5
TOTAL	412,300	100·0	427,900	100·0

(11.20 roubles=£1)

The incompleteness of these figures is striking, although it is not a new feature of Soviet budgets. The 1948 budget left undesignated about the same proportion of the total. In the 1950 estimates, the sources of nearly 20 per cent of the revenue is unexplained. There can be no doubt that much of it comes from reparation payments, profits from Soviet-owned and mixed companies in eastern Germany and the satellite states, and foreign trade profits, none of which are so much as mentioned in Mr Zverev's speech. On the expenditure side, 49,500 million roubles (11.5 per cent of the total) are undesignated. Even allowing for 3,500 million roubles as interest on state loans, (which does not seem to be included in any of the items mentioned in the budget), there still remains an undisclosed expenditure of 46,000 million roubles. Mr Zverev made no attempt to explain why the actual budget figures for 1949 were lower than estimated, the revenue by 8,200 million roubles and expenditure by 3,000 million roubles. Neither did he explain why grants to the national economy in 1949 exceeded the estimate by 9,400 million roubles.

The actual expenditure on social and cultural services was about 3,200 million roubles less than the estimate. This was more likely to be due to an administrative failure to make use of all the allotted funds, which is borne out by complaints of the inadequacy of the medical and other services made by some of the deputies, than to the reductions in the prices of consumer goods announced in February, 1949. These are claimed to have constituted a "saving" of 71,000 million roubles in 1949. But this calculation is extremely unrealistic since it assumes that people would have bought as much at the old prices as they did at the new. Wholesale prices and transport costs, on the other hand, rose at the beginning of 1949 owing to the withdrawal of government subsidies from industry. But the effects of this withdrawal seem to have been overcome by the beginning of this year, when wholesale prices and transport costs began to fall.

The 1950 revenue is expected to be 4,000 million roubles lower than in 1949. This may be partly due to the very substantial price reductions of consumer goods decreed last March. These, which ranged from 15 to 30 per cent and are said to present a "gain" for the population of 110,000 million roubles, must inevitably lead to a loss of turnover tax. But this loss may to a certain extent be compensated by an increased volume of trade. The drastic fall in the budget surplus is one of the most interesting features of the 1950 budget. It will amount to only 5,200 million roubles as compared with 24,700 million in 1949, 39,600 million in 1948 and 24,700 million in 1947. It is possible that the large surpluses of the past few years have been used for some hidden purpose which now either no longer exists or is being financed under some other heading. But a much more likely explanation is that it has been used to strengthen the rouble and as a precaution against possible inflationary tendencies. This explanation is confirmed by the fact that the surplus reached a peak of nearly 40,000 million roubles in 1948 after the currency reform of December, 1947. The significance of the decline in the surplus may therefore lie in the belief of the Soviet planners that the danger of inflation is very much reduced.

Expenditure will go up by 15,600 million roubles compared with 1949; in particular, grants to the national economy by 2,500 million roubles; social and cultural services by 4,700 million roubles; defence by 200 million and administration by 400 million. Considering the lower wholesale and retail prices, the real increase in each case will be even higher than indicated by the increased budget allocation. It is interesting to note that no explanation was given of the use to be made of 7,800 million roubles of the increase in expenditure.

PERCENTAGE COMPARISON OF APPROPRIATIONS IN 1949 AND 1950 BUDGETS (In Percentages)

	1949	1950	
Total expenditure	100·0	100·0	
Grants to national economy	39·0	38·4	
Industry	not known		51·8
Agriculture and forestry			22·3
Transport and communications			9·1
Trade			5·6
Unspecified			11·2
Social and cultural services	28·1	28·2	
Education			49·3
Health and physical training			18·2
Family allowances			3·3
Social security			18·6
Unspecified			10·6
Defence	19·2	18·6	
Administration	3·3	3·3	
Unspecified	10·4	11·5	

On the whole, the appropriations for 1950 show practically no change compared with those for 1949, except for a slight decrease in the share of the national economy and defence and an almost corresponding increase in the share of unspecified items. It is interesting to note that both items for which detailed allocation figures are given, contain some unspecified expenditure: 11.2 per cent in the case of grants to the national economy, and 10.6 per cent in the case of social and cultural services. Mr Zverev mentioned that under the latter heading 5,600 million roubles have been allocated to "the development of science" (to which purpose a further 1,500 million roubles will be made available from industrial organisation). These sums are probably designed for research in the field of preventive medicine, protection of labour, etc. But that still leaves about 5 per cent unaccounted for. As to the undesignated 11.2 per cent of the national economy grants, is one justified in speculating that these constitute an additional defence expenditure?

Industry will receive 85,300 million roubles, that is, just over half of the total grants to the national economy, to which will be added 25,300 million roubles provided by the industrial enterprises from their own resources. Budgetary appropriations for capital investment in all branches of the national economy are estimated at 106,500 million roubles, to be supplemented by contributions from enterprises and institutions themselves to the value of 29,100 million roubles.

The total amount of profits of enterprises and various other economic organisations for 1950 is estimated at 70,700 million roubles; this is three times more than in 1940. Out of this amount the state will take 39,800 million roubles, thus leaving 56.3 per cent of the profits in the hands of the enterprises themselves for local investment. In 1949 the enterprises' share was 48.7 per cent. This is a reversal of the former economic policy of the Government, when the lion's share of profits was directed into a pool and distributed centrally; it is consistent with the present policy of running enterprises not on subsidies but, without exception, on the principle of making them pay their own way. Hence the constant drive to lower production costs.

Italy's Fifth Column—

[FROM OUR ROME CORRESPONDENT]

SIGNOR TOGLIATTI'S personal publication *Rinascita* recently indulged in an ill-natured reminiscence of the events of Spring 1944, when Signor Togliatti, arriving from Moscow, joined Badoglio's All-Party Government at Salerno. It described how the Allied Commission at Salerno was all over him when his arrival was found not to have given the dreaded signal for a Communist uprising against Marshal Badoglio. It is quite true that the adroit, humorous, and cultivated Togliatti at once stopped the sizzle of petty indisciplines which had been the outward manifestation of local Communism in hungry wrecked Naples before he arrived. Out for bigger things than ovations in the Piazza, Togliatti quickly made himself useful to the western Allies, as a steadying factor in Italian affairs. The result was that Togliatti and his party remained in all Governments until 1947, leaving Nenni's Socialists to throw ultra-democratic tantrums on questions of the monarchy, Allied interference, and Vatican influence. With Allied blessings, the Italian General Confederation of Labour was rebuilt—before the war finished—by a deal between the Communist, Socialist and Christian Democratic parties, under triumvirates in which the Communist gracefully took the role of Augustus. In the first postwar general elections (1946) the Communists took 4.3 million votes, slightly more than half the Christian Democrat vote, and a little less than that of the still united Socialist Party, which was bound to them by a Pact of Collaboration. Subsequent municipal elections showed the Communists to be making progress while Christian Democracy receded. The position of the Communists as the third of the three "mass" parties, with a powerful hold upon one of the others, and a recognised dominance in the central and the chief single trade unions, and, above all, among the still powerful freemasonry of the guerrilla veterans, seemed to ensure their indispensibility as a component in any future Italian Government. Their language and behaviour was that of key men in the present, and, by virtue of a loudly asserted moral, intellectual and organisational superiority, heirs apparent, with early expectations of succession, to the official national leadership.

But early in 1947 Signor De Gasperi, pleading the need for a united government to cope with financial crisis and inflation, resigned. Pulling together the passive support of various small Right-Wing groups, he dared to form a government without Togliatti, who was obediently followed into the wilderness by Nenni. (Nenni's party had meanwhile suffered the defection of the Saragattians.) The general elections of 1948 were to have had the character of condoning punishment for this flouting of the representatives of "the immense majority of the advanced parts of the Italian people," whose support the Communists claim. But, as is well known, —thanks to the Italians' awareness of their dependence upon America, and the Church's influence—the Communists, together with Nenni's shrunken following, gained only 8,000,000 votes, a third of the total, and left Sr De Gasperi more than ever master of Parliament.

The political struggle of 1948-50 has raged, spluttered or fumed around the attempt of Signor De Gasperi's team to limit the freedom and authority of the defeated Communists to the exercise of criticism in Parliament and the press. Togliatti does not despise this function of Opposition. He himself, and also Pietro Nenni, are excellent parliamentary orators, the former far more trenchant and witty, the latter more fluent and engaging than any government spokesman. This activity is not politically wasted. The professional classes of Italy are highly susceptible to argumentative and

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sentimental elegance. Moreover, they have recently emerged from a twenty-years' surfeit of clownish inelegance, and the Opposition terminology of progress and peace has still the sweetness of lately forbidden things. What the Government says, especially in moments of stress, inevitably echoes to some extent what other governments have said—and for twenty years the Government was Mussolini's, so that Signor De Gasperi (or Scelba) runs greater risks of appearing to reincarnate the Duce than does Togliatti—at present.

But if Togliatti does not despise the function of Opposition, which means giving expression to what a large fraction of the nation thinks, his essential business as Communist leader is, on the contrary, to speak for and to command "the immense majority of the advanced part of the Italian people," that is to say, a movement which regards itself as a unique élite from whom the Italian people are predestined to obtain guidance towards a coherent future "while the existing order of Society is visibly cracking up on every side." The atmosphere of the higher Communist society in the great cities, where parliamentarians, novelists and professors assemble for mutual comfort, is one of intense excitement (climaxes and catastrophes—it is continually recalled—have been scientifically foretold, and while one must manfully carry on in the provisional world around, one must always be attuned to the greater vocations ahead). It must be remembered that nearly all the leading Italian Communists have either served long prison sentences or have lived for years in exile. It is perhaps the fact that he has known only the milder sufferings of exile (a dozen years or so, mostly in Moscow) that fits Togliatti for his task of representing the party to the insensitive outside world. Of the younger prominent Communists, most have known the hazards and agonies of active participation in the Civil War of 1943-45. It is symbolic, and also important, that the bible of Italian Communism, in the higher ranges, is the noble and harrowing prison diary of Antonio Gramsci, the frail and heroic first secretary of the party—in the main a tragic meditation on ethics and human destiny.

They are people who have found no peace, and would suspect and despise any peace which came "through the usual channels."

Three Shields and a Dragon

[BY A CORRESPONDENT]

THE Scandinavian Airlines System (SAS) is sometimes held up as a working model of the sort of international air transport company which, on a larger scale, is envisaged as the eventual solution of the problem of German civil aviation. If, it is argued, the Germans are not given sole and complete control of the air lines which, sooner or later, they will run again, the threat that they will be able, should they so desire, to misuse them by secretly building another *Luftwaffe* will be removed. The announcement at the end of May that the eastern zone was likely to be allowed its air lines has made consideration of this problem more urgent. It is not proposed to discuss it here but merely to give an account of the development of SAS and to draw attention to some of the difficulties it faces in its international adventure.

As at present constituted the Scandinavian airlines system is a company, incorporated in Sweden, which conducts the overseas operations of the three national airlines of Norway, Sweden and Denmark. These are, respectively, *Det Norske Luftfartselskap* (DNL), AB Aerotransport (ABA), and *Det Danske Luftfartselskap* (DDL). SAS began operations in August, 1946, and in May, 1948, took over all the scheduled international traffic of the Scandinavian companies except for one Norwegian line. This is Braathen's South American and Far East Airtransport run by Braathen's shipping firm and encouragingly abbreviated to SAFE.

The aim of SAS is to achieve a more rational utilisation of the joint fleet of the three countries, amounting now to over 70 aircraft, than would result from competition. Its operations are accordingly conducted on an agreed traffic plan under which Sweden gets three-sevenths of the traffic and Norway and Denmark two-sevenths each. Profits and losses are divided in similar proportions.

So much for the theory of the organisation. In practice co-operation has not been as smooth or successful as expected. Norway has consistently expressed dissatisfaction at the arrangements. Denmark and Sweden have retorted by pointing out that the existence of the private Norwegian company which operates abroad with government permission went against the spirit and detracted from the earnings of the joint enterprise. (Last year SAFE carried 7,312 passengers compared with DNL's 115,282.) Each country put in a strong bid for its own chief airport being the main trans-Atlantic terminal of SAS. Between Norway, which pressed the claims of Sola, near Stavanger, and Sweden, intent on building a great new airfield north of Stockholm, to be known as "Stockholm-Attunda" there has been considerable friction. Meanwhile, the Danes at Kastrup, Copenhagen's airport, handle nearly as much traffic as the other countries together.

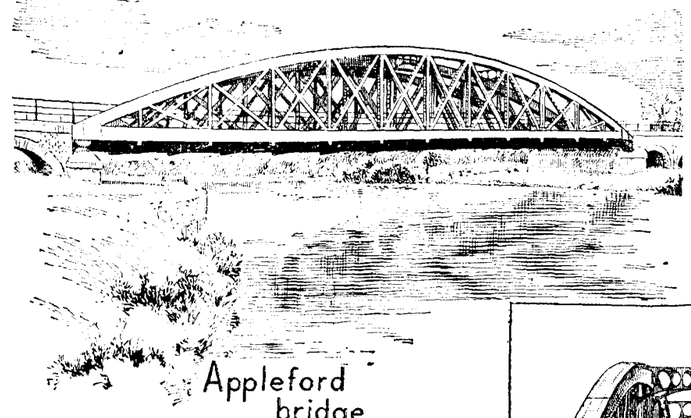
Copenhagen Talks on Airlines

These cumulative disagreements reached a head last summer. In August a committee was set up to advise on the reorganisation of SAS. Its report, which was discussed in Oslo in January, stressed the many advantages accruing from co-operation and put forward various suggestions for improving it. In particular it recommended that SAS should be reorganised to form one company with a single balance-sheet (thus avoiding, in this case, triple taxation), a single management and a single managing director instead of a tripartite concern handling the foreign business of three separate companies, each of which is taxed and each of which has its own management. In this way economies were expected amounting to about £875,000 a year.

A sub-committee was appointed to consider these proposals or to suggest alternatives and, at the beginning of May, a conference was held in Copenhagen attended by the Finance Ministers and Ministers of Transport of the three countries. Apparently they reached no decision. And there appears to have been considerable disagreement between the Norwegians on the one hand and the Swedes and Danes on the other. Discussions continue behind the scenes, although the only indication of how they are going is to be had from the announcement at the end of July that a meeting of Ministers due shortly to settle the reorganisation of SAS had been postponed until the autumn.

How much of this is applicable to any West European international air company? Very little, it seems; and the experience of SAS does not augur well for co-operation at this stage of a fiercely competitive industry. The greater resources and traffic potential of, say, Great Britain, France and Germany would make disagreement on the major terminals unlikely, since, unlike the members of SAS, each country could easily maintain several. But the competing interests of their aircraft industries might cause much more friction. This is a factor which does not affect SAS, which uses either American or British machines, although the new Swedish SAAB "Scandia" is on order. But Sweden alone of the three countries builds aircraft so there is no cause for internal dispute on that ground. Constitutionally, the company might have had an easier passage if there had been a greater delegation of national sovereignty in the beginning. But if that had been pressed, SAS would probably not have existed at all. This, however, is the crux of the present protracted negotiations. Meanwhile, the silver aircraft fly on bearing the three shields of Norway, Sweden and Denmark and the Viking dragon as their crest.

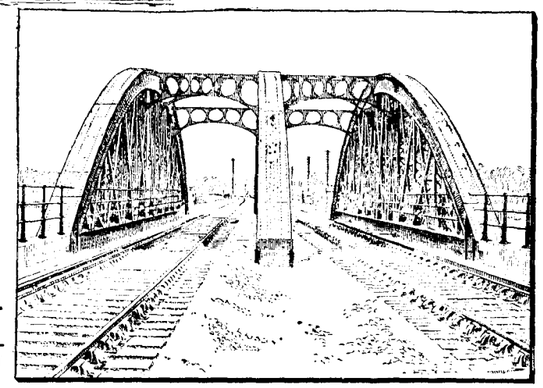
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A sensible policy for process steam—No. 16

The Steam Circulation System

BY SPIRAX

This week's notes are intended particularly for those readers who have an interest in process steam equipment such as platen presses, textile tentering machines, tray-type drying stoves, and others in which the cross-sectional area of each steam space is little greater than that of its steam inlet.

As you have read, heat transfer from process steam can be vastly improved by reducing the thickness and the resistance of the stagnant films of air and water at the heating surfaces.

In certain kinds of plant, such as those mentioned, something more can be done.

By accelerating greatly the velocity of the steam over the whole of the condensing surfaces, the *character* of the residue of the stagnant films is changed from streamline flow to turbulent flow. The effect is to "scour" the filmed surfaces, to an extent that the heat can even more swiftly penetrate to the process.

That, very briefly, is the function of the steam circulation system and some notable results are being achieved.

Correspondence to: **Spirax Manufacturing Co. Ltd.** (Economist Enquiries), Cheltenham, Glos.

NOTES ALREADY APPEARED: *Jan.* 14, "A sensible policy for process steam"; *Jan.* 28, "Who controls your steam stores?"; *Feb.* 11, "Do you get full value from your steam?"; *Feb.* 25, "What steam costing will tell you"; *March* 11, "Meter your steam to get the facts"; *March* 25, "Why have a boilerhouse?"; *April* 8, "Four pillars of process steam wisdom"; *April* 22, "Process heat transfer decides plant earnings"; *May* 6, "Resistant film *v.* process economy"; *May* 20, "The air film handicap on output"; *June* 3, "Removing the air film handicap"; *June* 17, "Water film against process output"; *July* 1, "Individual steam separation"; *July* 15, "How are your steam traps chosen?"; *July* 29, "Better steam trapping, better output economy." **STILL TO APPEAR:** *Aug.* 26, "Steam pressures under control"; *Sept.* 9, "Thermostatic control simplified"; *Sept.* 23, "Intelligent use of 'waste' heat from steam"; *Oct.* 7, "Flash steam on the agenda"; *Oct.* 21, "Better condensate return systems"; *Nov.* 4, "A place for the automatic pump"; *Nov.* 18, "Heat transfer summing up"; *Dec.* 2, "The more you know about process steam"; *Dec.* 16, "Two instructional courses for steam executives"; *Dec.* 30, "For advice on process steam problems."



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THE BUSINESS WORLD

Economics of Rearmament

I.—Measuring the Burden

SECOND thoughts on the Government's memorandum on defence, released just as last week's issue of *The Economist* went to press, suggest that it is even more difficult than was apparent at first glance to make sure estimates of its economic implications. Not unnaturally, there was a tendency to assume at the outset that the memorandum reflected a rapidly devised programme for spending a total of £3,400 million over three years. But now it is clear that no such programme yet exists. The memorandum is simply a statement of what the Government is "in principle" prepared to do—on certain conditions—and the £3,400 million is an "upper limit." The limit itself has been set by the Government's estimate that any bigger programme would rule out a continuance of economic recovery (which the United States recognises as necessary for the achievement of "security" in its widest sense) and would require direction of labour and requisitioning of factories (which the Government is not prepared to reintroduce) or would involve creation of new capacity ("which could not have rapid results"). Within the limit thus determined, the extent of the programme is stated to depend upon the extent of American assistance, in the form of materials, plant and free dollars; and the pace of the programme will be strongly influenced by the speed with which this aid is given.

It will be seen that, at least in the short run, this condition introduces a second and lower limit. The American Government will doubtless speedily promise liberal aid. But, as in 1940-41, Britain is not the only applicant, and the supplies that are sought—such as specialised machine tools—will inevitably be those in keenest demand. Unless the American Government rapidly restricts civil industry much more drastically than Britain is at present intending to do, it seems clear that for some time to come the flow of material aid to Britain will be conditioned by sheer physical shortages. If, therefore, the Government's insistence upon the crucial role of American aid had to be taken quite literally, this might mean that Britain's defence expansion would proceed very slowly indeed. In practice, however, there is little doubt that the Government will rely upon America's promise rather than upon the actual flow of supplies, and will put in hand whatever programme of defence production can be reconciled with the general domestic conditions it has laid down. Moreover, if the international situation deteriorates further, these conditions would obviously be modified or abandoned.

These many imponderables show how shaky is the foundation for assessing at this stage the nature and extent of the burden Britain will have to bear. It can be argued, at one extreme, that the overriding conditions and physical shortages and the inevitable time-lag between planning and production will so restrict the programme in the early phase that the burden will not become perceptible, except for its pressure at isolated points, for perhaps twelve months to come. At the other extreme, it is being contended that there is at present an appreciable slack in the production potential of Government factories and contractors already engaged on munitions work, and that considerable resources would be absorbed if output were stepped up for equipment that is already in production there. The deadweight of such outlays would be felt quickly, and the burden would be further increased if American deliveries of key items of equipment formed the basis, as they might well do, for much larger schemes of plant extension here—for example in the ordnance factories formerly engaged on civil production. On this argument, the dislocating effects of the expansion might conceivably be greater in its first year than in the second or third.

It is quite certain, however, that so long as the Government keeps within the terms of its memorandum, even the most determined effort will not raise expenditure in the fiscal year 1951-52—which is apparently regarded as the first year of the programme—to the average maximum contemplated for the three years. In 1949-50 the actual expenditure on defence was £759.9 million, and in the last budget the estimate for 1950-51 was £780.8 million—an increase of £21 million without counting £9,500,000 to be specifically borrowed for expenditure on married quarters. Hence the average annual outlay contemplated at the upper limit over the three years to March, 1954, represents an increase of £373 million (or 49 per cent) over 1949-50 and one of £353 million (45 per cent) over the basic estimate for 1950-51.

*

The burden that the programme may involve at the limit can be appraised in two ways—first by considering it in terms of finance and relating it to the national resources as a whole, and, secondly, by trying to assess the manpower it would absorb and to estimate its impact upon the industries most directly concerned. From both points of view, and especially from the first, much depends upon the extent of consequential American aid. But even if the aid—in supplies and free dollars—were to approach one half of the gross outlay, it would be foolish to suppose that Britain can rearm without tears. That was possible in the early stages of the rearmament effort of the thirties, because there was then a large pool of idle resources that could be tapped. Now, however, as the Government memorandum points out, Britain's economy is "fully stretched." The only way in which the total output can be expanded without measures of special mobilisation of manpower is by increasing the

average output of workers already in employment—through increased efficiency and/or by longer hours of work. Unless additional output obtained in this way is at least equal to the net additional burden of defence, there must inevitably be some contraction in the investment programme or in civil consumption or a return to an "overall" deficit on the balance of external payments—and probably a combination of losses under all three heads. Indeed, for these losses to be avoidable, the gain in total production would have to be much larger than the increase in the deadweight of defence, because of the wastage that inevitably arises where the industrial and export pattern is changing, and because of the impossibility—in the absence of more stringent physical controls and powers of labour direction—of shifting resources rapidly from one industry or area to another.

*

Since the Government will presumably avoid the deliberately inflationary process of bidding for industrial capacity in competition with civil demands, the pace and scale of the programme will apparently depend mainly upon the volume of work that can be set going in its own factories or by amicable agreement with contractors. But although the Government declines to adopt wartime powers, it is apparent that some resources will be released by "physical" measures—notably, no doubt, by specific cuts in the investment programme and in releases for civil use of Government imports of materials. These, indeed, are almost the only methods available for the diversion of resources—unless the Government deliberately sacrifices the export drive and drops its propaganda pressure upon the reluctant exporters. Subject only to the cuts that may thus be imposed upon investment at home and abroad, every increase in defence outlay that is not specifically covered by additional output at the points where the burden presses is likely to add to the tempo of inflation. This would be true even of such part of the outlays as were "covered" by the receipt of free dollars—if these dollars were added to the reserves instead of being expended in additional imports so as to cause a deficit in the "overall" balance of payments.

Much has been made in some quarters of the importance of avoiding the "mistakes" made in the past ten years, by using stern fiscal devices to enforce economy in civil outlays and thus to divert resources to defence in a non-inflationary way. The argument here is in principle unassailable, and the counsel would be wise counsel if the level of taxation were not already at or beyond the peacetime maximum for disinflationary budgeting. But in fact, though the tax collections might be increased if tax rates were raised or new imposts devised, there is no doubt that a large part of the disinflationary force of this increase would be at once neutralised by countervailing drafts upon private savings. The hard fact is that defence on a "business-as-usual" footing means defence-by-inflation. Paradoxically, that is one argument for the Government's apparent opinion that no emergency budget would be needed this year. Such a budget could not serve its full purpose unless the Government were prepared to admit that an emergency has arisen—and were prepared, in consequence, either to cut its own civil expenditures and/or to enforce and exploit economy in private expenditures by recourse to mobilisation measures of control and direction.

II.—Is Productivity Enough?

To prove that the measure of rearmament that is needful can be provided entirely out of prospective increases in productivity during the next three years would entail an exercise in the higher logistics. It is possible to be sceptical about this point and to concede at the same time that it is a convenient assumption for the Government to make. The notion of foregoing what is just around the corner has been a convenient way of presenting "sacrifices" to the country on earlier occasions, though it has not avoided the need for real sacrifices later. Whether the precedents of innocuous capital "cuts" followed eventually by devaluation will be repeated in the changing phases of rearmament cannot be foreseen; but the possibility is real enough to make any discussion of "painless" rearmament through increased productivity highly conjectural.

In the first five months of this year, the physical output of industry seems to have increased by about nine per cent compared with the corresponding period of 1949; discounting this increase for the rise in the labour force, it would seem—with perhaps greater reservations—that productivity in industry was increasing at a rate of about 6 per cent in the first part of this year compared with twelve months earlier. The "Economic Survey" in its projection of the division of the national income had assumed an increase for the whole of 1950 of 3½ per cent. Therefore, so far as the figures go, they suggest a potential increase, beyond the forecast already made for this year, of 2½ per cent, which in money terms would be worth about £250 million.

This calculation in itself has no immediate relevance to the rearmament programme outlined last week; the only thing quite certain about that programme is that it cannot get under way in the current calendar year, and the Government does not claim that it will. To examine the contention that room can be found for the rearmament programme, on top of all the existing and prospective claims upon the national output for consumption, new investment, other Government expenditure, and exports, involves making guesses about the future course of industrial productivity during the next three years. Industrial output is worth about £6,000 million a year. If productivity were in fact to increase regularly at 6 per cent per annum in each of the next three years, and if all other demands on the national income remained unchanged, there might be output worth £360 million to spare for defence in Year I and nearly £1,200 million in Year III. That a considerable increase could be secured from existing resources of plant and manpower can hardly be denied; if half the precepts contained in the reports of the productivity teams that have lately visited the United States could be applied overnight, astounding results could be produced. But that would still leave unanswered the question whether the required increase in productivity specifically to furnish new means of defence was in fact likely to emerge in the right places. Admittedly, any general increase in productivity would assist, for even where it occurred in civil industries, it could in theory release resources for use on defence work without impairing

civil output. But the frictions that impede such shifts of resources have not been eased by the experience of brimful employment in recent years. It would certainly be safer, at this stage, to concentrate attention on those industries most proximately concerned with rearmament.

*

The table that follows gives a necessarily sketchy picture of the course of productivity in certain industries since the second quarter of 1948. The method adopted takes the percentage movement in the two indices of production (the official interim index and the London and Cambridge index) between the second quarter of 1948 and the first quarter of this year, and then discounts this percentage change in output by the change in employment since June, 1948, in the industries shown. Owing to the alteration in the method of computing employment that took place in the middle of 1948, it is impossible to go back beyond that date; to do so would in any case risk adding to the already considerable statistical hazards of computing changes in productivity in this way. The official interim index for all industries suggests an increase in productivity between the second quarter of 1948 and the first quarter of this year of 12 per cent—say 7 per cent per annum. The "A" index of the London and Cambridge Economic Service, on a working day basis, suggests an increase of 9 per cent, or 5¼ per cent per annum. The two results are close enough to postulate a recent increase of 6 per cent. But there is a marked difference between this result for the increase in productivity of industry as a whole, and the achievements of particular sectors:—

ROUGH PRODUCTIVITY ESTIMATES
FIRST QUARTER 1950, COMPARED WITH SECOND QUARTER, 1948

	Production (Apr.–June 1948 = 100)	Employment (June 1948 = 100)	Percentage Increase in Productivity during Period
Based on official interim index:—			
All industries	114·8	102·6	12
Metal manufacture: ferrous	110·1	101·8	8
Engineering, shipbuilding and electrical goods	106·4	99·6	7
Vehicles	137·9	103·5	33
Other metal goods	110·8	99·6	11
Precision instruments	153·6	106·5	44
Chemicals and allied trades	111·8	105·7	6
Food, drink and tobacco	108·3	104·3	4
Building and contracting	100·0	98·3	2
Textiles	120·5	108·1	11
Based on London and Cambridge Index:—			
Index "A" (per working day)	112·2	103·1	9
Metal production	109·6	100·8	9
Shipbuilding and repairing	82·1	89·8	— 9
Motors, cycles and aircraft	145·3	106·8	36
Chemicals and allied trades	115·5	105·7	9
Food, drink and tobacco	101·0	104·3	— 3
Building, building materials and furniture ("B" index)	100·0	100·1	...
Textiles	116·2	108·1	7

With the exception of two cases, all the separate estimates for particular industries comprised in the official index show an increase in productivity during the period which is below the average. The two exceptions are so brilliant—vehicles with an increase of 33 per cent and precision instruments with an increase of 44 per cent—that it is obviously necessary to treat their performance as a special case. The same irregularity of pattern is shown in the estimates based on the London and Cambridge index in the second section of the table; the figures generally are lower, and they indicate, indeed, one or two industries where falls in productivity may have occurred. The precise changes shown by the figures are not primarily important; the significant thing that they reveal is that any calculation that suggests that rearmament can be provided out of accruing productivity must take into account the fact that the accrual is not evenly spread among industries.

The case of vehicles suggests an obvious note of caution. By either basis of calculation, the increase in productivity in this industry (or complex of industries) has been proceeding in recent periods at a rate of about 20 per cent per annum. An increase of this kind cannot be the result of some sudden change in technique or some sudden access of productive energy on the part of the labour force. The industry is as conscious as most industries of the need for higher productivity; that it has so far excelled the rest is due largely to the fact that in the past year or so it has seen the fruition of its post-war reconversion and has been confronted with the need to make few major changes of design. The new models today are substantially the same cars as in 1948, and there are more of them; high productivity has been achieved by producing many more of the same things, getting the most from existing plant and labour resources but not having markedly to change them or increase them. The achievement recalls Mr Churchill's wartime dictum about munitions: "In the first year, none; in the second year, a trickle; in the third year, a flood." High productivity means in this case exploiting to the full productive arrangements that are already geared to high output. To change the character of the output would obviously affect, perhaps in considerable degree and for a considerable period, the productivity increases that have been scored in the last year or two.

It happens that vehicle production would be one of the industries principally affected by large-scale rearmament needs; it is here that major dislocation would be quickly felt, and there is no evidence in the productivity achievements of the majority of other industries (even of the other metal using industries) that their progress would be sufficient to release resources that could be quickly spared to ease the dislocation at its worst points. Until the rearmament programme is known in much fuller detail, it will, of course, be impossible to measure the impact of such dislocation. But it may be noted that deliveries of passenger and commercial motors (for home and export) were worth about £275 million last year. If the average increase in defence expenditure to be provided out of home resources is put at £200 million a year for the next three years, the impact on the vehicle industry could be considerable. It would obviously be prudent, therefore, not to count on the maintenance of the recent average increase in productivity in the first stages of the rearmament programme—not, that is, if the programme itself has teeth in it. According to forecast, the programme does not seem large by comparison with the output that can eventually be made to meet it; but it has to be absorbed by an economy already fully occupied, and unwilling, under its Government's guidance, to make any noticeable change in the present disposition of its national income. It is the more probable, therefore, that the intrusion of defence orders at specific points in industry—together with the effects of formal or informal controls over their output—may have fairly severe repercussions for a time on their productivity. If this is so, it enhances the argument that the inflationary risks of the programme, as it is at present conceived, are likely to be more directly felt in the early years than in the later years.

III.—Manpower at Stretch

WESTERN EUROPE is not without a reserve of unemployed labour, but this reserve is relatively small; most of it is in Italy and Germany, and hardly any is in Britain. The total of unemployed in Britain on June 12th was 282,000—only about 1.4 per cent of the total of insured workers. The figure includes casual workers who happened to be out of work on that day, and the official analysis shows that less than half of the total had been unemployed for more than eight weeks. Thus, while a remnant of the "hard core" of the prewar unemployment problem still lingers in what were once the depressed areas, the British total of unemployed today is for the most part a reflection of the number of workers who at any given moment are in transition between one job and another. Even viewed in this way it is an extremely small total suggesting great steadiness and continuity in the pattern of production, and if there is in fact to be any widespread shift from civil to military production, the disturbance would be more likely in the short term to lead to an increase than a decrease in unemployment.

Once the needs of recruitment for the forces are faced it seems likely that the Government's problem will not be to increase the industrial labour force but to prevent it from shrinking. But it is becoming apparent that the demand on the labour force, in terms of physical product required, will be greater than ever before. The brunt of this increased demand is to fall on the metal-using industries, the principal suppliers of equipment to the forces. These industries are the suppliers of new plant for industry in general. They have also been in recent years one of the most successful groups of industries in the export drive. It seems clear that something will have to go, and the Government appears to be faced with a painful choice between allowing exports to fall off and causing the expansion and re-equipment of industry to be slowed down. The Government's memorandum to the United States government last week indicated that exports were likely to suffer.

But it would be too optimistic to suppose that the supply of new capital equipment to industry will not suffer as well; the question is how far it is to suffer and whether a new period of technological stagnation, the second in fifteen years, can be avoided. Clearly it will not be avoided unless the output per man-year of the existing labour force in the engineering industries can be increased quickly. This is a first condition. But the engineering industries will also need to recruit new manpower, and since they cannot draw this manpower from any reserve of unemployed they will have to draw it from other industries if they can.

For some years the Government's manpower policy has been concentrated, though without any great positive effect, on strengthening certain industries that were held to be "essential" on a set of criteria that may now have to be changed. Textiles, pottery, and certain others were put high on the list in 1948 on the ground that they were able to contribute largely to the export drive while making only slight demands on the scarce supplies of steel. Coal mining was made the subject of an ambitious recruiting programme which, in the event, failed even to prevent a decline in the mining labour force; and the improvement in coal output has been achieved not by recruiting more miners but by raising output per man-shift. Agriculture has suffered a slight loss in manpower since 1948 in spite of official campaigning. Only in the textile industries have the Government's attempts to influence the movement of labour shown any marked success.

"Essential" is a movable concept, and no doubt the mark of priority will soon be shifted to other industries. But it seems necessary to consider whether means can

DISTRIBUTION OF MANPOWER IN GREAT BRITAIN 1948-50
Thousands

	Mid-1948	End-1948	End-1949	End-May 1950
Total working population	23,146	23,185	23,318	23,324
Strength of H.M. Forces	846	808	725	688
Service men and women on release leave	92	18	11	15
Coal mining (total *manpower*)	787	788	771	762
Other mining and quarrying	82	82	82	82
Gas, electricity and water	296	301	319	324
Transport and communication	1,814	1,803	1,893	1,907
Agriculture	1,227	1,230	1,225	1,213
Fishing	41	41	41	41
Manufactures:—				
Chemicals and allied trades	426	433	449	449
Metals, engineering and vehicles	3,904	3,921	3,922	3,957
Textiles	948	971	1,011	1,023
Clothing	700	716	754	766
Food, drink and tobacco	725	738	765	760
Other manufactures	1,411	1,422	1,469	1,484
Building and contracting	1,397	1,480	1,462	1,487
Distributive trades	2,689	2,739	2,814	2,825
Professional, financial and miscell. services	3,925	3,876	3,879	3,918
Public administration:—				
National government	688	694	669	658
Local government	766	776	784	785
Total in civil employment	21,926	22,011	22,222	22,351
Registered unemployed	282	348	360	299

Source: *Ministry of Labour Gazette*

be found of making the priorities more effective in the future than they have been in the past. Very full employment will no doubt continue as a powerful factor inhibiting any deliberate attempt to change the distribution of manpower. So will the housing shortage. The third powerful influence tending to keep manpower immobile has been the attempt to prevent any movement of wages. Long before the outbreak of war in Korea it was becoming apparent that the "freeze" of wages could not much longer be maintained. The arguments for attempting to form a wages policy, of a positive and not merely a repressive kind, may soon be compelling.

IV.—Export Policy Now

THE metal-using industries have, broadly speaking, made the greatest strides towards higher productivity; they are also the biggest contributors towards the export effort; and they will be among the first to feel the consequences of rearmament. It would be easy to argue that American assistance towards rearmament, coupled with some reduction in unrequited exports (either in redemption of wartime loans or in new overseas investment) and with some greater willingness on the part of the overseas sterling area to build up its sterling balances may, in combination, reduce the strain on Britain's balance of payments to reasonable—indeed comfortable—proportions. But this would be a short-sighted view. For a variety of reasons, the continuation of the maximum export effort that is compatible with effective rearmament is the only safe course to adopt.

To relax the export drive would make rearmament easier industrially—and also financially, so long as overseas creditors could be found to assume the burden of the British balance of payments on our behalf. But there are commitments to overseas countries for the supply of goods to relieve their own economic and political pressures, and these commitments cannot be tossed overboard. Secondly, the British balance of payments, after four years of painful effort and generous American assistance, seems to have been roughly balanced in the first half of this year; that is an achievement that only folly would throw away. Thirdly, the demand for sterling area primary products in the United States has outstripped all records, and has come close to solving the British dollar problem; it remains a primary obligation on the British economy to give sterling area countries overseas good value for the gold and dollars they are earning. Fourthly, although America's own preoccupations with defence mean some slackening of its own export effort and hence the possibility of greater opportunities for exporters in other countries, Britain's own responsibilities for paying for the increased cost of imports (partly the consequence of devaluation and partly the consequence of the American boom) are very great; the increase in import costs will be of the order of £300 million this year, so that more than half of the value of the expected increase in productivity must be earmarked to meet the deterioration in the terms of trade, and the prospective fall in Marshall aid.

To secure the necessary contraction in home supplies and shift output towards exports and defence would entail policies far more draconian than the Government is prepared to contemplate at this stage. There are some industries—the motor industry happens to be one—where a system of more or less informal control has been built up. But this appears to rest on allocations of sheet steel (which should be less scarce in a year's time) and on dubious threats (in the past) of nationalisation. It is not a very satisfactory permanent system, and it has already cut down home supplies of passenger cars at least to meagre proportions. Most of the metal using industries work under similar compulsions or keep a sharp watch for official nods and winks. The following table shows the production record of certain of these industries and the proportion stated to be for export. In 1949, for instance, two-thirds of the number of passenger cars produced and over half their value were earmarked for export; for commercial motors the figures were about one-half and one-third respectively. Nearly two-fifths of the tractors and agricultural machinery, between a third and a quarter of the turbo-alternators, three-fifths of the internal combustion engines and more than a third of the machine tools were produced for export:—

TOTAL PRODUCTION AND EXPORT PRODUCTION OF CERTAIN ENGINEERING PRODUCTS

	Total Production			Production for Export		
	1947	1948	1949	1947	1948	1949
Passenger cars and chassis (no. per month)	23,917	27,376	34,358	12,914	19,350	22,683
Do. deliveries (£'000 per month)	7,756	9,385	12,059	3,367	5,272	6,441
Commercial motors (no. per month)	12,889	14,169	18,031	4,200	6,983	8,898
Do. deliveries (£'000 per month)	7,279	9,125	10,613	1,902	3,460	3,795
Agricultural tractors (no. per month)	4,800	9,800	7,500	1,500	6,100	4,700
Agricultural machinery (£ mn. per year)	42·7	69·2	63·9	9·0	28·2	26·1
Turbo-alternators ('000 kW per month)	86·3	112·0	165·0	38·6	39·0	47·8
Internal combustion engines (£'000 per month)	1,702	2,256	2,787	780	1,078	1,546
Machine tools (£'000 per month)	2,127	2,591	2,968	870	940	1,168

Source: *Monthly Digest of Statistics.*

To cut any of these leading lines of metal exports would be misguided. The home market can in some cases take further cuts—for example in passenger cars. But where home civilian supplies are already severely controlled and new demands for rearmament are particularly urgent, there may be no recourse from at least attempting to switch the export effort from the present concentration on metal products to "soft goods." It would be sanguine, of course, to expect a great deal from such a policy; it has been tried before, in the hope of assisting the urgent demand for new investment in plant at home, and it was not very successful. And it is obviously in conflict with the recent trend in exports, as the following table shows:—

CHANGE IN VALUE OF UK EXPORTS
January–May, 1950 compared with year 1949

	Per cent
Iron and steel and manufactures	+17
Machinery	+11
Vehicles, locomotives, ships and aircraft	+30
Woollen and worsted yarns and manufactures	+19
Cotton yarn and manufactures	− 8

To make the necessary partial shift from exports of metal products to textiles depends, of course, on something more than the necessary changes of demand in the home market. It depends even more directly on the willingness of the overseas buyer to take fewer engineering products and more textiles and that he may not be willing to do unless there are changes in relative prices of an order that seems quite inconceivable. Greater home demand for textiles is likely in any case to accompany the

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inflation of domestic incomes. Export policy thus presents all the elements of uneasy compromise. If a big fall in exports of metal products is to be avoided, greater resort to physical controls and all the familiar forms of velvet glove suasion is likely to be needed to ensure that the cuts fall at home and not on exports. That involves some form of rationing, at least to the extent of some crude list of priorities to be administered by the industries concerned. Beyond this it is difficult to see how any large slice of the output of the metal-using industries can be diverted to rearmament without causing serious difficulties in exports as well as in home supplies.

Yet it is imperative that the export effort should be maintained. The efforts of this country to secure a balance in its overseas payments must not be squandered even at this critical phase in world affairs. They themselves represent a crisis partially surmounted, and all the experience of war itself—as manifested in the Lend-Lease Export White Paper and the shackles of Clause 9 of the American Loan Agreement—shows how dangerous it would be to impair the export effort now. No doubt, these questions may soon be raised again, perhaps in disagreeable form, from across the Atlantic. The best way of resisting them, in the interests of world recovery and political stability—to say nothing of eventual British economic independence itself—is to maintain as far as maybe the export obligations that Britain has assumed and to do nothing to impair them except under the direst necessity.

V.—Mechanisation—A Case Study

THE motor industry is bound soon to be affected by a change in Army mechanisation. Ever since what has become known as the "B" range of engines was developed, it was known that complete re-mechanisation was inevitable; the only question has been when sanction would be given for the expenditure it would involve. The range consists of three petrol engines of four, six and eight cylinders respectively. Between them they represent a range from 75 to 160 brake horse power; they provide a power unit for every type of army vehicle likely to be required. The military value of these engines lies not so much in their performance as in their construction. The bore and stroke are the same for all three and except for those few components (23 out of the 207 parts in each engine) whose dimensions are dictated absolutely by the size of the engine, all the parts are common to all three engines. A fourth engine has been developed from this range to serve in a cross-country jeep-type vehicle but because its dimensions are unusual it contains a larger number of non-standard components.

The idea of producing a standardised range of engines for all types of vehicles originated with Rolls-Royce Ltd. nearly twelve years ago when the firm's engineers were appalled at the military supply problem created by using as many as 27 different types of engines in one division. The range was evolved from the standard 40/50 Rolls engine, simplified, lightened and strengthened to fit military requirements and given a long life between overhauls. By the time the engines were developed, which was not until 1945, the War Office was in no position to order the change-over of vehicles to the new range, particularly since standardisation would pay dividends only when adopted throughout the Army. For a considerable time past, these engines have been fully approved and tested by the Ministry of Supply and the Army, and matters have rested there. Rolls-Royce have installed them in fire engines and they would have obvious advantages for owners of large civil fleets of vehicles (the Overseas Food Corporation might be an example) since they not only reduce the number of spares carried but eliminate the confusion among semi-skilled mechanics that arises in finding the right component for a specific engine. Since the Ministry of Supply has adopted the engines as its standard specification for military vehicles, it is almost certain that the expansion and re-equipment of the army will inevitably start off this delayed change-over to the "B" range of engines. There are indications that the preliminary moves are already being made. The sooner the change is completed the more rapidly will the advantages of rationalisation be felt. This would best be attained by dividing the orders among a few firms who could tool up for really long runs; if, as seems likely, orders are distributed over the entire motor industry, it will produce the maximum of inconvenience and the minimum of production economies.

Should an emergency arise, production would, however, be suitably dispersed, and in any case the motor industry will gain valuable experience in production of the engines. Since most of the big motor manufacturers are expanding their capacity, and since those who are not have surplus capacity, this might not prevent them from maintaining exports for a time, but it is certain at least to prevent any increase in the home market allocation that might otherwise have been expected. Further expansion of passenger car output beyond present levels is unlikely since there is no prospect of a large increase in sheet steel supplies until the Margam plant starts production in the second half of next year.

The commercial vehicle section of the motor industry may find the military programme to its advantage. The manufacturers of commercial vehicles have not been finding it easy to meet the Government's very ambitious export requirements, and they have not only been subjected to an additional tax but have also been virtually forbidden to supply more than a limited number of commercial vehicles to the home market. There has been some concern in the motor industry that this policy would lead to a cut back in production which would inevitably raise production costs and make exports even more difficult. Re-mechanisation of the army might remove part of this fear.

The motor industry made both tanks and guns in the last war, but it is not likely to be asked to do so at the moment. The Centurion tank, which was designed by Vickers towards the end of the war, has been in production ever since both by Vickers and by the Ministry of Supply agents. The older Comet tank is in production. Both of these, and indeed the majority of British tanks, use the Meteor engine, which is really a modification of the Rolls-Royce Merlin aero engine. It may not be necessary to make any arrangements for increasing tank production other than increasing the orders now in the hands of the established producers.

FINANCE AND OVERSEAS TRADE

The financial arrangements involved in trading with countries overseas can present many complications. The Three Banks Group has wide experience of this aspect of modern Banking practice, and with many important contacts overseas is particularly well placed to handle such problems and tender advice based on accurate knowledge of local conditions. The need for increased exports is leading to considerable expansion of the Group's activities in this direction.

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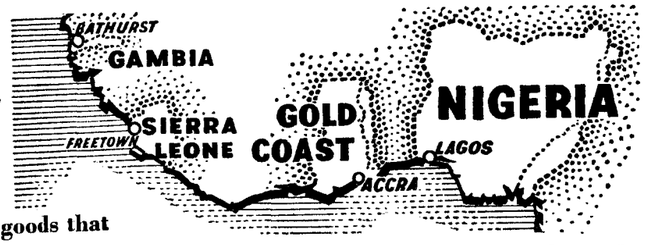


"What a dignity it gives an old lady, that balance at the bankers"—*Thackeray*

(To say nothing of old gentlemen as well as young ladies and young gentlemen—in fact, all of us.)

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The table below shows some of the goods that British West Africa bought from Britain in 1948. There is a market, too, for many other British products. ***Write for our new booklet*** ***'Overseas Markets'.*** **It contains detailed trade tables for British West Africa and other territories where the Bank has branches.**

TOTAL 1948 U.K. EXPORTS TO BRITISH WEST AFRICA WERE £45,978,000. THESE INCLUDED:

BISCUITS	£381,000	MINING MACHINERY ...	£310,000
CYCLES	£987,000	SPIRITS	£174,000
ELECTRIC BULBS AND DISCHARGE LAMPS ...	£110,000	CHEMICALS, DRUGS, DYES, COLOURS	£2,407,000

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Business Notes

Steel and Defence

Despite holidays, steel output in July has continued to break records; output last month was at an annual rate of 14,366,000 tons, compared with 12,697,000 tons in July last year. Those who survey a dark scene for encouraging portents may note that the previous record for July stood at 13,145,000 tons—in July, 1940, when Britain stood alone. Clearly the steel target of 15½ million tons of raw steel is likely to be surpassed this year quite comfortably; it is significant that although the increase in the annual rate of production in the first half of this year was 722,000 tons, the July increase is well over twice that rate. New capacity is showing its paces, and there is no reason to apprehend any shortage of steel sufficient to impair the progress of the defence plans. Indeed, the steel industry's own planning has for several months past been contemplating an expansion of total capacity to between 17 and 18 million tons, by the retention of certain units of older plant; this is likely to be achieved in time to meet the later stages of the rearmament programme.

Certain shortages, of course, persist. Sheet and tinplate are particular examples, and here no major relief is to be expected until, in the second half of next year, the hot strip mill at Margam begins to turn out sheet in increasing quantities and the finishing plant at Trostre adds its large quota of cold finished sheet and tinplate to supplement the output of the hard-pressed old style mills. The new melting shop at Margam is based on an annual output of 1,500,000 tons of ingots a year, of which somewhat over 1,000,000 tons will feed the continuous strip mill. Eventually, therefore, some 20,000 tons of rolled strip, sheet and plate are expected to swell the present weekly output, which has this year been running at about 46,500 tons a week, compared with about 43,000 tons a week in 1937. These products, and a few others of less conspicuous importance such as boiler tubes, are the only instances of present shortages, and these can be expected to rectify themselves before rearmament demand becomes acute. That demand in itself might be considerable in the case of sheets, but on the assumption that the pattern of rearmament demand is not violently different from that of the last war, there should be adequate supplies of finished steel to meet it without jeopardising supplies for exports and capital construction at home. There is, too, plenty of capacity for making alloy steel and armour.

A hot war, of course, could change this broad picture overnight. Already there are certain signs of difficulty. German reports have recently been referring to "the last quota" of German scrap shipments to Britain, now under negotiation in London; the British steel industry obviously cannot rely beyond this year on the maintenance of the recent level of German scrap supplies. Competition for iron ore is increasing, both on the part of the German steel industry (now producing at a faster rate than the 11.1 million tons prescribed by the Allied authorities) and on the part of American buyers. Some relief is likely to be afforded by renewed British purchases of Newfoundland ore, now permitted by the Treasury, and supplies from French sources should be maintained. Other stresses are also appearing. Apart from the special American purchase of steel pipe from Stewarts and Lloyds which will absorb over £2,000,000 of "gasoline sterling," direct American buying of European steel is becoming active.

* * *

Squeeze in Base Metals

The Government broker delivered what at first sight appears to be a lethal blow to the tin market on Thursday. After the morning session he intimated that the market could no longer rely on cash sales by the Ministry of Supply—in other words supplies of tin to the market were no longer assured. The Ministry is still the only large holder of tin in this country, and its offerings in the past had been somewhat limited. Government stocks which at the beginning of the year totalled 14,682 tons had declined to 11,600 tons by the end of June. The Ministry apparently feels that it should hold a stock of 10,000 tons as a strategic reserve—at least until the situation in the Far East improves. Such a quantity represents no more than six months' supply at the present rate of consumption. Consumers' stocks have increased slightly during the first half of the year from 1,376 tons to 1,629 tons, but they are still less than a month's supply. If supplies are not forthcoming from the Ministry's stocks, the market will to all intents and purposes cease to operate, since it will take many months for production to expand sufficiently to increase the current supplies coming to the market. Discussions between brokers and the Ministry about the future course of action were proceeding as this issue went to press. On Thursday afternoon a nominal price of £780 a ton—an all-time peak—was quoted but there were no sellers.

Tin and zinc are the only two non-ferrous metals of which stocks in Britain have declined during the first half of 1950. They are also the only metals of which the rate of consumption during this period was substantially higher than for 1949. Copper consumption fell very sharply last year and has again declined this year, while lead consumption has shown little change compared with twelve months ago. Production of copper, lead and tin in Commonwealth countries has continued to expand while the output of zinc has remained at the same level as in 1949. As far as Britain at least is concerned, any increase in consumption of copper and lead for specific rearmament purposes could go some distance without necessitating any corresponding reduction in present commercial demand. Tin consumption could also increase somewhat, whereas zinc consumption is already at a very high level and imports this year have tended to decline.

CONSUMPTION AND STOCKS OF BASE METALS IN THE UNITED KINGDOM

(Consumption, monthly averages; Stocks as at end of period)

	Copper		Lead		Zinc		Tin	
	Cons'n	*Stocks*	Cons'n	*Stocks*	Cons'n	*Stocks*	Cons'n	*Stocks*
	Tons	*Tons*	Tons	*Tons*	Tons	*Tons*	Tons	*Tons*
1946	27,117	*123,066*	16,126	*20,835*	18,008	*40,739*	2,154	*11,462*
1947	29,177	*92,338*	14,820	*36,605*	18,601	*32,084*	2,282	*9,204*
1948	29,753	*110,231*	15,662	*17,070*	18,605	*46,709*	2,103	*12,817*
1949	26,561	*120,721*	15,083	*48,875*	16,558	*61,570*	1,755	*16,058*
1950 (first half)	26,202	*125,196*	13,100	*67,857*	19,718	*52,722*	1,925	*13,229*

In the United States the squeeze in all base metals has been much more pronounced, and particularly for copper and zinc. Copper consumption in the first half of the year averaged 105,000 tons a month, rising from 92,000 tons in February to 120,000 tons in May and June. Available supplies have been estimated at 113,000 tons a month, of which 81,000 tons came from domestic production. Zinc consumption has averaged 64,000 tons a month during this period while the stockpile is estimated to have taken a further 14,000 tons a month. Domestic production provided 68,000 tons a month and imports 10,000 tons. Clearly, any increased demand for either of these two metals for the American rearmament programme is likely to involve some curtailment of commercial consumption. Even the demand for lead has tended to recover in the past few weeks and much of the stock accumulated during the first part of the year has already been sold.

Delays to the Viscount

Last week British European Airways signed an order with Vickers-Armstrongs Limited for 28 turbo-prop Viscount aircraft. This order was first promised four years ago and later countermanded. Negotiations were reopened last August and have taken twelve months to complete. No aircraft will be delivered before the end of 1952, and none can be in service before 1953. Had it not been for these delays they would have been in service next year, and would have given the British corporation a lead over its competitors in comfort, economic operation, low maintenance costs and prestige which it would be hard to exaggerate. The de Havilland Comet, which must have seemed a more uncertain proposition when it was ordered in its early development stages, will be in service next year.

Vickers have been criticised in some quarters for postponing tooling-up until the order was signed, and attempts may well be made to blame them for late delivery. But tooling-up involves a very large capital commitment, and as an adjunct to production orders have to be placed with innumerable companies making accessories. No firm could be expected to take such a risk, and in fact the wisdom of the delay is proved by the small size of the order. Last August it was announced that the Ministry of Supply would place an order for 40 aircraft for the two corporations. The final order is for 28, and the British Overseas Airways Corporation, which was to have used the Viscount on its dollar earning routes in the West Indies, is understood to have "deferred" the placing of its order, presumably feeling that its Vikings have some years of useful life ahead of them.

A spirit of caution which may be admirable has dictated the airline policy in circumstances in which a more adventurous spirit might have won a big prize in economies and in the attraction of custom. It has also involved the fairly costly modernising of the corporation's old Dakotas to improve their standard of comfort until the Viscounts replace them. The first Dakota made its first flight 20 years ago. The prototype Viscount, now carrying passengers, was considered technically perfect but operationally uneconomic. The production version, the 700, due to make its first flight shortly, has nearly twice the payload. The 701, the version ordered by BEA, contains further innovations dictated by the corporation. No order was signed until it was certain that these alterations would give the aircraft the performance demanded by the corporation's engineers. As customers they have obviously the right to demand this, but the vicissitudes of many aircraft, notably the Airspeed Ambassador which is still not in service, have arisen in attempting to meet a customer's requirements against the original judgment of the manufacturer's designers.

There has also been some stiff price bargaining; it is unlikely that BEA have agreed to pay the £170,000 which is the price estimate given for the Viscount. But weighing all this against what was at stake, should it not have been possible for both parties to agree to the early signature of a contract containing penalty clauses? Such contracts are not unknown in the aircraft industry although they are unpopular and admittedly in this case they would have been further complicated by the need to bring in Rolls-Royce, the engine makers.

* * *

Rubber Makes its own Rules

The demand for rubber last week continued very strong and the price, in consequence, again soared. It rose by 5d. in a day to 4s. 2d. a lb.; the total rise for the week was 1s. 2d. This week there has been an easier tendency. The spot price in London, which closed at 4s 1d. a lb. on Tuesday, fell to 3s. 9d. by Thursday evening, while quotations for forward delivery declined even more sharply. Three months ago discussion was centred on whether two shillings a pound would be the likely level of the market during the coming months. Now the question is whether four shillings can be maintained until the expansion in American synthetic production curbs the demand for natural rubber. The pressure is still on spot or near future supplies and, so long as consumption in the United States remains at its present high level, there is little reason to suppose that demand will slacken appreciably within the next month or so. British consumption is also at a higher level than a year ago.

One thing at least is certain. The recent trend in the rubber market has defied all statistical computation. In the first half of 1949 world production of natural rubber totalled 697,500 tons and consumption 732,500 tons. During this period the London price averaged 11 1/16d. a lb. This year, world production in the first six months amounted to 822,500 tons and consumption to 792,500 tons yet the price in the London market has averaged 1s. 7 5/16d. a lb. If these figures give any rational explanation of the market, the inference is clearly that supplies have been hoarded either by governments or by individuals and that these quantities are not included in the published figures. Purchases for the American stockpile, for example, are rightly excluded from American consumption figures. But such purchases during the first half of this year have been of the order of 30,000 tons compared with 40,000 tons in the corresponding period of 1949. Again world stocks of natural rubber this year have declined by only 10,000 tons. Twelve months ago, the decline was nearly ten times that amount. The boom in rubber has been proceeding for nearly five months; hence this discrepancy in the official statistics and the market behaviour cannot be explained by any temporary hold-up in shipments. Perhaps a more intelligent appreciation of the situation will be possible at the end of the year when the expanded output of synthetic rubber will at least take care of the most urgent demand for current supplies.

* * *

Changes in Cotton

The rather frequent and marked changes in the price of American cotton during recent weeks has forced the Raw Cotton Commission to amend its method of announcing its price changes. Instead of notifying buying brokers individually, details of alterations to its selling rates will in future be posted on the Liverpool and Manchester exchanges and, when possible, published in the daily press. The Commission has also had to curtail its facilities for providing cover for new business. In the past it has been possible to get cover up to 7 p.m. on weekdays; the closing time has now been brought forward to 4 p.m.

The curtailment of these facilities is undoubtedly a retrograde step, and spinners who require cover for individual overnight offers of yarn to overseas buyers will be particularly affected. But in a market where price movements even within a day could be considerable, the Commission presumably had no alternative. Clearly it must be in a position to alter its selling prices overnight and not have to let a day elapse before announcing the new prices, otherwise spinners could anticipate such changes to their own advantage. The same reason applies to the reduction of the hours of business for obtaining cover. Any sudden change in the American market during the day could be hedged by spinners requesting cover from the Commission that same evening.

The American cotton market has certainly been erratic during the past six weeks. On the Friday before the outbreak of hostilities in Korea the New York spot price was 34.58 cents a lb. By July 27th it had reached a peak of 39.95 cents a lb., but subsequently fell back to 38.17 cents a lb. The publication last Tuesday of the first official estimate of the new American crop, which was smaller than had been expected, caused a recovery, and by Wednesday the New York spot price had risen to 39.35 cents a lb. Movements

of this order are likely to continue until the world situation becomes much clearer. At least the rise in the price of cotton caused many American growers to market the supplies which they had previously put into Government loan. Last season's loan rate was fixed at 29.43 cents a lb. and the market was recently a full 10 cents above it. The basic loan rate for the new season will be 29.45 cents, but the market price is likely to remain quite appreciably higher. The American harvest is officially estimated at 10,308,000 bales, compared with 16,127,000 bales a year ago. Thus, despite the larger carry-over (7,000,000 bales against 5,000,000 bales), total available supplies of American grown cotton this season will be some 4,000,900 bales less than in 1949-50.

* * *

Sterling Release to Pakistan

This time last year, when the overseas sterling area was running a large payments deficit with the outside world, the British Government was justifiably criticised for allowing what seemed to be incongruously generous releases from the blocked sterling balances of the Asian Dominions. At that time India was allotted releases of £50 million for each of the years 1949-50 and 1950-51 and Pakistan was allowed a release of £17 million (including £5,000,000 for refugees) for 1949-50. Owing to the improvement in its balance of payments India has apparently managed to keep within the terms of that agreement; it will not be necessary to make any sterling release to it for 1950-51 above the £50 million already agreed (in fact if the post-devaluation improvement in the Reserve Bank's published sterling assets is maintained India should not have to draw even that amount). Experience with Pakistan, however, has been less satisfactory. That dominion has apparently been allowed releases of £31 million (instead of the £17 million originally agreed) in 1949-50. For the year to June, 1951, under an agreement announced last week, its permitted release will be £15 million plus not more than £2,500,000 "for the purpose of meeting exceptional requirements up to September 30, 1950, arising from the present state of trade and payments with India." Moreover, if the trade deadlock with India still persists at the end of September, the Pakistan negotiators can apparently come back to London and ask for more.

Pakistan's overdrawing of £14 million from its blocked balance last year is officially explained as being due to the fact that it was not able to earn unblocked sterling from India during the year, owing to the trade dispute. There has always been a certain amount of British sympathy for Pakistan about this; whatever the rights and wrongs of the dispute, there is no doubt that the deadlock has hit the smaller Dominion hard in its trade account. But it is worth pointing out that last year's Indo-Pakistan Payments Agreement (now moribund) suggested that Pakistan could earn a maximum of only £15 million of free sterling from India—and that after giving a credit to India to cover the first £10 million or so of any bilateral deficit. It is impossible therefore to avoid the suspicion that a disproportionate part of the burden incurred in other people's quarrels is being shifted on Britain's (or rather on the rest of the sterling area's) back. The latest Anglo-Pakistan agreement does, however, contain the apparently optimistic provision that if Pakistan should earn any sterling from India as a result of transactions covered by the Indo-Pakistan Agreement of August, 1949, then Pakistan will pay the greater part of such sterling back into its blocked account.

* * *

Argentine Stalemate

The Anglo-Argentine financial and commercial negotiations in Buenos Aires have bogged down to a complete standstill. The members of the British team have left the Argentine capital to take a well-deserved rest and the British Ambassador has returned home on leave. Amid this somnolence and inactivity intriguing rumours have been circulating in the City that financial relations between the two countries are about to undergo a considerable improvement and, in particular, that financial remittances to this country, of which there is now a backlog of well over £10 million, are to be worked off. These rumours have as their basis some vaguely optimistic remarks made by a high Argentine official at a recent private function in London. They have no other substance. It is true that three weeks ago a representative of the Argentine Ministry of Transport arrived in London to discuss some long-overdue payments owing to British railway wagon builders and other suppliers of equipment. This emissary has been profuse with his promises but as yet does not appear to have settled any of the outstanding bills.

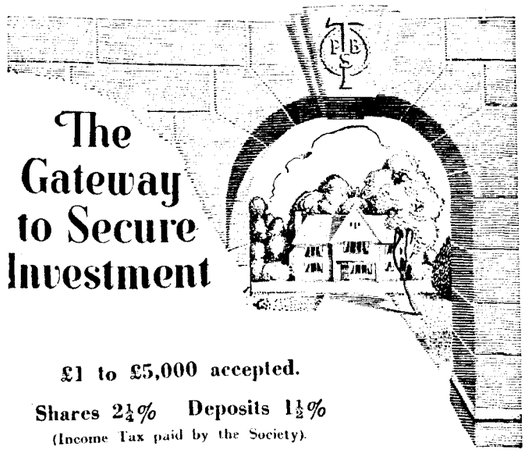
The position, in fact, justifies none of the current of optimism that has been flowing through interested quarters in the City in the last few days. On the contrary, the prospects of a satisfactory Anglo-Argentine agreement have recently deteriorated on a number of counts. The first of these is that Argentine authorities appear to be banking heavily on the outbreak of a Third World War. They are therefore prepared to sit tight on what they have to sell. This reasoning no doubt explains the recent decision to suspend meat shipments to Britain. The converse of this reasoning is that Argentina is now stockpiling oil and other essential commodities, the scarcities of which are still one of the more unpleasant memories Argentina inherited from World War II. A third factor in the situation is that Argentina has now very little external purchasing power. The last harvest was bad and very few surpluses are being carried forward. Finally, relations with the United States are still in the honeymoon period following the latest reconciliation and the seal of an Export-Import Bank loan that was placed upon it. In that mood Argentina is unlikely to go out of its way to reconcile its differences with Britain. In the background the wrangle concerning the amount due (or not due) to Argentina on the exchange guarantee covering sterling accumulations at the time of the devaluation of sterling remains unsettled. The arithmetic seems to make it clear that Argentina had no net sterling balance to which the revaluation clause might apply. But the position appears quite different in Argentine eyes, which see only the credit items in the position and conveniently ignore all the sterling debts that were overdue and unpaid at that time. All things considered, the British negotiators would appear to have been well advised to break off their labours and to recover their strength for the next round.

* * *

Firmer Freight Rates

A notable feature of the tramp shipping freight market in recent weeks has been the reluctance of charterers to arrange fixtures at the rates for which shipowners are beginning to hold out; and owners who have not hitherto been taking too firm a stand against the demands of charterers are now feeling more confident in waiting for better rates and conditions. The result is that while the volume of fixtures on a voyage basis has not been greater than is normal at this season, fixtures have generally been made at slightly enhanced rates. There is evidence also of fair inquiry for the time chartering of vessels for varying periods, and owners undoubtedly feel that the tone of the market is firmer than it was this time last year, although the general level of freights is lower. As the accompanying graph of the freight index of the Chamber of Shipping of the United Kingdom shows, there has been less fluctuation in freight rates so far this year, although the general level is considerably lower than in previous years. The index for May last was 71.4, compared with 99.7 in May, 1949; but by June it had strengthened to 71.7, compared with a drop of 13 points in the same period last year. The index is based on tramp fixtures in sterling reported during the month.

The stronger attitude of the freight market cannot be attributed to any single factor. The lack of coal cargoes has contributed to the hardening of some rates, particularly in the Mediterranean trades, while the paucity of bulk grain shipments from the Plate to U.K.-Continent has led to unprecedented high rates for the few outward cargoes of coal to that destination. But the Korean war, with its possible effect on the demand for tramp tonnage, may well be the most potent factor influencing the market at the moment. The US Military Sea Transportation Service has already asked



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SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement.

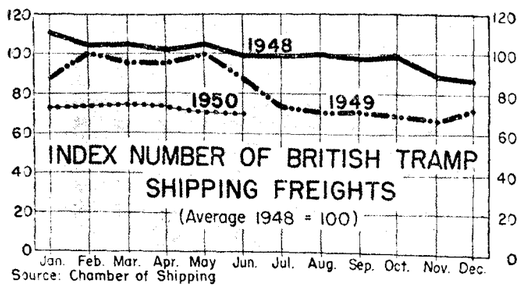
Prices, Year 1950 Jan. 1 to Aug. 9 High	Prices, Year 1950 Jan. 1 to Aug. 9 Low	Name of Security	Price, Aug. 2, 1950	Price, Aug. 9, 1950	Net Yield, Aug. 9, 1950 (m)	Gross Yield, Aug. 9, 1950
		British Funds			£ s. d.	£ s. d.
101⅛	100⅛	War Bonds 2½% Aug. 1, 1949-51	100⅞	100⅞	0 8 10	1 11 9
100⅝	98⅜	War Bonds 2½% Assented	98⅜	98⅛	1 10 8	2 13 5
102	101⅜	War Bonds 2½% Mar. 1, 1951-53	101⅛ xd	101⅛	0 14 8	1 16 6
102⅛	100⅛	War Bonds 2½% Mar. 1, 1952-54	102⅛ xd	102⅛	0 15 9	1 17 8
101⅛	100	Exch. Stk. 2½% Feb. 15, 1955	101⅛	101⅛	0 19 5	1 19 5
103⅛	100⅛	War Bonds 2½% Aug. 15, 1954-56	101⅝ xd	101⅛	1 1 7	2 3 10
102⅛	101⅛	Funding 2¾% June 15, 1952-57	102⅛	102⅛	1 4 6	2 9 7
104⅛	102	Nat. Def. 3% July 15, 1954-58	102⅞	102⅞	1 5 8	2 12 6
104⅛	101⅝	War Loan 3½% Oct. 15, 1955-59	103⅛	103⅛	1 6 1	2 13 9
101⅛	96⅞	Sav. Bonds 3% Aug. 15, 1955-65	99⅛ xd	99⅛ xd	1 14 1	3 1 2
100⅛	97⅜	Funding 2½% April 15, 1956-61	99⅛	99⅜	1 10 1	2 13 6
99⅜	98⅛	Funding 2½% April 15, 1956-61 'A'	99	99	1 10 0	2 13 1
99⅛	95	Funding 3% April 15, 1959-69	97⅛	97⅜	1 17 0	3 5 2
108⅜	104⅜	Funding 4% May 1, 1960-90	107⅛	107⅛	1 9 7	3 5 5
98⅜	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	95⅝ xd	95⅝ xd	1 18 2	3 5 9
95⅞	91⅛	Sav. Bonds 2½% May 1, 1964-67	93⅞	93⅞	1 17 1	3 1 0
110⅛	106⅛	Vict. Bonds 4% Sept. 1, 1920-76	107⅜ xd	107⅜ xd	1 12 6	3 6 6
96⅛	91⅜	Sav. Bonds 3% Aug. 15, 1965-75	93⅜ xd	93⅜ xd	1 19 6	3 7 7
105⅛	100	Consols 4% (after Feb. 1, 1957)	102⅜	102⅜	2 2 11	3 18 1
96⅛	91⅛	Conv. 3½% (after Apr. 1, 1961)	94⅛	94⅜	2 1 0	3 15 0
71	66⅞	Treas. Stk. 2½% (after Apr. 1, 1975)	69⅛	69⅛	1 19 10	3 12 0
84⅛	79⅜	Treas. Stk. 3% (after Apr. 5, 1966)	82⅛	82⅜	2 0 4	3 13 9
101⅛	99	Treas. Stk. 3½% June 15, 1977-80	100⅜	100⅛	1 18 1	3 9 8
91⅛	86⅜	Redemp. Stk. 3% Oct. 1, 1986-96	89⅜	89⅛	2 0 7	3 10 5
94⅜	90	War Loan 3½% (after Dec. 1, 1952)	93⅛	93	2 1 7	3 15 10
71⅛	68⅛	Consols 2½%	69⅜	69⅜	1 19 7	3 12 2
96⅜	92⅛	Brit. El. 3% Gd. Apr. 1, 1968-73	95	95	1 19 2	3 7 9
95⅜	91⅜	Brit. El. 3% Gd. Mar. 15, 1974-77	93⅛	92⅛ xd	1 19 11	3 8 0
100⅜	99	Brit. El. 3½% Gd. Nov. 15, 1976-79	99⅛	99⅛	1 18 9	3 10 6
91	86⅜	Brit. Tpt. 3% Gd. July 1, 1978-88	89⅛	89⅛	2 1 1	3 10 3
96⅜	92⅛	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	94⅛	94⅛	1 19 3	3 7 11
90⅛	85⅞	Brit. Gas Gd. 3% May 1, 1990-95	88⅛	88⅛	2 1 1	3 10 10

Prices, Year 1950 Jan. 1 to Aug. 9 High	Prices, Year 1950 Jan. 1 to Aug. 9 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Aug. 2, 1950	Price, Aug. 9, 1950	Yield, Aug. 9, 1950
		%		%				£ s. d.
100⅜	95⅛	(d)		(d)	**Other Securities**			
101⅛	99⅜	(d)		(d)	Australia 3½% 1965-69	97⅛	97⅛	3 8 6
6⅛	6⅛	50	c	60	c Birmingham 2½% 1955-57	100⅛	100⅛	2 13 6
7⅜	5⅛	5	a	25	b Anglo-American Corp., 10/-	6⅛	6⅛	4 7 3
77/6	67/9	5	a	10	b Anglo-Iranian Oil, £1	5⅛xd	5⅛	5 3 3
87/-	71/6	7½	a	15	b Assoc. Elec. Ind., Ord. Stk. £1	77/6	76/6	5 18 5
25/4½	17/0½	40	c	40	c Assoc. Port. Cem., Ord. Stk. £1	82/6	82/6	5 9 1
70/7½	66/-	7	b	7	a Austin Motor, Ord. Stk. 5/-	23/9	24/4½	5 9 5m
145/-	129/-	†19	b	†5	a Barclays Bank, Ord. 'B' £1	67/6xd	68/-	4 2 4
98/-	87/4½	8	a	12	b Bass Ratcliff, Ord. £1	136/10½	135/7½	3 10 9†
39/3	32/1½	2½	a	5	b British Oxygen, Ord. £1	95/-	95/-	4 4 3
18/9½	16/6	5	a	15	b Courtaulds, Ord. £1	36/9	36/10½	4 1 4
32/9½	28/9	8	c	8	c Distillers Co., Ord. 4/-	18/6	18/6	4 6 6
63/6	59/-	15	c	15	c Dorman Long, Ord. £1	31/4½	32/6	4 18 6
44/3	39/6	3	a	7	b Dunlop Rubber, Ord. £1	60/-	60/3	4 19 7
109/4½	95/-	18½	b	13½	a Imp. Chem. Ind., Ord. Stk. £1	40/9	41/6	4 16 5
37/3	29/7½	10	c	5	a Imperial Tobacco, £1	100/7½	99/4½	6 8 10
44/6	38/1½	10	c	10	c Lancs. Cotton, Ord. Stk. £1	37/-	36/6	5 9 7
63/-	55/6	15	c	15	c Lever & Unilever, Ord. £1	38/9	38/9	5 3 3
82/9	69/6	15	a	45	b London Brick, Ord. Stk. £1	56/3	56/3	5 6 8
43/9	33/3	7½	a	17½	b Marks & Spencer ("A") 5/-	74/6	75/9	3 19 2
48/9	41/-	8	a	4	b P'chin Pulson, Ord. Stk. 10/-	37/6xd	37/6	6 13 4
33⅛	27½	†77½	c	†77½	c P. & O., Def. Stk. £1	46/-	46/6	5 3 3
56/3	50/-	12½	c	12½	c Prudential, 'A' £1	31	31	2 9 9†
70/2½	59/3	†2½	a	†5	b Stewarts & Lloyds, Def. £1	55/6	56/-	4 9 3
5⅞	5⅞	12½	b	12½	a "Shell" Transpt., Ord. Stk. £1	63/1½	62/6	2 8 0†
8⅞	8⅛	12½	a	12½	a Tube Invest., Ord. Stk. £1	6⅞	6⅞	4 2 6
85/3	73/3	3⅞	a	11½	b Turner & Newall, Ord. Stk. £1	79/6	79/6	3 15 6
33/6	27/-	8	c	8	c Union Castle Ord. Stk £1	31/6	31/6	5 1 7
48/4½	41/9	27½	b	15	a Woolworth (F. W.) Ord. 5/-	44/6	45/-	3 17 9m

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked '/'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (m) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield. * Assumed average life 14 years 3 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly (f) To latest redemption date. † Free of tax. (m) Yield basis 35%. (m) Yield basis 26⅔% after capital bonus.

for offers of about 20 fast ships to make September readiness on the North Pacific coast. Its intention is apparently to take American ships first, where possible, even to the extent of preferring slow American ships to faster foreign ones; American maritime policy shows no new access of vision. Meanwhile about 70 ships have been withdrawn from the American strategic reserve fleet of war-built standard ships, mainly of the Liberty type, which are surplus to normal commercial requirements. The withdrawal of these ships from reserve will help to dilute the demand for international



chartering, although the transfer of American-operated ships to the Korean supply lines will increase the opportunities of foreign ships in other trades. There is already a considerably increased demand in the North Pacific trades as a result of the diversion of American ships to the Far East. There are well over 2,000 ships laid up in American waters, but their "reactivation" takes a good deal of time. The procedure is to hand them to American shipowners as agents until ready for service, then to bareboat-charter them and take them on time charter to the Transportation Service.

* * *

Rearmament and Clothing Fibres

The proposed increase of 600,000 men in the American armed forces will certainly expand the demand for uniform cloth and other textile products. Neither the cotton nor the wool textile industries in the United States are working at full capacity and it would no doubt be technically possible to meet the new military requirements without seriously curtailing normal output. It will be much more difficult, however, to ensure adequate supplies of raw materials. World stocks of cotton on July 31st, the close of the 1949-50 season, are estimated by the International Cotton Advisory Committee at 17 million bales; this represents seven months' consumption at the current level, the same as a normal prewar stock. Some 5,000,000 bales of this total consist of US Government loan cotton and 2,000,000 bales of US "free" cotton; thus 7,000,000 bales would be available for American industry. But other cotton consuming countries might well be faced with a shortage. The American crop now being harvested is expected to be 6,000,000 bales smaller and although output in India, Pakistan and Egypt will be larger, the world crop is expected to decline by at least 2,000,000 bales, to 29 million bales. Any increase in consumption during the coming season can only be met from stocks.

Wool supplies are seriously short. World production in 1950-51 might increase by three per cent to, say, 3,950 million lb. (greasy basis) and if total consumption remained at 4,350 million lb., end-of-season stocks would be reduced below 1,000 million lb. This represents less than three months' supply. Demand is being reduced to the available supply by market forces; last month, wool prices exceeded the all-time record reached in May. If the military requirements for wool cloth in the United States are at all large, some system of allocating raw wool among American manufacturers seems inevitable, and the curtailment of production of peacetime goods would surely follow. That might have its compensations if it led to wider opportunities in the American market for British and European exports.

Rayon and other artificial fibres could no doubt mitigate to some extent the shortage in wool and cotton. The American Government has experimented with uniforms made from synthetic fibres, and is apparently satisfied with the results. Rayon can also be used in mixtures with the other fibres. World production of continuous filament yarn and staple fibre in 1949 was estimated by *Rayon Organon* at 2,690 million lb. while productive capacity existing at the end of 1950 was forecast at 4,033 million lb. Thus there would seem to be a large surplus of capacity to bridge the gap left by the other fibres. But this capacity is concentrated in western Germany, Italy and Japan; to utilise it, these industries would first have to be restored to their prewar level. That would immediately involve the further problem of securing an adequate supply of cellulose, particularly as the supply of cotton linters will decline during the coming season, owing to the smaller world cotton crop.

* * *

"Tanks" Scheme

First reactions to the capital reorganisation proposals put forward by the board of Tanganyika Concessions have been generally favourable. The scheme arises primarily from the intended transfer of the company's domicile to Southern Rhodesia, a proposal to which stockholders are also asked to agree. This move would substantially ease the company's tax liability, in particular its liability for United Kingdom profits tax, though it would make institutional holders of "Tanks" stock liable for profits tax on dividends received. While a reduced tax burden on the company would bring advantages even to the institutional holder of "Tanks" ordinary stock (and would anyhow be of advantage to private holders), the benefits to be expected by institutional holders of "Tanks" preference stock (and such holdings are very large) would be confined to improving the earnings cover on the preference dividend to the extent that the tax load is lightened.

Hence, the immediate purpose of the scheme is to make removal to Southern Rhodesia financially attractive to both classes of stockholders. Preference stockholders are offered a stake in the "Tanks" equity; each £1 of existing preference stock (which at present is receiving a 10 per cent dividend consisting of a cumulative 4 per cent dividend, a non-cumulative 2 per cent payment and a payment of a further 4 per cent ranking *pari passu* with the ordinary stock) is to be exchanged for one 8 per cent cumulative redeemable 16s. preference share and one 6s. ordinary share. The cumulative element in the preference dividend would thus be increased and an equity stake provided. What is more, the new preference shares will be redeemable on six months' notice at 32s.

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Given the present ordinary dividend of 10 per cent, the return to preference holders under the scheme would be lowered in effect from 10 per cent to 9.4 per cent, but it is a fair presumption that part of the saving in taxation would be distributed by way of a higher ordinary dividend. An increase from 10 per cent to 12 per cent would in fact make preference holders better off for the exchange. The Board puts a capital value of 38s. 3d. on the stocks now offered in exchange for each £1 nominal of existing preference stock. This is made up of 23s. 3d. for the 16s. preference shares (assuming a 5½ per cent yield basis) and of 15s. for the 6s. ordinary unit taking the current price of 25s. for the 10s. ordinary units. The existing preference stock is currently quoted at 34s. 3d. The scheme of arrangement would change the issued capital from £2,305,783 in preference stock and £3,139,678 in ordinary stock to £1,844,627 in 16s. preference shares and £3,831,412 in 10s. ordinary stock units.

Shorter Notes

The increase in exports of vehicles of all types in the first half of the year led to a proportionate increase in the export of tyres. More than 3,000,000 tyres were included in vehicle exports and a little less than that figure were exported directly. The value of the direct tyre exports was £7,625,826, compared with £6,394,138 in the same period last year. The total number of tyres exported was 6,106,713, compared with 5,770,225 in the first half of 1949.

*

The United States has purchased 34,000 troy oz. of platinum from the British Government for its strategic stockpile. The purchase was made under the Economic Co-operation agreement, and payment was made in sterling from the counterpart funds. Previously rubber, industrial diamonds and sisal have been bought for the stockpile through ECA channels. The quantity of platinum still held by the British Government is not known, but it is believed to be considerable.

*

Under the Wool Textile Industry (Export Promotion Levy) Order, which came into force on July 31st, a levy estimated to produce between £100,000 and £120,000 a year is imposed on the industry to finance export promotion activities to be carried on by the National Wool Textile Export Corporation. Manufacturers and traders in the materials of the wool textile industry are required to register with the Board of Trade, which will collect the levy to be passed on to the corporation.

*

The New Zealand House of Representatives is now considering The Reserve Bank (Amendment) Bill, which seeks to switch control of the policy of the New Zealand Reserve Bank from the Finance Minister to an independent Governor and Board; the nature and objects of this Bill were discussed on page 335 of *The Economist* of February 11th last.

*

The free market in foreign currencies started as an experiment by the Spanish authorities for an initial period of two months is proving unexciting. There is nothing particularly "free" about the market; in effect it means a partial devaluation of the peseta. Invisible sterling earnings can be converted at pesetas 110.30 to the £ or pesetas 39.40 to the $, compared with peseta rates previously ranging from 45 to 70 to the £ and from 16 to 39 to the $. Tourists are the main beneficiaries. The sterling-dollar cross rate is maintained at parity.

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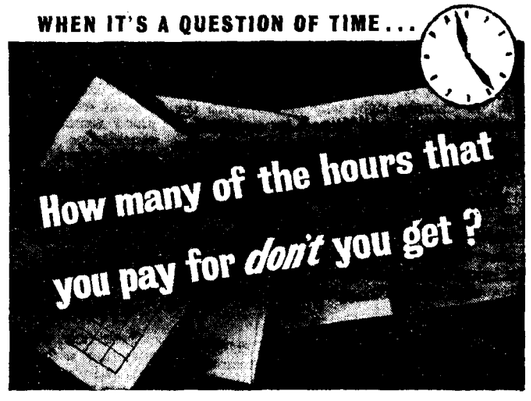
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H.F.321

COMPANY MEETINGS

TUNNEL PORTLAND CEMENT COMPANY

DELIVERIES AGAIN A RECORD

EXPORT TARGET REACHED

MR N. M. JENSEN'S STATEMENT

The thirty-ninth annual general meeting of The Tunnel Portland Cement Company, Limited, will be held on September 11th at 105 Piccadilly, London, W.1.

The following is the review by the chairman and managing director, Mr N. M. Jensen, which has been circulated with the report and accounts:—

PROFIT AND LOSS ACCOUNT

The profit on trading for the past year amounts to £882,894, and compares with £835,543 for the previous year; and dividends and interest have risen from £198,561 to £206,613. Depreciation has increased from £64,705 to £97,775. This is accounted for partly by the additional plant installed at our West Thurrock works, but it is mainly due to the fact that our new works at Padeswood in North Wales came into operation during the financial year.

Although the profit is higher, the income-tax figure of £230,178 is well below that of last year. The reason for this is that we have the benefit of initial allowances on the substantial addition to our plant and equipment. The similar benefit which we had last year was dealt with by a transfer to special depreciation reserve. The initial allowance is, of course, only in advance on the wear and tear allowance, which is reduced correspondingly, and, in the long run, there is no additional advantage. Your directors have, therefore, come to the conclusion that the right way to deal with the matter is to have an income-tax equalisation reserve, which will be credited with the difference when the depreciation charge in the accounts is below the wear and tear allowance including initial allowance taken up in the income-tax computation and debited with such difference when it is the other way round. This will have the effect of bringing the amount set aside for tax into line with the profits earned year by year.

RESERVES

You will find that a total of £200,000 has been placed to the credit of income-tax equalisation reserve, of which £120,000 is in respect of the year to March 31, 1950, and £80,000 in respect of previous years.

As replacement cost is at present approximately three times the cost of our prewar plant, your directors have considered the question of building up a replacement reserve, but they came to the conclusion that this vexed question is, for the time being, best dealt with through transfers to general reserve. You will notice that the sum of £545,035 has been appropriated to general reserve, and this, together with the transfer of the special depreciation reserve, builds up the general reserve to a total of £1,250,000.

After making these substantial appropriations and providing for the dividends on the two classes of preference shares and the interim and proposed final dividends on the "A" ordinary shares and "B" ordinary stock, there remains a balance of £577,616 to be carried forward.

BALANCE SHEET

Since the date of the balance sheet, the authorised capital has been increased to £4,200,000 by the creation of 600,000 new "A" ordinary shares of 10s. each and 1,400,000 new "B" ordinary shares of 10s. each, and the bonus share issue, to which I will refer later, brought the issued capital up to £3,643,660.

I have already mentioned the adjustment to some of the reserves. In connection with the bonus issue, a sum of £1,221,830 has been transferred from share premium account which now stands at £951,538. Expenditure on our new works at Padeswood, North Wales, and on new plant for our West Thurrock works accounts for most of the amount of £899,049 which has been added to property, plant and equipment. Helwan Portland Cement Company and Ribblesdale Cement Limited have again increased their capitals, and we took up the proportions to which we were entitled. These represent the main items in the increase of £154,624 in trade investments. Cash at bankers and in hand stand at £973,397, or £1,229,787 less than last year. This is mainly accounted for by the increase in fixed assets which I have referred to, together with the increase in trade investments. We have furthermore invested £101,502 in Government securities and £83,200 in additional tax reserve certificates.

DEMAND FOR CEMENT

During the year under review the totals of the home and export deliveries of British cement were even greater than the previous year's record results. The Government, in consultation with the industry, set a high export target, which was achieved, and it is gratifying to note that all but a small fraction of cement exports are direct dollar or hard currency earners or savers. Though there are indications that export demand may slacken, this has not yet happened and the limiting factor on exports has been the steadily increasing demand at home.

EXTENSION OF PRODUCTIVE CAPACITY

Your new works at Padeswood came into operation with the first unit in December last, and the second unit was started in April. This is the first new cement works to commence production in this country since before the war. Lack of suitable labour has so far prevented us reaching the measure of output which we shall ultimately obtain.

At West Thurrock, new grinding plant and packing plant has been put into operation. This, together with the kiln installed last year, has replaced less efficient plant and also increased our total capacity by approximately 50,000 tons per annum. Work on the extension of the Pitstone works is proceeding, and it is hoped that the extensions of the Clitheroe works of Ribblesdale Cement, Limited (of which your company holds half the shares), will be in operation by the end of the year. Altogether it is estimated that your company's share of new extensions will, when completed, amount to 470,000 tons per annum, and this constitutes a generous contribution to the efforts of the whole cement industry to meet the increasing demand in the home market and, at the same time, maintain the present level of export.

TOWN AND COUNTRY PLANNING

In my review last year I said that there were indications that the amount of compensation for loss of development rights in our quarries would be approximately equivalent to the development charge we should have to pay. Negotiations on this complicated matter have continued, and although an official announcement has not yet been published, it is now quite clear that the company will not suffer the grave hardship which was feared when the development charge was introduced.

SCHEME FOR SEGREGATION OF ASSETS

At the class meetings and the extraordinary general meeting held on July 7, 1950, the resolutions required to effect the increase of capital of this company and the issue of bonus shares were duly passed, and such bonus shares were consequently allotted to the ordinary share and stockholders.

As explained in our circular dated June 12, 1950, these transactions were intended to be the first step in a scheme, of which an outline was given, for segregating the overseas assets of this company, and it was stated that details would be sent with the notices of the further meetings which would have to be held in order to complete the scheme.

An unforeseen difficulty has now arisen. A group of shareholders representing more than 35 per cent. of each class of the preference capital informed us that certain aspects of the scheme did not appeal to them. The matter was fully discussed, and on the part of the company it had to be admitted that one point of criticism had some substance, namely, that the segregation of the assets would deprive the preference shareholders of the advantage which they now hold of the trading profits and income from overseas investments being pooled. Your directors were anxious, as far as possible, to meet the preference shareholders on this point and, subject to the necessary alteration to the company's memorandum and articles of association being approved, they offered that your company should guarantee for a period of 15 years the payment of the preference dividends by the investment company on the understanding that the guarantee would automatically cease in the event of the business of the cement company being nationalised. The group of shareholders did not accept this, but made their support of the scheme conditional upon the guarantee being permanent and continuing notwithstanding nationalisation. Your directors considered that this condition was unacceptable.

The object of the scheme was to protect, as far as possible, the rights of all the shareholders and stockholders in the event of nationalisation and to continue such rights so far as the segregated assets are concerned. Accordingly in the opinion of your directors, the dividend rights of the preference shareholders of the investment company should, after nationalisation, be dependent solely on the segregated assets. Furthermore, the burden of such a continuing guarantee would, in the event of nationalisation, fall on the nationalised assets of your company, possibly giving rise to difficulties in any resulting liquidation and to a reduction in the value of the rights of the holders of the ordinary capital.

Your directors do not desire to proceed with a scheme which is unacceptable to a large group of the shareholders and which, in view of the necessity of obtaining the consent of each class of preference shareholders at separate meetings, could not be carried through successfully. They have therefore reluctantly come to the conclusion that further prosecution of the scheme is impracticable.

OVERSEAS INTERESTS

As you are aware, our chief overseas interests are in Egypt and in the U.S.A. I am happy to say that the Helwan Portland Cement Company has had another successful year. The extensions to which I referred last year are well under way and a new works, the Alexandria Portland Cement Company, in which the Helwan Company holds a substantial interest, commenced production in May last. The National Portland Cement Company in the U.S.A. has also had a successful year.

Finally, on behalf of your board, I would like once more to thank our staff and workpeople for the very efficient and loyal manner in which they have carried out their duties.

PYE, LIMITED

RECORD RESULTS

MR C. O. STANLEY ON THE GROUP'S EXPANSION

The twenty-first annual general meeting of Pye, Limited, was held on August 4th in London.

Mr C. O. Stanley, C.B.E. (the chairman), who presided, said: Ladies and gentlemen,—The accounts and directors' report have been published in a detailed and illustrated form and have been in your hands for several weeks, so that it is not necessary for me to add very much today.

The year 1947-48 was a record—the year 1948-49 was again a record—and now 1949-50 far surpasses every previous year with a trading profit of nearly half a million pounds! This is an indication of the way in which the Pye group of companies has expanded. You must also remember that this has been achieved whilst vigorously pursuing a policy of reducing prices to the consumer.

Since our annual report was circulated it has become clear that a company like ours will have to make considerable sacrifices in changing part of the production of both laboratories and factories over to work of a military character. We know we will have the support of all our shareholders when we tell you that we are prepared to make any sacrifice in shouldering our part of the responsibility in the National effort.

It is now clear that the reference we made in our annual report to the purchase tax on radiogramophones has proved only too true, and we would again ask the Chancellor to review this tax if he wants us to keep up our export business.

PROFIT-SHARING SCHEME

With regard to our profit-sharing scheme, we announced at its inception that it was experimental, and this year one of the flaws in the scheme has come to light. It was our intention that the same amount of money represented by an increase in the deferred dividend should be paid as a profit-sharing bonus to our employees. This year the number of our employees has gone up considerably, so that if the profit sharing had been on the same basis as last year the individual employee would have received less while the shareholder would have received the same amount of money. Quite obviously, if the number of our employees goes up each year and we continue the old basis, then we might arrive at a point where the amount that goes to each individual employee is infinitesimal compared with the amount that employee received in the first year. This was never the intention of the scheme, and for that reason we altered it this year. Your directors will review the whole situation to take care of this difficulty in the future.

The report and accounts were adopted.

W. J. BUSH AND COMPANY, LIMITED

LARGER SALES AND PROFITS

The fifty-third annual general meeting of W. J. Bush and Co., Limited, was held in London on August 4th, Dr. P. C. C. Isherwood, O.B.E., PhD., F.R.I.C. (chairman and managing director), presiding.

The directors' report, which was submitted to the meeting, showed that the net profit for the year amounted to £209,559, and that after adding to this the sum of £286,161, being the amount brought forward from the previous year, and deducting the amount required for dividends on the Preference shares, there remained a balance of £481,970. Out of this sum it was proposed to pay a final dividend of 8 per cent. on the ordinary shares, making 12 per cent. for the year, and also a bonus of 1s. per share on the ordinary shares.

CHAIRMAN'S REVIEW

The following is the chairman's circulated statement:—

The accounts now submitted show that the profit for the year, after deducting taxation, amounted to £209,559 as against £172,624, an increase of £36,935. The higher figure arises as a result of a substantial increase in sales which was partially attributable to devaluation in the last quarter of the year. It must be borne in mind, however, that replacement of stocks in the current year is involving the company in higher costs.

For many years the Australian market has been operated through local branches of the London company, but as from January 1, 1949, the business has been transferred to a wholly owned subsidiary incorporated in Australia. The transfer of the net assets to the new company has correspondingly reduced the net assets of the holding company, and these figures are not, therefore, comparable with 1948, except in the consolidated balance-sheet, where they are included in both years.

As I indicated in my statement last year, the accounts under review reflect the redemption of the four per cent. first mortgage debenture stock.

In view of the enhanced costs of replacement of plant and buildings, your directors have considered it advisable to increase the reserve against these items by £50,000. A further amount of £50,000 has been placed to general reserve, bringing it up to £350,000.

EVER-GROWING COMPETITION

In face of the ever-growing competition from abroad, it is vitally necessary to equip our factories with the most modern plant available. Owing to the somewhat long delay in delivery, this means careful and far-sighted planning and this aspect of the business is very much to the fore in our deliberations.

In spite of the difficulties due to import restrictions in several important overseas markets, I am pleased to report that during the year under review the company's export business was again on a higher level than the previous year. The directors continue to give the closest attention to the extension of exports and members of the Board have paid visits abroad to assess at first hand the possibility of further expansion of this important section of the business.

Your directors consider that the accounts justify an increased distribution and recommend the payment of a bonus of 1s. per share, as against 6d last year.

Finally, I wish again to pay tribute and to declare publicly the directors' sincere appreciation of the loyal contribution to these results by our efficient staff both at home and overseas.

The report and accounts were adopted.

AMALGAMATED DENTAL COMPANY, LIMITED

FURTHER IMPROVEMENT

The 45th annual general meeting of the Amalgamated Dental Company, Limited, was held on August 4th in London, Mr E. Russell Polden (the chairman) presiding.

The following are extracts from the chairman's circulated statement and speech at the meeting:

The further improved position, both in regard to the stability of the company and the increase in profits, is due to the continued expansion of trading at home and abroad. Undoubtedly the company's export business could be greater were it not restricted by the fact that many countries are not in a position, through lack of currency facilities or other economic reasons, to grant import licences.

As regards future home trade, judging from what one reads in the Press and from our own experience, I can fairly assert that dental treatment has by no means reached "saturation point" in meeting the requirements of the community.

Referring to the results of the year's trading, it will be seen that the group has produced total profits before taxation of £753,331 compared with £478,075 in 1948. It will be observed that a considerable proportion of the profits of the subsidiary companies making up the group have been retained in these companies in the interest of building up the financial structure of the group.

In reviewing these accounts, I know full well that members will bear in mind that the satisfactory results shown could not have been attained without the whole-hearted and loyal co-operation given by the management, staff and operatives engaged in the service of the company, its subsidiaries and associates.

The report was adopted.

BRITISH MATCH CORPORATION, LIMITED

TAXATION HANDICAPS

The twenty-third annual general meeting of the British Match Corporation, Limited, was held on August 9th in London, Mr Arthur Hacking, O.B.E., the chairman, presiding.

The following is an extract from his circulated statement:—

From the directors' report it will be seen that although the Control of Distribution of Matches ended on August 2, 1949, the Control of Prices Order dated July 29, 1949, is still effective.

For the current year our difficulties in regard to timber supplies are likely to be greater than ever. We have, as yet, no idea what our allocation of dollars for purchases in Canada will be for the year 1951 and, until we have that information, it is impossible for us to take any effective steps in regard to supplies from Canada. We are obtaining certain supplies of round timber from Finland, but the Baltic States, where we obtained supplies between the two great wars, are under the domination of the USSR and we have not been able to obtain supplies from that source.

Your board has been able to recommend the same dividend and bonus as last year, adding approximately £3,600 to the carry-forward.

Our gross consolidated profit of £2,075,297 is reduced to £1,729,483 after making provision for directors' remuneration, audit fees, depreciation and bank interest. The tax relative to £1,741,983 is no less than £999,925! What a dreadful handicap in running a business and endeavouring to expand!

The report was adopted.

STEEL BROTHERS AND COMPANY, LIMITED

(East India and General Merchants, Rice and Flour Millers, Saw Millers, Cotton Pressers, Ginners and Spinners, Rubber Planters and General Agents.)

A SATISFACTORY RESULT DESPITE DIFFICULTIES

MR J. K. MICHIE'S STATEMENT

The fifty-ninth ordinary general meeting of Steel Brothers and Company, Limited, was held on August 4th in London, Mr J. K. Michie (chairman and managing director) presiding.

The following is the chairman's statement, which had been circulated with the report and accounts for the year ended December 31, 1949, and was taken as read:—

The physical difficulties confronting us in closing and concentrating accounts from so many countries have again resulted in our presenting the balance sheet and profit and loss later than we had hoped.

PROFITS AND ALLOCATIONS

In my last year's statement I forecast a recession in our profits which has in fact happened, the figure for the year before tax deductions being £563,841, against £600,952 in 1948, an amount of £28,174, included in the profit and loss account, being in fact provisions made ex previous profits not now required. In the circumstances I hope this result will be regarded as satisfactory.

As you will see, no less than £350,000 has been set aside to meet taxation, while £141,365 has been applied to depreciation of our fixed assets and our investments and to writing off advances.

As from December 31, 1949, a superannuation fund was put into operation in anticipation of which, as you will remember, the sum of £100,000 was set aside ex 1948 profits.

This reserve was a "gross" figure and as under the scheme eventually adopted by us it was not permissible to use this reserve free of British income taxes, we have had to appropriate half of it as the company's contribution to the scheme for 1949. To compensate for this we have increased our tax reservation by a similar amount, so ensuring that the sum of £50,000 carried forward as a reserve against pension liabilities will be tax free, and so in fact worth £100,000 (at present rates of taxation) should the need arise to use it.

BURMA WAR DAMAGE PAYMENTS

Last year I reported the appointment by H's Majesty's Government of an independent committee to apportion among United Kingdom business interests who had sustained war damage in Burma the sum of £10,000,000 granted as an ex gratia payment of limited amount to assist them in overcoming their capital handicaps.

This committee performed its complex and difficult task with admirable and businesslike celerity and made its allocation of all but a small percentage of the sum available in January of this year. The amounts so far received by your company on its own behalf, on behalf of fully owned subsidiaries, and on behalf of subsidiaries which were indebted to us was £753,230. While wholly inadequate as a replacement of our lost capital, this nevertheless is a welcome contribution to that end.

EFFECT ON BALANCE SHEET

In consultation with our auditors it has been decided to revise our balance sheet to incorporate these sums and so present to stockholders a fair and up-to-date picture of our affairs. So all amounts in the fixed assets representing items totally destroyed have been written off and values of investments have been written down to quoted or estimated values. All fixed assets are again shown under one heading. This spring cleaning enables us to present a balance sheet in normal form and to advise you that your investments in the aggregate now stand in the books at a fair value.

The position of the claims of our subsidiary companies for war damage under the heading of "Denial" remains little changed, as no test case has yet been heard in the Burmese courts.

One welcome effect of the receipt of our share of the ex gratia payment from His Majesty's Government has been its incidence on our cash position. At December 31st last our net overdraft had reached the considerable total of £1,406,292—again partly due to advances made as buying agents for Governments. At date of writing there is actually an overhead credit balance, but that is a position we do not expect to maintain.

CONDITIONS IN BURMA

I now comment on developments and conditions in our various spheres of action.

Burma.—As anticipated, opportunities for doing our traditional business in Burma were distinctly fewer in 1949. We worked no rice mills and owing to the nationalisation of our teak forest concessions and the lack of logs from other sources in Rangoon and Moulmein our timber mills at these ports were closed down and are now costing us a considerable sum for care and maintenance. When it became obvious beyond all question that there was no further employment for them we discharged all redundant workmen at our Rangoon mill, paying to those concerned the amounts at their credit in our provident fund and to all one month's salary. Since then a reference has been made by the labour union concerned to an industrial court set up by the Burmese Government under the Trade Disputes Act and an award has been made against us which would involve us in a substantial additional payment. We are taking the steps open to us to protect ourselves against this award, so the case is subjudice. I will therefore make no comment except to quote the following from the award:—

"So long as there is no social security scheme in the country and private industry exists the employers must within reasonable limits shoulder the responsibility for relief in cases of involuntary unemployment."

This is a new and interesting concept of social and industrial justice, even when qualified by what the Court terms "reasonable limits."

EFFECT OF IMPORT LICENCES

The necessary austerity measures taken by the Government of Burma to reduce imports coupled with its system of issuing import licences has militated against our trading activities; nevertheless we succeeded in achieving a fair turnover and results were not unsatisfactory.

More recently the Government has made fair headway against the dissident elements in the country, and we are hopeful that conditions will gradually improve. Should the area under "law and order" gradually be extended, production of rice, timber, etc., would concurrently expand and the economic life of the country would then revive. It is for this we must hope not merely in self-interest but for the sake of the country.

During the current year after a lapse of eight years we have again been able to share in a comparatively small way in the rice export trade both as agents for certain Colonial Governments and as shippers. We hope that a larger crop this year will assist Burma rice to regain its previous place in the markets of the world and that we shall be allowed the opportunity to assist in marketing it to the best advantage of the producer.

BURMA CEMENT COMPANY

At the time of writing the works of the Burma Cement Company, Ltd., at Thayetmyo, which we manage and in which we have a considerable stake, are still in the hands of insurgents, while the oil industry in which we are largely interested is operating on very modest lines. We must hope that Government will soon regain control of the riverine areas in which these industries operate and then be able to address themselves to the practical side of their declared wish to encourage friendly foreign enterprise to assist in the economic rehabilitation of the country.

Strand Hotels, Limited, Rangoon.—This company has had its first full year and the result achieved in face of many difficulties was satisfactory. Equally so have been the good reports from guests of the service given in the hotel.

BUSINESS IN INDIA

India.—Our business in India continued on much the same lines and scale as during the previous year although the problems following devaluation have made overseas trading extremely difficult. These conditions cannot but be reflected in this year's trading.

Our work for the Indian Tea Association as their procuring agents for foodstuffs continues and although there have been many difficulties to contend with I trust our efforts on their behalf have been satisfactory to them.

REPERCUSSIONS IN PAKISTAN

Pakistan.—Principally because of the repercussions of the non-devaluation of the Pakistan rupee, but also because of previous overimporting into Chittagong aggravated by congestion in the port and by weather conditions which badly damaged the food crops of East Pakistan and so adversely affected its purchasing power during the normal busy season, trading in this area was steadily and drastically changed from a comparatively simple process to one of great hazards and inescapable losses, and instead of making an expected profit we ended the year with a moderate loss and are thankful to have escaped so lightly.

In West Pakistan naturally there were similar difficulties caused by the exchange situation, but of lesser degree, and results at our Karachi branch were in the circumstances satisfactory. Markets in Pakistan generally have this year been less volatile and though still far from easy—particularly because of the halting way in which, so far, trade is passing between India and Pakistan—prospects are more promising. It is, of course, a mere truism to say that trade in both countries will not prosper as it should until the statesmanlike agreement reached by the two Prime Ministers is put into practical effect.

HONGKONG AND JAPAN

Hongkong.—Trading was maintained at a surprisingly high tempo throughout 1949 and our business was well maintained. Quite recently, however, there was a sudden break in demand and in confidence which might well have come sooner. Recent happenings in Korea are not likely to help Hongkong markets, although trends in that part of the world are quite unpredictable.

Japan.—Our Tokyo office only operated for part of 1949 and as was to be expected did not earn sufficient to cover expenses.

It is now doing a useful business and building up a connection which in due course should show favourable results, although the changes being introduced into the Japanese economy do not make our task easy.

NORTH BORNEO, SIAM AND CEYLON

North Borneo.—After a two years' trial we reluctantly decided to close down our branch at Jesselton and our staff has just been withdrawn. The opportunities for trading are distinctly limited by population and communications and it was felt we could use our staff to better advantage elsewhere. We hope, however, that our withdrawal from Jesselton will not mark the end of our association with this territory.

Siam.—Our interests in Siam fall in two parts—import and export trading and membership of the Siam Rice Agency, Limited.

Trading conditions were extremely difficult, due to overstocking of various lines of goods and to overtrading generally, and this situation has still to be adjusted.

The rice agency company continues to perform a valuable function as agents for certain Commonwealth countries and this year as shippers on their own account. The partial freeing of the Siam rice trade is an encouraging move and should help to get it back towards, if not to, the old basis of standards only on which can an international trade be built up and maintained.

Ceylon.—As I forecast in my last report our subsidiary, E. B. Creasy and Company, Limited, found trading conditions very difficult last year, but they have since improved and 1950 promises much better.

THE MIDDLE EAST

Middle East.—Our own business in this area was well maintained and we have as from April 1, 1949, extended our interests by the purchase of 50 per cent. of the capital of Spinneys (1948) Limited, a company which took over the interests in Cyprus, Lebanon, Syria, Iraq and Kuwait of that old-established business Spinney and Company, Limited. I have recently returned from a comprehensive tour of the Middle East and am quite satisfied with our investment.

This arrangement entails the merging of a large part of our own previous activities in the Arab countries into Spinneys (1948) Limited, but this, with the help of the trained staff we have been able to post to the new company, should result in its more rapid expansion to the mutual benefit.

While circumstances tend to restrict its scope, our business in Israel continues active.

EAST AFRICA

East Africa.—Our associates, Messrs A. Baumann and Company, Limited, who closed their accounts at June 30, 1949, had a satisfactory year.

The timber project in Tanganyika, which I mentioned last year, has now become a company — Steel Brothers (Tanganyika Forests), Limited—registered in Dar-es-Salaam on October 15, 1949, with an authorised capital of £250,000. Our associates in East Africa, Messrs. A. Baumann and Company, Limited, have also participated.

A timber extraction and milling company cannot be established in virgin territory in a few months, but already good progress has been made. The bare essential quarters for staff have been built, water supplies found and piped, roads built and extraction on a considerable scale begun. In fact, small lots of round logs have already been shipped to this country and to Kenya. The milling plant is now on the way and it is hoped to have the first section in operation this year.

Results from this company cannot be expected before 1951-52, but we are satisfied that prospects are reasonably good.

BRITISH GUIANA

British Guiana.—We have now concluded an agreement with the Colonial Development Corporation, whereby we act as managing agents and as selling and purchasing agents for their timber interests in British Guiana which the corporation have acquired and/or negotiated on lease from the local Government.

Carbutt and Company (1928), Limited.—Our wholly owned subsidiary operating rice and barley mills in London and Hull again had a satisfactory year.

Mactaggart and Evans, Limited.—Though gradually increasing its scope and income this company which operates as an industrial and chemical research institute again made a loss. Improvement, however, continues.

THE OUTLOOK

Prospects.—As my foregoing remarks indicate, we cannot expect easy times, and it is difficult to see how in current conditions 1949 results which included certain sums pertaining to previous years can be maintained, but no effort is being spared to consolidate and to widen our interests and what does not fructify this year we hope will benefit us later.

Staff.—Appreciations of staff in annual reports run the risk of becoming stereotyped and this I want to avoid. Nevertheless, without the ability and enthusiasm which have again been evinced by all members of our staff in the parent company, our subsidiaries and associates these results would not have been achieved, and I wish to thank them sincerely.

The report and accounts were unanimously adopted.

The retiring directors, Mr J. K. Michie and Mr P. G. G. Salkeld, C.B.E., were re-elected; and the remuneration of the auditors, Messrs Deloitte Plender Griffiths and Company, having been fixed, the proceedings terminated with votes of thanks to the chairman, directors and staff.

RICHARD THOMAS AND BALDWINS, LIMITED

ANNUAL GENERAL MEETING

The annual general meeting of Richard Thomas and Baldwins, Limited, was held on August 3rd at Grosvenor House, Park Lane, London, W., Mr E. H. Lever, chairman and joint managing director, presiding.

The chairman said that he regretted to have to announce that Sir John James, the deputy chairman, had decided to retire from the board in order to devote more time to the Lancashire Steel Corporation, of which he was chairman. His services to the company had been invaluable.

The chairman then moved the adoption of the report and accounts for the year ended April 1, 1950, and the payment of a final dividend of 10 per cent., less income tax, making 15 per cent. for the year.

Lt.-Colonel J. B. Neilson, C.M.G., D.S.O., C.A., seconded the resolution and it was carried unanimously.

The retiring directors, Mr C. G. Gilbertson, J.P., Mr C. Watts, F.C.A., and Mr H. F. Spencer, were re-elected and, the remuneration of the auditors, Messrs Peat, Marwick, Mitchell and Company, having been duly fixed, the proceedings terminated.

ASSOCIATED BRITISH PICTURE CORPORATION LIMITED

A SUCCESSFUL YEAR

The twenty-third annual general meeting of Associated British Picture Corporation Limited was held on August 3rd in London, Sir Philip Warter (the chairman) presiding.

The following is an extract from his circulated statement:—

The trading profits of the group amount to £2,205,624, against £2,038,762 for the previous year. Of the net profit of the group amounting to £543,622, £11,308 represents profits attributable to outside shareholders of subsidiary companies and the balance applicable to the corporation of £532,314 compares with £450,613 last year. After deducting £24,519 in respect of profits retained by subsidiary companies there remains a balance of £507,795, representing the net profit of the corporation for the year.

Receipts at the box-office have shown a downward trend. The only satisfactory way of arresting the downward trend is by way of better films. Even in the Greater London area, where attendances and receipts are down by a greater percentage than in the rest of the country, the results on the really successful films were satisfactory.

The gross takings of the corporation's cinemas last year amounted to £18,722,253, out of which no less than £6,891,835 was paid in entertainments duty. The report of the committee of inquiry appointed by the Board of Trade made the point that entertainments duty at the existing rates is too great a burden and expressed the view that the Government should bring under review the whole question of entertainments duty.

A REALISTIC QUOTA

I referred last year to the Cinematograph Films Act, 1948, and the order made under that Act providing for 45 per cent. of the first playing time to be devoted to British pictures. Half-way through the year under review this figure was reduced to 40 per cent. In making every effort to comply with the law, we have shown a number of films which, through lack of entertainment value, resulted in substantial losses in the cinemas where they were shown. For the year commencing October 1, 1950, the quota has been fixed at 30 per cent., which is a realistic quota and one which it should be possible to fufil with pictures of reasonable quality.

The Corporation's studios were kept fully employed, and although our film production operations resulted in a loss, I am pleased to say that the position generally shows an improvement. The markets available to British films do not permit a sufficient return on the successful films to offset losses on the inevitable failures. Government finance and quotas are not the answer.

Until the basis of taxation is adjusted in such a way that film production becomes a reasonable commercial risk, your board, although anxious to support the country's production effort to the full, is bound to view the making of pictures with considerable anxiety. The new proposals recently announced by the Chancellor of the Exchequer will afford some measure of relief to the industry and, although we welcome them as a slight recognition of our troubles, the proposals do not provide anything like a satisfactory solution.

Having regard to the difficult conditions the results are excellent. We have many problems to face, but the Corporation is now in a better position than ever before to meet them, and I therefore look to the future with confidence.

The report was adopted.

COLTHROP BOARD AND PAPER MILLS, LIMITED

MR FRANK W. J. SMITH'S SPEECH

The thirty-second annual general meeting of Colthrop Board and Paper Mills, Limited, was held on August 3rd at the registered office of the company, Thatcham, Berkshire, Mr Frank W. J. Smith (chairman and managing director) presiding.

The following is the chairman's statement circulated with the annual report and accounts for the year ended May 31, 1950:

In my statement of last year I pointed out that a certain order by the Paper Control had had a very adverse effect upon the company's results for that year. I am now pleased to say that several orders, and in particular the one preventing the use of our machines to the best advantage, have been rescinded. Although the Paper Control has not been entirely terminated, we now have a greater degree of freedom to conduct our business in our own way than we have had for over ten years.

In addition to this, various improvements and additions to the machinery made since the end of the war, and financed entirely out of profits, have resulted in greater output and in lower working cost.

The combined effect of these factors has been a net profit for the year of £194,707, after deducting all expenses except taxation, compared with £64,435 for last year. This has been the best year the company has ever had both in profit and tonnage of output.

It is unfortunate that the provision for taxation takes £104,315, or 53 per cent. of the profit, but the directors have no hesitation in recommending a dividend on the ordinary shares of 15 per cent., less income tax, being the same dividend as was paid in 1947 and 1948.

RESERVES STRENGTHENED

The directors would have liked to recommend a higher dividend, but owing to commitments upon capital expenditure designed to increase production and effect still greater economy of working, and owing to the present high cost of replacing machinery it is considered wiser to strengthen the reserves.

Accordingly the directors also propose to transfer £20,000 to general reserve, £20,000 to reserve for replacements, £5,000 to reserve for possible future bad debts, to place £5,000 to the credit of our employees' benefit fund, and to carry forward £41,789 or £3,946 more than was brought in.

It would be unwise to attempt to forecast the future in these uncertain times, but the company has a fine plant and a full order book, while the accounts that have been submitted to you show the soundness of the financial position. The plant, machinery and equipment stand in the books at very considerably less than present-day values. Providing we have no governmental interference, we can look forward to the future with confidence.

In conclusion, I wish to pay a tribute to my colleagues on the board and to the staff and to the employees in the mills. Their work throughout the year has effectively combined to produce these very satisfactory results.

CHAIRMAN'S REMARKS

Addressing the meeting, the chairman said: In my statement which was printed with the report, I mentioned that this is the best year the company has ever had, and I explained briefly the reasons for the improvement over the previous year. There is little more that I need say. I might have referred to the strength of the financial position, and in particular I could have pointed to the fact that the current assets amount to £524,000, while the current liabilities and provisions total only £282,000.

Everything is very clearly set out in the accounts. If, however, there are any questions you would like to ask, I shall be very pleased to answer them.

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

The retiring director (Mr J. R. Henry) was re-elected, and the fee of the auditors, Messrs Deloitte, Plender, Griffiths and Company, was fixed.

Mr. E. Royden Alltree, in proposing a vote of thanks to the chairman, directors, staff and work-people, said he happened to know a little about the company's class of business, and he knew that the magnificent result of the year represented a great deal of work, a great deal of worry and a great deal of distress of mind. The shortages of raw materials and increases in prices, which had made it very difficult to keep in friendly touch with their customers, had been appalling, and he thought that to produce the best result the company had had in the whole period of its existence was marvellous.

Mr F. E. Armstrong seconded the motion, and it was carried unanimously.

After a brief acknowledgment by the chairman, the proceedings terminated.

W. H. SMITH & SON (HOLDINGS) LIMITED

INCREASED TURNOVER

HON. D. J. SMITH ON RISING COSTS

The first annual general meeting of W. H. Smith and Son (Holdings) Limited was held on August 4th at the Holborn Restaurant, London, W.C.1.

The Hon. D. J. Smith, J.P., the chairman, presided.

The following is an extract from his statement, which was circulated with the report and accounts.

During the year under review, the retail and wholesale sections of W. H. Smith and Son Limited have shown a healthy tendency so far as sales are concerned. This was due in large part to the greater amount of newsprint available for the daily papers and weeklies, periodicals and magazines. More goods were also available on the stationery side of the business, though purchase tax has a very real effect on the sales in this section.

At the same time, costs have risen in all sections and wages particularly show a large increase on the previous year.

RENOVATION OF SHOPS AND BOOKSTALLS

I am pleased to say that several shops have been renovated or refitted and this work is being proceeded with as opportunity and licences permit. At the same time, some old or temporary bookstalls have been replaced with very fine modern structures. The latest of these are at Marylebone and Fenchurch Street stations and are probably the most modern design of bookstall in the world.

If you will now turn to the figures which are set out in the report which you have before you, you will see on pages 14 to 17 the consolidated profit and loss account and the appropriation account of W. H. Smith and Son Limited and its subsidiaries.

As your company acquired the share capital of W. H. Smith and Son Limited on September 1, 1949, the profits of W. H. Smith and Son Limited earned but undistributed before that date are not available to this company for distribution to its members by way of dividends, but recourse may be had to the pre-acquisition profits to defray pre-liminary expenses. Effect has been given to this position in the consolidated profit and loss account of W. H. Smith and Son Limited and its subsidiary companies in the following manner. There have first been shown the trading figures for the entire financial year ended April 1, 1950, with comparable figures for the previous year, so that the position as a whole may be clearly seen in this part of the profit and loss account. The principal change is an increase in the amount provided for depreciation of fixed assets; to some extent this reflects recent capital expenditure, but to a larger degree it is due to an adjustment of the rates of depreciation considered desirable in view of the enormously increased cost of replacement under present conditions.

NET PROFIT

After deduction of taxation the consolidated net profit has been apportioned on a time basis between the pre-acquisition period of five months from April 3, 1949, to September 1, 1949, and the remaining seven months of the financial year to April 1, 1950. For the entire financial year the net profit amounted to £611,028, out of which there have been paid dividends amounting after deduction of income tax to £288,862, including the special dividend of £41,250 paid to your company to defray its preliminary expenses. There has thus been retained by W. H. Smith and Son Limited and its subsidiary companies out of the year's profits a total sum of £322,166, of which £144,590 has been allocated to reserves not available for payment of dividends to members of your company, and £177,576 has been carried forward in respect of the profits for the last seven months of the financial year.

From the consolidated balance-sheet of W. H. Smith and Son Limited, and its subsidiary companies, it will be seen that the accumulated reserves and undistributed profits have been distinguished as between those existing at September 1, 1949, and those which have arisen in respect of the seven months from September 1, 1949, to April 1, 1950. Taking the position as a whole, the total of the share capital and reserves representing the funds employed in the combined businesses amounted at April 1, 1950, to £3,960,590, as compared with £3,622,538 at April 2, 1949, showing an increase during the year of £338,052.

STOCK POSITION

Fixed assets comprising properties, plant, motor vehicles, fittings, fixtures, etc., have increased during the year by £135,955. This is the net amount after deduction of depreciation charges and sales; the total capital expenditure during the year amounted to £273,964. In addition the surplus of current assets over current liabilities and provisions has increased during the year by £174,622. Stocks are less by £194,304, it being our policy to keep stocks as low as possible, but debtors have increased by £264,476 as a result of increased turnover and current trading conditions.

The separate accounts of the Holdings Company show that the income which has been drawn from W. H. Smith and Son Limited has been limited to the amount which is required for payment of dividends and expenses.

I have referred earlier to the staff, but I cannot end this statement without paying a very warm tribute to the staff throughout the country for all that they have done during the past year.

The business of W. H. Smith and Son Limited has now been in existence for more than 150 years and has grown by wise steps during that time. I can assure the Shareholders that the Directors will continue to be on the lookout for such expansion as they consider to be prudent.

The report and accounts were adopted.

Statistical Summary

EXCHEQUER RETURNS

For the week ended August 5, 1950, total ordinary revenue was £89,325,000, against ordinary expenditure of £58,652,000 and issues to sinking funds £480,000. Thus, including sinking fund allocations of £4,278,000, the surplus accrued since April 1st is £105,668,000 compared with £49,585,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	Receipts into the Exchequer (£ thousand) April 1, 1949 to Aug. 6, 1949	April 1, 1950 to Aug. 5, 1950	Week ended Aug. 6, 1949	Week ended Aug. 5, 1950
	£'000				
ORDINARY REVENUE					
Income Tax	1388000	278,877	271,017	19,471	17,814
Sur-tax	120,000	27,600	28,100	800	1,100
Estate, etc., Duties	195,000	64,900	66,050	2,700	2,600
Stamps	50,000	17,600	17,565	700	1,200
Profits Tax	270,000	76,260	67,620	4,900	6,600
E.P.T.		17,800	5,250	800	750
Other Inland Rev.	500	70	50	...	...
Special Contribution	4,500	10,600	2,070	300	100
Total Inland Rev.	2028000	493,707	457,722	29,671	30,164
Customs	870,650	272,051	292,346	18,618	17,255
Excise	713,150	251,600	259,400	33,100	38,764
Total Customs and Excise	1583800	523,651	551,746	51,718	56,019
Motor Duties	66,000	8,762	9,386	1,721	2,109
Surplus War Stores	35,000	27,953	10,477	...	...
Surplus Receipts from Trading					
P.O. (Net Receipts)	85,000	4,045	26,974	...	...
Wireless Licences	...	...	900	...	900
Sundry Receipts	33,000	3,040	3,100	...	...
Miscell. Receipts (in. Crown Lands)	27,000	5,971	5,172	58	...
	70,000	19,374	20,449	14	133
Total Ord. Rev.	3897800	1086503	1084925	83,182	89,325
SELF-BALANCING					
Post Office	172,150	53,100	56,000	4,100	3,100
Income Tax on E.P.T. Refunds	5,700	2,997	3,454	164	294
Total	4075650	1142600	1144379	87,446	92,719

Expenditure	Estimate, 1950-51	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1949 to Aug. 6, 1949	April 1, 1950 to Aug. 5, 1950	Week ended Aug. 6, 1949	Week ended Aug. 5, 1950
	£'000				
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	490,000	146,792	143,847	21,770	21,771
Payments to N. Ireland	36,000	11,581	12,191	1,153	1,281
Other Cons. Fund Services	11,000	4,973	3,697	...	...
Total	537,000	163,346	159,735	22,923	23,052
Supply Services	2918069	869,443	815,245	26,500	35,600
Total Ord. Expd.	3455069	1032789	974,980	49,423	58,652
Making Funds	...	4,129	4,278	425	480
Total (excl. Self-Bal. Expd.)	3455069	1036918	979,258	49,848	59,132
SELF-BALANCING					
Post Office	172,150	53,100	56,000	4,100	3,100
Income Tax on E.P.T. Refunds	5,700	2,997	3,454	164	294
Total	3632919	1093015	1038712	54,112	62,526

After decreasing Exchequer balances by £86,279 to £3,011,724, the other operations for the week decreased the gross National Debt by £20,413,186 to £26,188 million.

NET RECEIPTS (£ thousand)

Tithe Act, 1936, s. 26	118

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1949	320
E.P.T. Refunds	359
Export Guarantees Act, 1949, s. 3(2)	250
Housing (Scotland) Act, 1944 & Housing (Financial Provisions) (Scotland) Act, 1946	233
Local Authorities Loans Act, 1945, s. 3(3)	5,000
New Towns Act, 1946, s. 12(3)	200
Overseas Resources Development Act, 1948 :—	
Overseas Food	686
Miscellaneous Financial Provisions Act, 1946, s. 3(1)	
War Damage: War Damage Commission	3,000
Finance Acts, 1946 and 1947, Postwar Credits	343
	10,001

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Tax Reserve Certs.	17,388	Treasury Bills	34,554
Other Debt :—		Nat. Savings Certs	1,200
Internal	8,988	2½% Def. Bonds	235
		3% Def. Bonds	510
		Other Debt :—	
		External	1,935
		Ways & Means Advances	8,355
	26,376		46,789

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
Aug. 6	2210·0	2267·7	531·1	...	1224·0	6032·8
1950						
May 13	3000·0	1865·4	416·2	...	410·0	5691·6	
,, 20	3020·0	1839·4	437·9	...	410·0	5707·3	
,, 27	3050·0	1812·0	439·1	4·0	400·0	5705·1	
June 3	3070·0	1838·2	431·2	...	390·0	5729·4	
,, 10	3080·0	1765·2	413·2	...	380·0	5638·4	
,, 17	3090·0	1784·8	411·9	2·0	370·0	5638·7	
,, 24	3100·0	1769·7	421·4	4·0	350·0	5645·1	
,, 30	4856·9		404·2	12·5	350·0	5623·6	
July 8	3120·0	2034·9	387·4	...	375·0	5917·3	
,, 15	3120·0	2046·9	380·9	5·0	366·5	5919·3	
,, 22	3130·0	2025·9	396·2	...	380·0	5932·1	
,, 29	3140·0	1969·4	382·8	...	405·0	5897·2	
Aug. 5	3140·0	1934·9	374·4	...	405·0	5854·3	

TREASURY BILLS

(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
Aug. 5	200·0	309·4	200·0	10 5·36	51
1950					
May 5	250·0	337·6	250·0	10 4·30	3
,, 12	240·0	313·0	240·0	10 3·03	68
,, 19	250·0	312·5	250·0	10 3·13	73
,, 26	240·0	293·5	240·0	10 3·47	77
June 2	240·0	343·5	240·0	10 2·64	57
,, 9	240·0	317·8	240·0	10 3·08	67
,, 16	240·0	299·6	240·0	10 3·33	75
,, 23	240·0	315·4	240·0	10 3·06	68
,, 30	240·0	302·4	240·0	10 3·21	73
July 7	240·0	306·4	240·0	10 3·19	72
,, 14	240·0	327·1	240·0	10 2·90	63
,, 21	240·0	335·4	240·0	10 2·78	60
,, 28	240·0	340·8	240·0	10 2·72	58
Aug. 4	250·0	335·7	250·0	10 2·81	64

On August 4th applications for 91 day bills to be paid from August 8th to August 12th were accepted dated Tuesday to Saturday as to about 64 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million are being offered for August 11th. For the week ending August 12th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Week Ended July 30, 1949	Week Ended July 29, 1950	Total, Apr. 1 to July 29, 1950
Savings Certificates :—			
Receipts	1,900	1,400	29,050
Repayments	2,500	2,900	44,600
Net Savings	*Dr 600*	*Dr1,500*	*Dr15,550*
Defence Bonds :—			
Receipts	435	320	6,000
Repayments	746	946	18,224
Net Savings	*Dr 311*	*Dr 626*	*Dr12,224*
P.O. and Trustee Savings Banks :—			
Receipts	11,263	11,732	213,118
Repayments	16,031	16,062	232,915
Net Savings	*Dr4,768*	*Dr4,330*	*Dr19,797*
Total Net Savings	*Dr5,679*	*Dr6,456*	*Dr47,571*
Interest on certificates repaid	503	644	9,640
Interest accrued	2,349	2,422	40,749
Change in total remaining invested	*– 3,832*	*– 4,678*	*– 16,462*

BANK OF ENGLAND RETURNS

AUGUST 9, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1329,349,728	Other Govt. Securities	1358,017,661
In Banking Department	21,007,095	Other Secs.	703,292
		Coin (other than gold)	263,947
		Amt. of Fid. Issue	1350,000,000
		Gold Coin and Bullion (at 248s. 0d. per oz. fine)	356,823
	1350,356,823		1350,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	600,331,441
Rest	3,825,149	Other Secs.	36,455,169
Public Deps.:—	262,288,213	*Discounts and Advances*	*11,051,355*
*Public Accts.**	*15,769,683*	*Securities*	*25,393,814*
H.M. Treas. Special Acct.	*246,518,530*		
Other Deps.:—	383,610,718		
Bankers	*285,703,750*	Notes	21,007,095
Other Accts	*97,906,968*	Coin	6,503,575
	664,277,080		664,277,080

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1949 Aug. 10	1950 July 26	1950 Aug. 2	1950 Aug. 9
Issue Dept. :—				
Notes in circulation	1302·8	1319·7	1328·9	1329·3
Notes in banking department	47·5	30·6	21·5	21·0
Government debt and securities*	1349·2	1349·3	1349·3	1349·0
Other securities	0·8	0·7	0·7	0·7
Gold	0·2	0·4	0·4	0·4
Value at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	10·1	14·5	11·2	15·8
Treasury Special Account	32·4	237·1	246·5	246·5
Bankers	288·7	286·8	293·1	285·7
Others	87·5	97·9	98·6	97·9
Total	418·7	636·3	649·4	645·9
Securities :—				
Government	345·4	572·7	596·1	600·3
Discounts, etc.	11·1	18·0	14·8	11·1
Other	28·3	26·5	28·6	25·4
Total	384·8	617·2	639·5	636·8
Banking dept. res.	52·3	37·4	28·2	27·5
	%	%	%	%
"Proportion"	12·4	5·8	4·3	4·2

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,300 million to £1,350 million on June 27, 1950.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

	Aug. 9, 1949	July 25, 1950	Aug. 8, 1950
Cereals and meat	139·9	151·5	151·7
Other foods	147·3	156·0	156·0
Textiles	174·6	234·0	242·6
Minerals	243·3	287·5	288·9
Miscellaneous	146·7	172·2	176·6
Complete Index	165·2	192·4	194·0
1913=100	*227·4*	*264·4*	*267·0*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Aug. 3	63¾	72¾	179 4	114 2
,, 4	63¾	72¾	181 2	114 14
,, 5	Markets	Closed	180 8	114 10
,, 7	Closed	72¾	Market Closed	
,, 8	63¾	72¾	180 2	114 6
,, 9	63¾	72¾	180 9	114 8

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hong Kong)

The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. of 1929 of the Colony.

CAPITAL ISSUED AND FULLY PAID UP - - - - $20,000,000
RESERVE FUNDS STERLING - - - - - £6,000,000
RESERVE LIABILITY OF MEMBERS - - - - $20,000,000

Head Office: HONG KONG

Chairman and Chief Manager: HONOURABLE SIR ARTHUR MORSE, C.B.E.
London Office: 9, Gracechurch Street, E.C.3.
London Managers: S. A. GRAY, A. M. DUNCAN WALLACE, H. A. MARKT.

BRANCHES

BURMA	CHINA (Cont.)	INDIA	MALAYA (Cont.)	NORTH BORNEO (Cont.
Penang	Shanghai	Bombay	Kuala Lumpur	Sandakan
CEYLON	Soochow	Calcutta	Malacca	Sarikei
Colombo	Tientsin	INDO-CHINA	Muar	Tawau
CHINA	Tsingtao	Haiphong	Penang	PHILIPPINES
*Amoy	DJAVA (JAVA)	Saigon	Singapore	Iloilo
*Canton	Bandoeng	JAPAN	Singapore (Orchard Road)	Manila
*Chefoo	Batavia	Kobe	Sitiawan	SIAM
*Foochow	Soerabaja	Tokyo	Sungei Patani	Bangkok
*Hankow	EUROPE	Yokohama	Taiping	UNITED KINGDOM
*Harbin	Hamburg	MALAYA	Telok Anson	London
*Hongkew	Lyons	NORTH BORNEO	U.S.A.	
*Kunsan	HONG KONG	Jesselton	Beaver Town	New York
*Mukden	Hong Kong	Kuala Belait	San Francisco	
*Nanking	Kowloon	Sandakan		
Peking	Shaukiwan	Tawau		
*Swatow	Yaumati			

*Branches at present not operating

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ANNUAL INCOME EXCEEDS £18,000,000
ASSETS EXCEED £112,000,000
CLAIMS PAID EXCEED £207,000,000
(1949 Accounts)

PETAUKE CO-OPERATIVE MARKETING UNION LIMITED

Applications for the post of ASSISTANT MANAGER are invited.

1. Duties.—Secretarial and accounting, supervision of Agricultural activities, building construction, carpentry, and vehicle maintenance and deputising for the Manager when necessary.

2. Qualifications.—University degree and/or secretarial and/or accountancy qualifications, versatility and interest in agriculture.

3. Conditions of Employment.—Will be governed by a three year contract. Salary £500-£600 plus bonus according to experience and qualifications, free accommodation and heavy essential furniture, long leave accumulating at the rate of four days per month of service after three years.

4. Applications.—Will be received by the Manager, Petauke Co-operative Marketing Union Limited, Petauke, Northern Rhodesia up to and including August 31, 1950. The successful candidate will be expected to commence duty at the latest by January 1, 1951.

ASSISTANT SECRETARY

The Nuffield Foundation has a vacancy for an Assistant Secretary. He must be a university graduate (in any faculty) with a good academic record, of proved administrative ability in responsible posts and having the capacity to consider novel proposals imaginatively and practically. Preferably he should be aged between 35 and 40 years.

The commencing salary will be £1,500 a year, with superannuation and child allowances.

Anyone wishing to be considered for this post should write to the Secretary, Nuffield Foundation, 12, Mecklenburgh Square, London, W.C.1, stating age and full details of qualifications and experience and the names of three referees.

L. FARRER-BROWN, Secretary.

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GROWN AGENTS FOR THE COLONIES

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SECRETARY for Trust Company in Nassau, Bahamas. Must be experienced in all branches of trust work. Position is permanent and pensionable. Salary £1,000 per annum. Apply, stating age, experience and qualifications, to Box 1,000, c/o Mercl...

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A European Army?

WHEN Mr Churchill proposed at Strasbourg last Friday that a "European army" should be established, his suggestion was received with eager enthusiasm and the Assembly voted by 85 to 5, with 27 abstentions, that such an army should be set on foot. In spite of this brave reception, it is a little difficult to discover precisely what Mr Churchill and his supporters have in mind. There was clearly no intention of contrasting a European army with an American army and suggesting that Europe could be defended by European means alone—American assistance is universally seen to be essential. Nor does it seem possible that the suggestion envisages the dismemberment of national armies and the setting up of a new single force, clothed in one uniform and staffed by officers chosen indiscriminately from each western European country without reference to language or experience. The appalling confusion such an innovation would bring about would fatally weaken Europe's resistance at a time when it most needs to be coherent and firm. For three years at least—the crucial three years—there would be not a European army but no army at all. This, obviously, cannot have been in Mr Churchill's mind.

Yet there can be no doubt that the Assembly, in its vote, was expressing a deeply felt wish of European opinion. The vote reflects Europe's concern at the weakness and the ineffectiveness of the mutual defence arrangements that have been made so far. With the hot breath of the Russian bear at their back, the delegates looked at their military resources and found them wanting. The demand for a "European army" is a demand that the present shadowy framework of a European defence force should now be filled in with the fighting men, the tanks and aircraft which alone can give it life and substance. The principle of a European army has, after all, been accepted in Western Union. There exists at Fontainebleau a High Command built on completely international lines. It is the "war headquarters" of two potential theatres of war which have been made to overlap—the original Western Union area covering western Europe and the "central European region" of the Atlantic Pact. This supreme command would, in the event of war, have the national military forces of the member states at its disposal. The three services of the five nations would serve under Field-Marshal Montgomery, the land forces of the five nations under General de Lattre de Tassigny. There is thus a "European army" in potential existence such as there has never been in any previous period of peace in Europe. Mr Churchill, in demanding a "European army," was not suggesting that such a framework did not exist but that, so far, it had signally failed to provide an adequate structure of European defence. The need is not to create still another paper organisation—there are too many already—but to breathe life into the embryo that already exists. Fontainebleau should not be superseded; it should be given authority. It should be converted from an idea into an army.

There are three practical things that could be done almost at once. The first is to remove the ambiguity that still hangs over the degree

of American and Canadian participation in the defence of Western Europe—an ambiguity that can only be increased by the unfortunate use of the phrase "European army," however natural it may be in a Strasbourg context. The actual text of the Atlantic Pact lays it down that the United States and Canada shall participate "as convenient" in the strategic planning of the "central European region." They should now become full partners. If this entailed the appointment of an American general to succeed Lord Montgomery, then (without any disrespect to the Field-Marshal) so much the better.

The second thing that could be done now would be to give the joint defence organisation some authority over what is done, or not done, in each of the member countries. There is a tendency at present for decisions to be taken in committee for the execution of which the central organisation has no assurance at all. It is easy for Defence Ministers to meet and agree and make pledges and then return home only to find political pressures and economic exigencies and financial stringencies too much for them. It has been formally agreed that defence is to take precedence over economic policy; but no European country is in fact acting as if it meant it. This is, of course, basically a matter of stirring up public opinion. But a great deal of good could be done if an officer of high rank and personal authority were appointed as Inspector-General, with the right to follow up in each of the participating countries the execution of agreements reached at Fontainebleau or elsewhere. It is not only a question of the munitions of war. Here, indeed, American aid may play a predominant part. The promises that have gone unfulfilled in the past have often concerned aspects of defence which national governments alone can determine. Such, for instance, is the provision of cadres, of NCO's, of facilities and proper support for local training. So frequent have the divergences been between promise and realisation that there is urgent need for the appointment of someone whose task it would be to check performance against promise and keep pressure upon governments whose temptation may still be to default.

The third and the most important thing that can be done is to give the Supreme Commander some troops. This, surely, is what is chiefly meant by the creation of an Atlantic, or European, army. It does not mean that the whole of each national army should be transferred to the authority of Fontainebleau. National governments would insist on continuing to recruit and train and control their armies—and it is right that they should do so. Moreover, most of the governments concerned have military responsibilities outside Europe. The clearest way of envisaging what is required is to say that Shaef should be reconstituted and that each of the governments should place at the disposal of the Supreme Commander, as they then placed under General Eisenhower's command, as many fighting formations as they could. This conception fits in with the eminently reasonable desire of the French Government to see more American and British divisions stationed in Europe. The most urgent need of the moment, indeed, is that the defence forces of the western nations should be regrouped in fighting formations. The demand for a European army, in fact, is a demand that there should be an army in Europe.

Here is an eminently practical, urgent and realistic piece of "closer union in Europe" which raises none of the awkward issues of vested interests that haunt the Schuman Plan and other economic schemes. It is, in essence, simply a proposal to take up the armed co-operation of the free nations at the point where it was dropped in 1945. The European Assembly deserves the fullest support of public opinion in its attempt to put the whole subject on the agenda for immediate action.

The Divorce Laws

THERE are few branches of the law which are in closer contact with the social customs and personal beliefs of the people than divorce. Undoubtedly this is why the divorce laws are under such constant pressure for change. The impetus for change comes from three directions. The first is public opinion itself. Since it is chiefly concerned with broad principles, it is rather a blunt instrument of reform; but it is a powerful one, and has directly inspired at least one Act of Parliament. The second is the departmental committee; over the last two years a number of minor but important changes have been made as a result of the last of such committees, the Denning Committee. The third source of change in the law is the decisions of the courts themselves. More than any other court, the divorce court is constantly reconciling the claims of the individual with the claims of society, a process which inevitably produces change in the law itself. At the moment, there are two fields in which alterations are either being urged or are taking place. The first is a growing public demand for some change in the rights to divorce possessed by couples who are already separated. The second is concerned with cruelty. In the last month or so the courts have been faced with some difficult problems where cruelty is alleged as a ground for the dissolution of a marriage.

Cruelty has always been a ground for some relief in the divorce court. Originally it justified a judicial separation. Since the Marriage Act of 1937 it has been a ground for the dissolution of a marriage. In matrimonial proceedings it was defined by the Court of Appeal, in 1897, as

> conduct of such a character as to have caused danger to life, limb, or health, bodily or mental, or as to give rise to a reasonable apprehension of such danger,

a useful definition, from a public point of view, since it does not tie subsequent judges too rigidly. The problem that has faced the judges recently has been how far the element of intention is necessary.

In the autumn of 1948, a wife went out for an evening leaving her husband in charge of their one child, aged eight. When she returned she found that the husband had strangled the child and had attempted, unsuccessfully, to commit suicide in the gas oven. The husband was tried for murder and found "Guilty but insane," and is now in Broadmoor. The question before the court was whether the wife was entitled to a divorce on the grounds of her husband's cruelty. His acts had been cruel, but had they been intended to be cruel, in the sense that the husband was aware of all their natural consequences? In any case, did that matter? In a second case, heard this summer, a petitioning husband had almost the reverse story to tell the court. His wife showed what was described as a complete disregard for her family. She stayed in bed late, failed to prepare meals, neglected all her normal duties and left the child of the marriage to be cared for either by her husband or her mother. Did her conduct amount to cruelty, when it was so negative that it could hardly be described as having any intention behind it at all? The answer of the court was in the first case to give the wife her divorce and to refuse it to the husband in the second. These judgments were obviously grounded in common sense, but can they be considered logical or consistent?

*

It is easy enough to distinguish the two streams of thought in the minds of the judges. It is clearly not their business to make divorce too easy, or to relax the requirements laid down by Parliament. As Lord Justice Denning said in this second case ". . . if the door of cruelty was opened too wide, we should find ourselves granting divorce for incompatibility of temperament. . . ." Lord Justice Asquith said very much the same thing in an earlier case—

> the husband cannot be absolved from neglect and want of consideration for his wife, but this is a charge which thousands of spouses would proffer against each other with abundant justification but without hope or prospect of receiving legal relief.

On the other hand, to quote the judgment, that of Mr Justice Pearce, in the case of the husband who murdered the child,

> . . . to withdraw from the ambit of legal cruelty conduct that is intolerable but is due to insanity is to make the court powerless to help in cases where help is most needed.

Yet the essence of insanity is lack of intention. The dilemma is increased by the rigid parliamentary definition of the insanity needed to justify a divorce on that ground alone. It must be incurable insanity and the insane spouse must have been under care and treatment for at least the five years preceding the presentation of the divorce petition. The courts are now in the position of having laid it down that a man may be responsible for all his acts, intended or not, in one court, the divorce court, but not in another, the criminal court. Perhaps the courts will only regain their capacity to be logical when they are empowered to dissolve a marriage if the conduct of, or circumstances surrounding, one spouse make it impossible for the other spouse to continue the marriage in more than name.

The same kind of situation is at the root of the agitation for greater freedom of divorce among those who are legally separated. Divorce can be obtained if one spouse deserts the other for three years, but the courts, again logically, have been bound to hold that if the parties are legally separated, either by voluntary agreement or court order, neither can thereafter be said to be deserting the other. But the practical disadvantages of this are considerable. A wife deserted by her husband is usually left without much money. She goes to the public court for a separation order because it normally contains a provision requiring the husband to pay weekly maintenance, and a magistrate's order to pay money is more easily and speedily enforced than one which has only a civil sanction behind it. But once the order is made, the wife can no longer obtain a divorce for desertion. She could in most cases obtain one based on adultery, if she could prove that adultery. It is easy to prove desertion: the evidence of the wife is sufficient. It is far less easy, and far more expensive, to prove adultery. In addition, to complicate the issue, there is that body of spouses, legally separated, who have no intention themselves of marrying again, and every intention of preventing their legal partners from doing anything of the kind.

It is not very satisfactory to find that the divorce court is driven to apparent inconsistency, that it is able to treat insanity that has a "cruel" manifestation as a ground for an immediate divorce, whereas insanity of another kind may leave an equally deserving spouse with five years to wait. It is essential that the community should put up a stiff ring fence to deter the bored, the lazy and the promiscuous from believing that their own lack of discipline is full justification for release from their existing liabilities. This was recognised in the 1937 Act when it was laid down by Parliament that divorce could be granted during the first three years of marriage in only the most exceptional cases. It is arguable that the three-year period is too short. Yet public opinion has gradually come to accept the idea that, if divorce is to be permitted at all, it is better that it should be based on the fact that the marriage has foundered, as established by one or more of a number of legally accepted tests, rather than that a divorce should be regarded as the "right" of the one party who has contrived to appear the more "innocent" or less blameworthy.

If the divorce laws are ever investigated by another

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Commission, or made the subject of another Parliamentary Bill, it is surely time to consider whether the courts should not be given the right to dissolve a marriage which is beyond doubt at an end as a fact, and yet where the cause of that ending may not fit into any of the categories that parliamentary skill has laid down. The courts, faced with the postwar flood of divorce petitions, have shown themselves capable of defending the public interest in continuing marriages where there is the slightest chance that the marriage can be saved. But, at the moment, they cannot refuse a divorce to a spouse who proves a single act of adultery on the part of the other, while they may not be able to release a spouse married to an insane murderer because he or she may be unable to prove that the insanity is incurable. It is arguable, to say the least, that the institution of marriage would be strengthened, not weakened, by relieving the courts of these absurd restrictions.

The Hotel Industry

THE report of the Catering Wages Commission on its inquiry into the operation of the Catering Wages Act in the hotel industry* is a most disappointing document. It will be recalled that the Commission were asked by the Minister of Labour last December to review the working of the Act "as a matter of urgency." Since the Act is a particular pet of the Ministry of Labour, the request itself could be regarded as an admission that something was badly wrong. The Catering Wages Act has, in fact, turned out to be a prime example of the sort of mess that rigid and unimaginative government intervention can make of an industry.

The Act originated with Mr Bevin, who was anxious to extend the benefits of trade unionism and collective bargaining to what was a largely unorganised trade. The aim was in itself a good one. But the difficulty was —and is—that there are neither trade unions nor employers' organisations that can properly speak for the industry. On the union side, what happened was that three of the general unions made a treaty partitioning the country and started to try to recruit members from the hotel industry—in which they have largely failed. On the employers' side, the representative bodies were very heavily weighted by the big London hotels, whose proprietors knew no more about the conditions of work in the small country inn or the seaside hotel than the unions did. The result of their collaboration—and the report shows that the orders have been, in the main, agreed documents—was a wages code of the most fantastic complexity, intelligible only by trained accountants and appropriate only to large metropolitan hotels which, with their specialised staff and shift-working methods, can be run more or less like industrial factories. It is hardly possible to realise the absurdity of the Wages Orders without reading, in the Appendices to the Commission's report, the 28 pages of complex detail that were actually enforced on the licensed section of the industry and—even more egregious—the 26 pages (including, among other things, definitions of 86 grades of workers, of which some are as exotic as *Chef-Entremetier* and *Commis-Saucier*) that it was solemnly proposed to enforce on the 80,000 or so unlicensed establishments, most of them one-woman boarding houses.

The objection, from the point of view of public policy, to the results of this interference is not that it has raised the earnings of workers in the hotel industry, many of which were unreasonably low. Nor is it any more objectionable in the hotel industry than in any other that wages regulation should have raised the costs, and therefore the level of charges, in the industry. Hotels as a whole have been prosperous enough in these last few years to be able to absorb such part of the added costs as they were unable to pass on to the public. At least for the present there is no need to waste any tears on the hotel proprietor—though the story may be very different if ever the present record volume of business falls off, for the rigidity of costs imposed by the Act, fully as much as their height, may play havoc with an industry which is in any case very susceptible to depression.

The public objection lies far more strongly against the effects of the Act—or rather of the Wages Orders made under it—in lowering the standard of service. If the hours of work exceed 48 a week, or are spread over more than 12 hours in any one day, there are penalties of progessively increasing severity to be paid. The result is that the proprietor of a small hotel where shift working is impossible is almost compelled to limit the service he provides for his guests to the same hours, which may be suitable for a factory but do not fit a residential hotel. This is bad enough; but the height of absurdity in treating a domestic industry as if it were a factory is reached in two other provisions of the existing Order. One of these is the provision that any hotel worker who is asked to work on a Bank Holiday shall be paid double time for the day and in addition given an extra day off, or a day's wages in lieu—in effect triple time. This provision was copied from the wages code for factory canteens, where it is reasonable enough. But many, probably most, hotels and their workers expect to be at their busiest on Bank Holidays. The provision is equivalent to insisting that a night watchman be paid triple time because he has to work at night. The other, and perhaps the most absurd of all the provisions, is that, in fixing wage rates, no account at all is taken of the fact that some hotel workers do, and others do not, receive tips. It should be appreciated that there has been no attempt to abolish or even to discourage the practice of tipping—indeed there would be the most strenuous objection from the workers' side if there were. It is simply that in an excess of sentimentalism the Commission decided to pretend that what manifestly does exist does not. The obvious result is that "front of the house" staff can now make very much better livings that, for example, kitchen staff, who are consequently very difficult to recruit, so that the aspect of British hotel-keeping which needs most encouragement is in fact most prejudiced.

In these circumstances, it was surely the duty of the Commission to go back to the beginning and see the whole subject in perspective. And it is precisely in this respect that their report is most disappointing. It contains a number of useful recommendations—that the industry should be divided, not as between licensed and unlicensed establishments, but as between "large London," "large provincial" and "small establishments wherever situate"; that the Wages Board should be assisted by committees "confined to persons actually and actively engaged in the hotel industry" and not drawn from the representatives of the organised interests who constitute the Board itself; that the "spread-over" should be increased to 14 hours; that the "emergency" provisions (which can result in its costing the employer the best part of a pound to have the front door bell answered late at night) should be reconsidered; that work on a Bank Holiday should be paid at plain time rate; and so forth.

These will all be useful, and will remove some of the more glaring absurdities. But they are relatively trifling. Of fresh thought on the major issue—which is how exploitation of the workers in the industry can be prevented without impeding its smooth working—there is very little sign. Even on the vexed question of tipping, though the Commission come very close indeed to admitting that they were wrong three years ago, they can only recommend that "a joint national committee" (presumably of the same old unrepresentative organisations) should be established to examine it "as a matter of urgency."

Perusal of the report leaves on the mind the depressing reflection that the planned economy is not fitted with a reverse gear. It can make mistakes; it is even prepared to collect and print the evidence to prove that they are mistakes; but there is very little possibility of acknowledging any errors, and virtually none at all of putting them right. What is missing from this report is the moral courage that would be required to admit that the whole scheme of the Catering Wages Act was conceived in a romantic cloud of misinformation and that it needs thinking out again from the start in a spirit of realism.

* Cmd. 8004. 5s. net.

Chinese in South-east Asia

HOW does the new Chinese People's Republic look to the Chinese communities of South-east Asia? The role that it will play in world affairs will very largely depend on whether or not it can enlist them as allies. They are outside the territorial frontiers of China and cannot be directly coerced by the Chinese Communist power as long as its troops do not go beyond those frontiers; they are free to choose how far they will support the revolutionary regime now established in Peking. At first sight, it might seem that their prevailing interests and sentiments would make them in general strongly anti-Communist. They are predominantly bourgeois in social composition. The typical Chinese of South-east Asia is engaged in private business, large or small, and retail shopkeeping is the occupation he has made specially his own. Very few of them are settled on the land—the problem of peasant squatters in Malaya being a special and recent development—and the agrarian reform appeal of the Communists in China therefore hardly applies to them. Even those Chinese of South-east Asia who have remained wage-labourers generally enjoy a higher standard of living than the corresponding grades of workers in China and might be expected to lack enthusiasm for the recent news that textile workers in Shanghai had voluntarily asked the Communist authorities for a reduction of their wages.

But these emigrants may prove to be much more pro-Chinese than anti-Communist. The overseas Chinese have always looked upon China not only as the homeland of their race, but also as the power which should support and protect them in their exile. It is true that their emigration from China has been voluntary, that many of them have found a range of opportunity and have achieved a prosperity which would never have been possible for them in their own country, and that very few of them have shown any inclination to return to it. Their direct practical concern is with the economic and political affairs of the countries wherein they have settled rather than with the national destiny of China. Nevertheless, they retain a sense of separateness from the peoples among whom they live, a sense of being Chinese and therefore, by traditional habit of mind, of being superior to all non-Chinese, particularly to the inhabitants of South-east Asia, most of whom were formerly tributary to the Chinese empire. In two countries the Chinese are so numerous that they constitute a rival nationality—in Malaya, where they number nearly half the total population, and in Siam, where they are about a fifth. Elsewhere they form strong local groups, but are heavily outnumbered by non-Chinese in the population totals; in Indonesia, for example, there are more than a million Chinese but their percentage in the total population is only 2 per cent.

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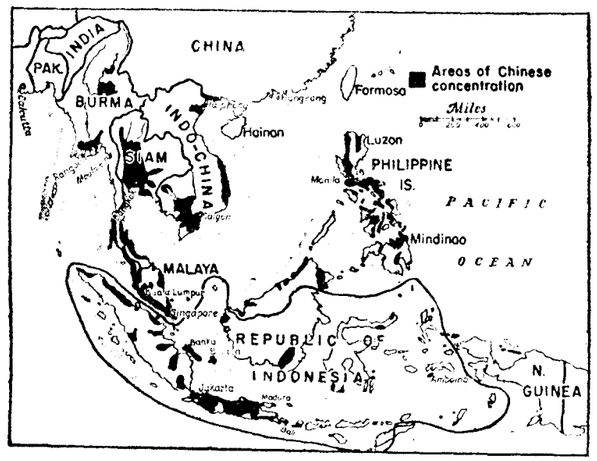
The separateness of the Chinese has recently tended to be accentuated rather than to diminish. Chinese families which have been settled in South-east Asia for several generations have indeed in many cases been more or less assimilated to the local population; they have intermarried with the natives and have sometimes even lost the use of the Chinese language. With Chinese emigrants of the first and second generations, not only has the process of assimilation not yet had time to work, but it has been definitely reversed by two factors due to the growth of nationalism of the modern type throughout Asia. On the one hand, the native peoples of South-east Asia have become increasingly conscious of nationality and have in consequence begun to view the unassimilated Chinese as aliens with a new sharpness of definition. On the other hand the Chinese themselves have also become more nationally conscious and for several decades the Chinese national authorities, which formerly took little or no interest in Chinese who had once left the shores of China, have been trying to exercise rights of protection over the overseas Chinese communities. They have persistently maintained the

INDEX

The Index to Volume CLVIII of *The Economist* (Jan.-June, 1950) should by now have been published. The delay, which we regret, is one of the results of the continuing ban on overtime imposed by the London Society of Compositors in May. An announcement will appear as soon as the Index is ready; this is unlikely to be before the end of September.

doctrine that persons of Chinese descent born abroad, as well as emigrants born in China, are Chinese citizens, entitled to the good offices of the local Chinese consul—and amenable to his authority.

The Chinese of South-east Asia, finding themselves regarded as subjects by the local governments (whether western colonial or native authorities) and as outsiders by the native inhabitants, have looked more and more to the Chinese consuls and to the power and prestige of the Chinese state to gain or preserve for them the rights and the status to which they aspire. They desire, therefore, that China shall be as strong and independent as possible; for every increase of Chinese national power and prestige strengthens their own position as Chinese, while every weakening or humiliation of China diminishes it. Hence the overseas Chinese have been from the beginning of the century enthusiastic supporters of every political movement which has aimed at the creation of a modernised and efficient unified China and has appeared likely to attain that end. They provided Sun Yat-sen with most of the funds for his revolutionary organisation which grew into the Kuomintang, and in the twenties they continued to back the Kuomintang in its struggle against the North China "war lords." When the Japanese invaded China they boycotted Japanese exports, even though it meant cutting off from Malays, Indonesians or Filipinos the cheap consumers' goods which Chinese traders and shopkeepers had distributed. They looked forward to the emergence of China as a Great Power after the defeat of Japan, a Great Power able not only to strike awe into an independent Siam or Burma, but to be tough with British, Americans, French and Dutch.



By comparison with this dream postwar Kuomintang China was a sorry failure. Plunged in administrative chaos and monetary inflation, it exhibited a humiliating dependence on American aid and was unable to talk to the world in the "high astounding terms" expected of it. A revulsion of feeling against it transferred the allegiance of the younger generation of overseas Chinese more and more to the new rising power of the Communists, which not only displayed a capacity for ruthlessly efficient government, but used a language of bold defiance and invective towards all the nations of the west outside the Soviet *bloc* and towards all the governments under which the overseas Chinese lived. When the Chinese Communists, with complete impunity, bombarded a British warship and held it captive in the Yangtse for many weeks; when the Americans after supporting the Kuomintang and maintaining a military mission and naval base in China abandoned the field to the hostile Communists; when Britain after extending *de jure* recognition to the Peking Government submitted to the indignity of being made to bargain as a suppliant for the precious privilege of being allowed to have diplomatic relations with the celestial empire—then all patriotic Chinese had to admit that here at last was a Chinese government which could put foreigners in their place.

It may be objected that this new Chinese truculence does not apply to Russia, and that the "People's Republic" has defied Washington and London only at the price of a degrading subservience to Moscow. This is perfectly true, but as far as publicity goes it cannot be denied that the Russians have been far more discreet than the Americans were in the period of their influence. In a country where "face" is notoriously of primary importance, Russia has been careful to avoid hurting Chinese pride by any such public statements as the reports made by Generals Marshall and Wedemeyer after their missions to China. Further, it has to be remembered that, wherever Russian domination may have extended in the past or the present, it has never yet reached South-east Asia, and it seems remote and unreal there compared with the recent or contemporary rule of western countries.

There is, moreover, a further reason why Communism makes a strong appeal to overseas Chinese on nationalist grounds. As long as they were organised only in branches of the Kuomintang, a specifically Chinese party, which could never have non-Chinese members, they were cut off from the possibility of leading organised bodies of the non-Chinese peoples. But Communism being theoretically international, Communist parties can be formed in Malaya, Siam or Indonesia, including both Chinese and non-Chinese members. The Chinese can be sure of playing the dominant—or at least a very influential—part in these parties, because of their initiative in them and the prestige of China as the model and promoter of Communism throughout the Far East.

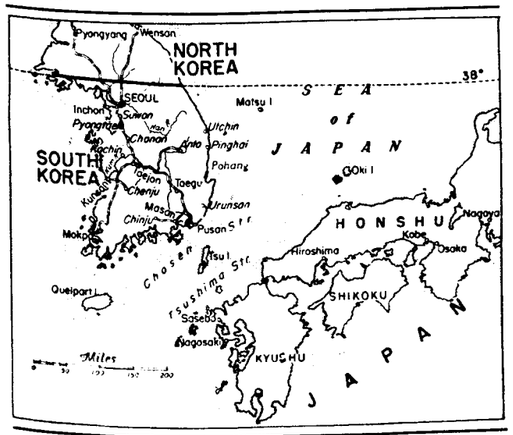
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Success in this direction is still limited by the suspicion which the native peoples have for organisations run by Chinese; so far in Malaya, for example, Communism has remained essentially a Chinese movement with very few Malay adherents. But under more favourable conditions Communism could be in South-east Asia an effective instrument of Chinese domination without direct affront to local nationalisms. Just as in Europe the international character of Communism has facilitated the national ascendancy of Russia, so in South-east Asia it might be made to serve a new imperial expansion of China.

NOTES OF THE WEEK

Korea and Formosa

Very heavy fighting has continued all through the week along the United Nations' defence line on the Naktong River. The North Koreans have continued to establish bridgeheads across the river and their great superiority in numbers continues to stretch the resources of the American forces almost to breaking point. Nevertheless, the week's fighting has given some further proof of growing American strength and mobility. The counter attack at Chinju has been pressed forward, local initiative has been recovered near Pohang, which was lost to the invaders last week, and the mustering of an enemy attack upon Taegu has been disorganised by the dropping of 1,000 tons of bombs on a concentration of some 40,000 North Korean troops assembled in the neighbourhood of Waegwan. For the first time a note of doubt has crept into Communist exhortations: the North Koreans have been told they must win before the end of August brings further reinforcements to the United Nations.



If the military front shows some signs of growing stability, the diplomatic background to the Korean war remains obscure and indeed disquieting. Mr Harriman's visit to General MacArthur has led to no clarification of the official American attitude towards Chiang Kai-shek. Mr Attlee, in a reply to Mr Fenner Brockway, has bluntly stated that Britain's undertaking to give military assistance does not extend to Formosa. Meanwhile, the fear has grown that the Russians may be able to push Mao Tse-tung into launching his invasion of Formosa. Their hope is that the Americans would then find themselves with two wars on their hands, one within the framework of the United Nations and backed by world opinion and another, in support of Chiang, which would be fought alone. If it is true that blundering American diplomacy bears the major share of blame for permitting such a dangerous situation to arise, it is also true that it is fully as much to Britain's interest as to America's to bring it to an end.

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The Real Debate at Strasbourg

A clear geographical division of opinion has now made itself apparent at Strasbourg. On the one hand are the "fringe states" of Europe—Britain and the Scandinavian countries—on the other the continental powers—France, Italy, Germany and the Benelux Union. In all the fringe states, the experience of government in the last thirty years has been reasonably reliable and coherent. Nor have they, with the exception of Norway, suffered deeply and directly from enemy occupation and all the dislocations of administration it brings about. For them, national government is still an orderly process providing the best method of securing democratic control and the representation of interests.

The continental communities have experienced three very different decades. Unstable coalitions, cynical administration, long occupation by the enemy with varying degrees of local collaboration—all these have undermined the authority of government among influential groups of opinion and the desire has grown to escape from "the idiocies of sovereignty" by by-passing government altogether. What seems a safeguard of democracy in Britain or Sweden is a mockery of it to France.

It is this profound division of opinion and indeed of emotion that explains the inability of the British delegation to make contact with the mood of continental Europe. Dr Dalton might in any case prove somewhat unadept at a task demanding tact and the appreciation of atmosphere. But the British Conservatives are in no better case. The French have demonstrated a fierce and angry opposition to the rival version of the Schuman Plan put forward by the Conservative members of the British delegation and denounce it as a "plot" to emasculate the Schuman Plan by removing its essential feature—the by-passing of governmental control. This issue, in fact, has appeared in all the debates, whether they have turned upon the Assembly's relations with its Committee of Ministers, upon the European Army, or the Schuman Plan. The British and Scandinavian delegates have pleaded repeatedly for the responsibility of government, their continental neighbours as resolutely against it. This has become the real deadlock in Europe.

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Parliament Recalled

Once again August has proved itself to be a month of crisis. Once again the Prime Minister has proved his infinite capacity for turning crisis into anticlimax. It was argued with some force before the House of Commons adjourned at the end of last month that Parliament ought not to be in recess until October 17th, since the war in Korea was obviously compelling the Government to take big decisions on defence policy. Mr Attlee and Mr Morrison then replied that the Government would certainly recall Parliament if the circumstances demanded it, but the leisurely way in which they have redeemed their promise—with a whole month to elapse between the notice of recall and the assembly of Parliament—destroys any psychological effect the recall might otherwise have had.

It is assumed that Mr Attlee's reasons for refusing to accept the arguments of Mr Churchill and Mr Clement Davies for an earlier recall, pressed in person for an hour and a half on Wednesday, were that the full implications of the new defence programme, and its effects on the country's economy, have not been worked out. There might be some substance in Mr Attlee's view if people could have some confidence that the Government's plans, when completed, would match the situation. But memories of three summers ago, when the Government refused to recall the House of Commons at all, and when the British people, who had been keyed up to expect a plan for economic salvation, were let down with a series of small ineffective measures, are not reassuring. Moreover, a meeting of Parliament before the Government completes its plans might well strengthen its hands, since members would voice the people's anxiety that the action taken should be adequate. Instead, the old temporising Festival-of-Britain mentality—the belief that all is right with the British way of life—seems to be ruling the Government.

The effect on public opinion here can only be to lull it into a false sense of security. In the United States the impression will be given that the British Government still does not fully realise that today speed is the essence of a successful defence policy.

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Higher Civil Servants' Pay

The Government has relented towards its higher civil servants and from October 1st, 1950, they will receive the first instalment of the higher pay they were due to receive in October, 1949, and which was snatched from them a week or two before this date as one of the first fruits of the devaluation crisis. Anyone who knows the burden borne by this small and overworked band of men and women will admit the justice and wisdom of this step. Since 1939 the salaries of the heads of Government departments have risen by only 17 per cent and of their deputies by 14 per cent. In common with other professional workers they have had to meet the higher cost of living; unlike most other workers they have also had to shoulder a far heavier load of responsibility since the role of central government has changed so radically over the past eleven years. To expect so much from these men and women and to give so little in return was patently unfair.

Below are compared the new range of salaries, which were recommended by the Chorley Committee in September, 1948, and the present and prewar rates. The effect will be to increase the top grade by 50 per cent over 1939 and the maximum of the Assistant Secretary grade by 33⅓ per cent.

	1939	*Present*	*New Rates*
	£	£	£
Permanent Secretary	3,000	3,500	4,500
Deputy Secretary	2,200	2,500	3,250
Under Secretary	*	2,000	2,500
Assistant Secretary (maximum of scale)	1,500	1,700	2,000

* No comparable Grade

In theory, at least, it should be possible to implement these increases without stirring up a storm of salary demands outside the Civil Service, since at the time of their acceptance the Government stated that the Chorley recommendations were consistent with the White Paper on Personal Incomes. Inside the Civil Service, however, the decision is likely to have immediate repercussions.

The First Division Association has been fighting a long battle with the Treasury over increases in salaries for the lower ranks of the administrative grade—principals and assistant principals. This ended in stalemate in March of this year when the Civil Service Tribunal refused to deliver judgment in the case put up to them. The decision to increase the salaries of the top grades will certainly stimulate the First Division Association to return to the attack. Other associations representing senior professional civil servants are almost certain to do the same.

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Inflation in Europe

One of the tasks of the Organisation for European Economic Co-operation is to survey the internal financial policies of its member states and by analysis, information and encouragement to attempt to guide them towards the financial stability which they have accepted as part of their obligations under the Marshall plan. A first report on Europe's financial stability was issued rather less than a year ago and now a new report has been published surveying conditions in 1949 and early 1950. The period is admittedly a difficult one in which to study financial stability since the major upheaval of general devaluation occurred in the middle of it and the consequences of that change have not yet worked themselves out. Indeed, one of the difficulties that has beset the experts in their examination of each index of internal stability is the impossibility of deciding which phenomenon is responsible for what consequence. As the report remarks, *à propos* the relation between balance of payments and internal financial stability:

> It is difficult to disentangle the effects of each country's internal financial situation on its balance of payments from the effect of the devaluations or of the changes in world and United States demand and prices or of the liberalisation of intra-European trade.

Nevertheless, the report reaches some provisional conclusions. The era of acute inflation has passed, but stability in most states is still precarious. Prices began to fall generally in 1949—on an average by between 2 and 6 per cent. Pressure of demand slackened and although very high rates of investment mentioned throughout Europe—19 per cent of the national income was the average—more goods reached the private market, largely, no doubt, because domestic production increased by about 10 per cent in 1949 and by a somewhat lower percentage in early 1950. Industrial employment was maintained everywhere except in Belgium and it is clear that the report, taking into account this almost universal absence of "slack" in the economies, thinks it only too likely that inflation could return to most countries either as a result of their efforts to maintain investment once Marshall aid has ceased or as a result of greater defence programmes. It is true that devaluation has not been the signal for strong inflationary pressure and post-devaluation prices have risen slowly except in Austria. Yet a general rise had started by the beginning of 1950 and clearly only large increases in productivity and vigorous checks on unnecessary spending can prevent the defence effort from ushering in another inflationary phase.

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Protagonists at Geneva

The discussions on full employment have provided the United Nations Economic and Social Council with one of its most lively and profitable sessions. In addition to the government delegations, those who took an active part included representatives from international technical bodies —such as M. Gutt of the International Monetary Fund— and Mr Nicholas Kaldor, who spoke in his private capacity and as a member of the original group of six economists who drafted the Uno report on full employment. It was this report which formed the basis of the discussion at Geneva.

There were two main trends in the criticism of the report. First were the protests from the delegates of under-developed areas—India and Brazil—who argued that the experts had not paid enough attention to the problem of "under-employment" which in their countries took the form of excessive agricultural populations and insufficient opportunities for those trained as white-collar workers. Mr Kaldor, speaking for the experts, met their complaints with sympathy and was able to enlist the support of these critics when he came to deal with the second line of attack on the report.

Among the policies advocated by the experts was reform of the International Monetary Fund and the International Bank. The experts felt that these organisations had failed to use their resources in a manner which justified faith in their capacity to help maintain international full employment. They recommended that these two bodies should meet disturbances in international trade by an automatic and, if necessary, lavish use of the currencies of creditor nations (the United States was clearly intended). These funds would be used to enable debtor nations to maintain their purchases from the creditors. Not all representatives from the under-developed areas followed these details closely, but they agreed in feeling that the Bank and the Fund had not given them as much assistance as they would have liked.

The American delegation took sharp exception to the approach of the experts. In the first place they pointed out that the Fund and the Bank were only two among various institutions concerned with the maintenance of full employment and that the primary function of these two bodies was to promote non-discriminatory, multilateral trade. Another and more substantial criticism flowed from the belief that the American people would never accept such a change in the character of the Bank and Fund, since it would mean that the American government would have to play a controlling role in the life of the American economy comparable with the role played by the British government in its own economy. In rejecting these suggestions of the experts, the United States delegation expressed the view that any country which decided to pursue a policy of internal full employment should look first not to outside aid but to its own efforts.

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Planning World Employment

The agreed resolution on full employment that has finally emerged at Geneva is a remarkable blend of the conflicting ideas put forward in the course of the debate. It calls upon all member governments to publish annually a statement of their economic objectives, internal as well as international. Information on domestic matters should include forecasts of employment, production, consumption and investment; and governments are further asked to define precisely what, in quantitative terms, they will take as a standard of full employment in their countries. They are also to outline the specific methods they intend to follow in order to promote expansion, prevent recession, avoid inflation and encourage mobility of labour.

At the same time each government is asked to say how it plans to achieve equilibrium in its balance of payments during the next four years, and this balance sheet is to show the composition of its estimated trade by main commodity groups. In setting out these plans, each government is to indicate to what extent it has assumed progress toward liberalisation of international trade, the building up of reserves of convertible currencies and gold, and the free flow of international investment funds. These reports will then be analysed by a group of three independent experts, whose comments will be submitted to the next session of the Economic and Social Council for possible action.

Apart from these requests for crystal gazing, the resolution contains a series of somewhat loosely worded recommendations. Governments are advised to "strive to prevent lapses in the flow of international investment resulting from . . . economic recessions." Or again, they are recommended to "seek to avoid measures which would be likely to have seriously adverse effects on the balance of payments or employment levels of other countries." Most of the recommendations, in fact, leave it up to each member government to adopt its own definitions of many important concepts.

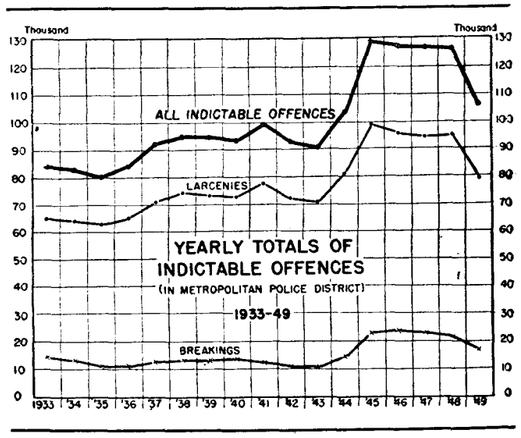
On the subject of the International Bank and the International Monetary Fund, the resolution is equally amorphous. It proposes no change in the constitution of the Fund but merely urges that it use its resources "as fully as its articles of agreement permit." It calls on the Bank "to utilise in case of recession, all practicable opportunities of increasing its resources, in order to expand the volume of its lending." In order to meet the special needs of under-developed areas, the resolution asks the Secretary-General to appoint another group of experts to prepare a report on under-employment in such countries and on the international measures that might be adopted to counter this problem.

It is unlikely that the resolution as adopted will entirely please those who wanted more thorough-going international planning and reform of the Bretton Woods institutions. The resolution is much less vigorous than the original British draft which forthrightly accepted the general line of the experts' report. But even as it stands, the resolution commits the United States to a minor revolution—an undertaking to set out quantitatively the directions and purposes of the American economy in relation to the rest of the world.

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London's Criminals

The Commissioner of the Metropolitan Police has every right to be proud of the achievement of his force last year. In his annual report for 1949 (Cmd. 7985) he shows that, in spite of a shortage of more than 4,000 policemen, crime in London decreased by 16.2 per cent compared with the previous year. The total number of indictable offences known to the police is still high by prewar standards, but there has been a sharp fall from the peak figures of the postwar years and the number of crimes is still decreasing steadily. The Commissioner attributes the decline to the longer sentences which can now be awarded to habitual criminals under the



Criminal Justice Act of 1948. Copies of the Act have been found on a number of criminals after they have been arrested, and it is reported that some have even sold up their housebreaking tools, having decided that the rewards of their trade are no longer worth the risks. The number of offences against the person has also declined in London, although in the rest of England it is higher than ever before.

The record of the Metropolitan Police in the rest of their many duties is equally high. Public functions, political processions, strikes and traffic problems were all handled with surprisingly few disturbances. The ban on political processions had to be renewed and traffic congestion is still acute, but there has been no slackening of the effort to improve matters.

The Commissioner, however, has had to report once more his failure to fill more than a handful of the 4,000 vacancies in his force. In spite of better pay and the promise of better housing conditions, there was a net increase during the year of only 54 constables. It is at least worth considering whether the emphasis in the recruiting drive has not been too much on the material incentives of a career in the police force and not enough on the value of the work to the community. There is very little in the shape of pay or living conditions that the police will ever be able to offer which industry cannot better. Might not the Commissioner achieve better results if he were to emphasise instead the usefulness of the work, the high reputation of his force and perhaps even the exceptional qualities demanded of the men and women in it?

The Ambulance Service

Ambulances and their substitutes—sitting case cars and the hospital car service—account for only a small proportion of the total cost of the health service. According to the third report of the Select Committee on Estimates, in the present financial year the estimated cost is £7,986,000, a figure which, it may be pointed out, is not disclosed in the civil estimates where the ambulance service is rolled up in an omnibus item called "Grants to local health authorities." Of this cost, half is borne by the ratepayers in England and Wales, whereas in Scotland the whole amount is paid for by the taxpayer—an anomaly on which the Select Committee makes a caustic comment.

But although relatively to the £400 million odd that is spent on the whole health service the cost of the ambulance service appears insignificant, it is nevertheless disquieting. In the first place, there is the all too familiar rise in the cost since the health service was introduced:—

£000		
1948-49	1949-50	1950-51
5,851*	7,045	7,986

*calculated on an annual basis.

The cost of the London County Council's service, excluding the services provided by agencies in its area, has risen from £295,356 in 1947-48, the last year before the health service was introduced, to an estimate of £466,565 in 1950-51. Part of the rise in cost has been due to an increase in prices and wages, but by far the greater part is due to the additional work undertaken—over the whole country the number of patients carried in ambulances and sitting case cars increased, for instance, from 365,859 in January, 1949, to 488,899 in December, 1949.

This increase in the work of the ambulance service reflects in its turn the increase in the work of the hospitals, particularly in the work of out-patient departments. But it also shows, as the increase in the cost of the whole health service has shown, how difficult it is to control the demand for the facilities of any part of the service. Flagrant abuse of the ambulance service has occurred, but it has been rare. Abuse in the sense of over-use, of use in cases which barely justified it, has been far too common—journeys to distant hospitals, for instance, although equally good hospital facilities are near at hand, and journeys, particularly by the hospital car service, which could be made by public transport without undue hardship. Before 1948, a patient's liability to pay for an ambulance often caused hardship, and doctors consequently sometimes hesitated in ordering one even in cases where it was clearly needed. Now the pendulum has swung too far the other way. The Select Committee is right in saying that it is time the Ministry of Health, which controls the hospitals and is in contractual relationship with the doctors, the source of the demand for the ambulance service, attempted to instil a sense of proportion.

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Forced Labour in Russia

In the war of words, as in other wars, attack may be the best defence. The British delegation at Geneva is to be congratulated, therefore, on the spirited onslaught which it has made, at the current Economic and Social Council meeting, on the existence of forced labour in the Soviet Union and the satellite states. Organised workers throughout the free world should know what is meant in Soviet phraseology when the claim is made that the "abolition of unemployment" has been achieved in the Soviet Union, and assess the part played in that policy by penal labour camps and compulsory employment. The documentary evidence of this form of slavery is now telling and was impressively presented on Tuesday by the British delegate, Mr Corley Smith. He was able to call on the evidence provided by the Soviet Criminal Code—under which mere carelessness can cost a worker ten years of his freedom—and on fresh evidence that the system is being extended to other countries within the Soviet sphere—even Czechoslovakia, once so famous for its workers' legislation, has had to comply. Lastly, eyewitness accounts were given of the camps in which at a minimum 10 million people are housed and enslaved, mainly in the bleakest and hardest sectors of the Soviet economy.

The British and American delegations have now asked Mr Trygve Lie to set up a body of inquiry, to include a jurist accustomed to weighing evidence, an expert on labour relations and someone with a wide knowledge of concentration camp practices. A report produced by such a team would be of value as evidence, uncoloured by propaganda. Reproduced in simple sentences in popular pamphlets, it would inform the free world of the treatment which, on the other side of the Iron Curtain, awaits those who deviate—for any reason whatsoever—from Soviet political philosophy. If the British evidence is correct—and there seems no reason to doubt it—names such as Dalstroi and Karaganda should become as familiar and opprobious as is that of Belsen.

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Communism in India

Whatever the neutrality claimed for India's foreign policy, Sardar Patel, the Deputy Prime Minister and Minister for Home Affairs, told Parliament last week that India would give the Communists no quarter on the home front. He reminded the House of Mr Nehru's statement of policy in February, 1949, when the Prime Minister flatly declared that the Government of India would not tolerate sabotage and violence. "I am sure it is clear," Mr Patel went on, "that whatever shifts may have taken place in the tactics of the Communist party, there has been absolutely no change in its fundamental strategy of seizing power" if necessary through violent revolt. In certain provinces the Communist party has already had to be banned, and in Hyderabad, Communist terrorists have murdered 2,500 people in the last two and a half years. The Indian Government, Mr Patel concluded, will not hesitate to counter force with force.

During the course of July, Mr Rajeshwar Rao succeeded Mr Ranadive as Communist party secretary in India. The chief significance of this change was that the old policy of concentrating upon a policy of industrial strikes and violence was abandoned in favour of combining constitutional action with greater attention to organising the peasantry. The Communists are by no means satisfied with their very modest progress in India, and they now aim at improving their chances in next year's general elections. They have also been told by Moscow to model their rural tactics on those which have brought success to the Chinese Communists, and to re-embark on the tactics of the popular front which seeks to unite "all anti-reactionary elements."

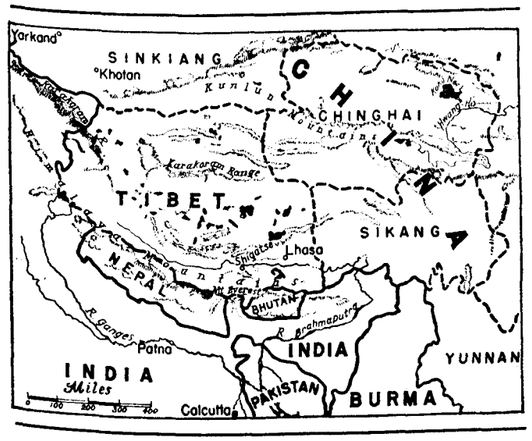
The chances of eventual Communist success in India, at first sight excellent in view of widespread poverty and overpopulation, are nevertheless far less good than they were in China. India has inherited from the British one of the most efficient and least corrupt administrations in Asia. Moreover, the people of India, having emerged from one era of imperial rule, are by no means inclined to let another fasten itself upon their backs. It must, however, be admitted that there is a popular revulsion against some of the activities of the western powers in Asia. It has lately been stimulated by the heavy American bombing in North Korea and the logic of the argument—that an Asian power brought this on itself by aggression—is increasingly lost on the Asian mind. Mr Nehru claimed with some justice the other day that the West did not properly understand the effect of some of its actions in his continent; and there is indeed a real danger that the anti-Communist forces in Asia itself may be weakened by their association in people's minds with the Western

Powers. As Mr Patel's stand has shown, Indian policy has, in fact, more in common with the western cause of defending national independence against Communist imperialism than its Prime Minister is always either willing or in a position to admit. But it is far from certain that the significance of this fact is as clear in Washington as the interests of all the western powers would demand.

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The Invasion of Tibet

The Chinese Communists have repeatedly affirmed their intention of "liberating" Tibet, and it now seems that they are putting their plans into effect, for two Chinese columns are reported to be moving towards Lhasa, from the Chinese provinces of Sikang and Chinghai respectively. The months of late summer and early autumn are the only ones suitable for a campaign in Tibet, and the difficulties of supply across high mountain plateaux are in any case formidable, but, without some almost miraculous occurrence, it appears probable



that Tibetan independence, which has survived since the revolt of 1912—though without ever receiving international *de jure* recognition—will shortly be brought to an end. China, whether Kuomintang or Communist, has never abandoned its claim to sovereignty over Tibet, and the fact that China has bowed to Russia's insistence on the "independence" of Outer Mongolia is not admitted to strengthen the case of Tibet for a similar independence. In any case the social and political system of Tibet is "reactionary," so there is no room for argument as far as Communists are concerned.

The Chinese Communists say they are going into Tibet to purge it of British and American imperialist influences. Their imagination, fed on Marxist-Leninist textbooks, no doubt peoples the mysterious highlands of this vast and thinly inhabited territory (once exalted by Madame Blavatsky as the home of the Theosophist mahatmas) with hard-faced capitalists and warmongers who have flocked there from Wall Street and the City of London. Actually there is no British or American investment or enterprise of any kind in Tibet, and Britain has had no direct contact with the country since the transfer of power in India. India and Nepal are the only states having even quasi-diplomatic relations with Tibet, and they alone might be in a position to provide military support for Tibetan independence. But they are understood to have adopted a policy of non-intervention, and there appears to be no ground for an appeal to the United Nations, as Tibet has never been recognised as a sovereign state. Tibet's only hope, therefore, lies in its own strength. The Dalai Lama is believed to have a poorly equipped army of 10,000 men under the command of an Austrian soldier of fortune. With skilful handling such a force might do much to harass an invader in a terrain giving great advantages to the defence. But in addition to their armies, the Chinese have their fifth column in Tibet—the followers of the Panchen Lama whose traditional ecclesiastical rivalry with the Dalai Lama was described in an article in *The Economist* of February 18, 1950. The Communists of China show a most engaging tactical solicitude for the weaker faction of the Buddhist hierarchy in Tibet, and as a reward they may soon have the voice of a living Buddha added to that of the Russian Orthodox Church in exhorting all the simpletons of the world to sign the Stockholm Peace Petition, so that Russia may be free to use its 25,000 tanks without fear of atomic retaliation.

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Industrial Life Assurance Disputes

The Industrial Assurance Commissioner is, by statute, the authority to whom all disputes concerning moneys payable under industrial assurance policies are referred for arbitration. The Stationery Office has now resumed publication of reports of selected disputes on which the Commissioner has given a ruling and the volume just published covers the years 1938 to 1949. Amongst other things, this volume is valuable evidence in the perennial argument on the advantages and dangers of special *ad hoc* arbitration tribunals.

The Industrial Assurance Commissioner is not an administrative tribunal. It is his duty in his arbitrations to find the facts and to interpret the Acts and the documents in the case, usually the proposal form and the policy. He is not required to make any administrative decisions, nor is he any more concerned with public policy than a judge is. From that point of view, a normal court, such as a county court, could do—in fact does—all that the Commissioner does in this one field. But it is arguable that his unique and restricted jurisdiction creates its own advantages. The Commissioner inevitably builds up an unrivalled experience of industrial life assurance, its standard policies and its standard practices. If he is a trained lawyer (as he is) and if he applies the accepted methods of interpreting legal documents (as he does), he becomes the real equivalent of a court of law. There are other genuine advantages. The facts of the disputes themselves are the raw material from which realistic legislative action can be taken later, if necessary. Further, the Commissoner is a far less expensive tribunal than any court of law, and that is important, for many of the disputes involve sums as small as five pounds and families with few assets and small means, and the fear of the costs of a normal action against a wealthy assurance company might prove a complete deterrent. The parties to a dispute may employ lawyers if they wish. It is clear from these decisions that they are not seriously handicapped if they do not.

The picture of industrial life assurance given by these reports is reassuring. There was a time when all industrial life assurance companies were suspect. That should have gone by now. The worst one can say is that some agents are still too casual in collecting the facts on which the assurance proposal is based, but on the whole it is the company that suffers more from the consequences of that than the policyholder. And there is evidence enough that some at least of the policyholders are as adept as any company ever was in trying to get from the policy more than it ever contracted to give. Nor is this misplaced ingenuity all that the companies have to face. A claimant was entitled to £34 10s. 10d. under three matured policies. He attended at the company's office to collect the money, and his wife, son and daughter came with him. The company's official counted out the money and placed it on the counter. Before the claimant could touch it, his wife picked it up and made off with it. Was the company liable to pay the claimant another £34 10s. 10d.

or had the claimant to find his wife and compel her to disgorge what she had collected ?

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Science or Soft Option?

The days are past when geography was an arid discipline which involved learning lists of capital cities and exports and imports as glibly as Latin gender rhymes. Political geography has also suffered a temporary decline owing to the kaleidoscopic movement of frontiers since 1939. The Royal Geographical Society, in a new memorandum on "Geography and 'Social Studies' in Schools," has now attacked the latest phase of the teaching of geography in primary and secondary modern schools, which comes under the umbrella of social studies and is in danger of becoming an "activity" rather than a discipline.

Geography is a relative newcomer to the universities and at the older universities attracted only a small number of students before the war. Its popularity and prestige have grown over the last ten years ; there have been eleven new professorships since 1939, and in 1947-48 469 students took honours degrees in geography compared with 257 in 1938-39. But the quality of university work must depend largely on the quality of teaching in the schools. So far, the report states the grammar schools have not succumbed to the current fashion of mixing up geography in a hotch-potch of social studies, but the fear that they will do so underlines the report.

The fate of geography in many of the primary and secondary modern schools is a part of two prevailing trends of educational thought: the first, that children should only learn what they like instead of learning to like what they learn; the second, that the frontiers of subjects should be broken down and that, under the title of a "local survey" or "social studies," history, geography, economics and even mathematics and science, are mixed up together and used in some joint enterprise. Like so many educational theories both have a great deal to be said for them, but at the present time both are being run if not to death at least to the detriment of the subject and of the pupils concerned. A local survey employing geographical data, or social studies which relate historical, geographical and scientific material, can be most useful, but as a supplement to the more general methods, not as a substitute for them. Geography, like other serious subjects, has a method and a unity of its own. It cannot prosper if its students borrow only such bits of it as will fit the design of a study drawn for another purpose.

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Poland's Six Year Plan

The Polish Government has set its sights remarkably high for the new Six-Year Plan, the draft of which was recently passed—of course, unanimously—by the Seym. Mr Minc, vice-president and chairman of the State Planning Commission, has declared that, with its completion,

> Poland will be more than half-way towards the level of industrialisation in the United States and will eliminate the capitalist element in the towns as well as in the countryside.

He made it clear, too, that his past misgivings about outright collectivisation of agriculture exist no more: "socialist team husbandry" will displace "small, dispersed, individual husbandry," and the Soviet model will be copied on the land as in the factories. For the Six-Year Plan closely follows the broad outlines of the Soviet Plan of the period after NEP, and it means the quick and ruthless end of private enterprise. Mr Minc has, in fact, re-established himself in a key position after several months of semi-retirement, apparently at the cost of some of his convictions.

By the end of 1955 industrial production is to increase by 158.3 per cent and agricultural production by 63 per cent over that of 1949. This is a much higher figure than was originally envisaged by the Communist Party, but it is necessary—said Mr Minc—to get away from "erroneous theories of cautious planning" in order to intensify industrialisation. The target for coal production in 1955 is set at 100 million tons and that of steel at 4½ million tons—which is three-and-a-half times that of 1938. High targets—in some cases a fourfold increase—have also been set for all varieties of machine tools and of heavy machinery not previously made in Poland, such as steam-turbines, high-pressure boilers, high-efficiency lathes. Poland is also to have by 1955 11,000 tractors, 12,000 motor cars and about 25,000 heavy and light lorries. The shipbuilding industry is to increase its present output by nearly tenfold.

With the help of Soviet-supplied machinery, Mr Minc stated, 35 new modern ore mines are already under construction, which will eventually produce 300,000 tons of iron ore annually. Extraction of copper ore would reach 3,200,000 tons by the end of 1955, and production of oil would be stepped up to 400,000 tons a year. What such rapid industrialisation and the transformation in the villages will mean for the individual Pole remains to be seen. He has been promised lavish supplies of consumer goods by his Communist masters—which was more than the Russians could do at the same stage ; but there is bound to be much human suffering behind this grandiose plan. Its political and military significance is clear: it will add to the war potential of the Communist bloc and increase Poland's dependence on the Soviet Union.

Too Much Legislation

On Thursday Her Majesty closed in person the long and laborious session which began on January 31st. . . . No time has been lost. Up to August 1 the House of Commons had sat 1,049 hours ; and—besides constituting several committees, entering into long details on foreign policy, and debates on motions which could not be carried, even if those who brought them forward intended they should be—had taken into consideration no less than 153 public bills. . . . What effect the legislation of the session may have on the country, it is impossible to say, but to the health of the members such unremitting toil cannot be beneficial, and we are scarcely authorised in requiring annually such a sacrifice. The necessity now apparent of repealing old enactments, because they are positively injurious—though passed, if not with equal knowledge to that possessed by hon. members at present, with at least equally good motives—suggests much caution in accumulating, session after session, vast masses of crude legislation. At least they confuse and disturb the public mind, encourage unnecessarily the desire for change, and are on the whole a great evil. Far from blaming Parliament for doing too little, we are disposed to blame it for doing too much. Lord John Russell's praise, that it had transacted a greater amount of public business than any Assembly in the world, is scarcely a recommendation ; and, tiresome as the public find many of its debates, posterity would probably be better served by its talking more and doing less. . . . To comply with all the suggestions of all the would-be legislators of the empire is obviously impossible. Parliament is already too much influenced by such suggestions, and it would be better for the public if it deserved still more the reproach of doing too little. That it annually takes up too many subjects, and so deprives itself of the means of effectually maturing any one, is obvious ; and it is certainly desirable that the Parliament should have fewer bantlings than that every year it should massacre a great number.

The Economist

August 17, 1850

Traveller's Education

In the bad old days of *laisser faire* it used to be thought that the task of a railway and its employees in relation to passengers was to provide them with transport and any services they might need *en route* for their comfort and convenience. But in Communist East Germany such old-fashioned ideas are no longer permitted to corrupt the minds of railwaymen. Their principal duty, they are now informed—and one which will give them a position of key importance in the political system—is to "influence passengers' discussions." In a pamphlet entitled "Directives on Ideological Preparations for the Central Delegates' Conference" the East German railwaymen's union criticizes the political apathy of train conductors and other train staff and their failure to direct conversations among travellers. It is implied that when Germans travel by train between Berlin and Leipzig—they cannot of course travel to Breslau or Stettin—their talk is not always of the kind which Mr Pieck would like to hear, and the railway employees are now to be made responsible for putting this right. To this end they are to receive special political training courses, and "ideological centres" are to be set up at the twenty-six largest railway stations in East Germany to prepare them for their new work—for which, however, there is no indication that they are to receive extra pay.

So far British Railways have shown no similar concern for the political education of their passengers, but we cannot be sure how long so promising a field for propaganda will continue to be neglected by party organisers. The approach would have to be made with a suitable diffidence and politeness in the absence of any shadow of the concentration camp to deter the recalcitrant passenger from talking back—but there is nothing to prevent the ticket-collector, as he enters the compartment, from intervening in conversation with "Excuse me, madam, but I heard you criticising the National Health Service ; please allow me to explain where you are in error." Or perhaps Billy Brown of London Town might be brought out of the well-deserved retirement which he has enjoyed since the war and put to walk the trains in defence of the less popular members of His Majesty's Government, breaking in on the chatter of the uninformed public with his well-known "I trust you'll pardon my correction—." The only difficulty which seems to lie in the way of such a development in our nationalised transport services is that, if railway employees are to spend their time in dispelling the darkness of political error from the minds of passengers, it is hard to see how they can perform the functions which at present occupy them. We do not know how this problem is to be solved in East Germany, but in any case conditions there are not quite like ours. In this country it may be that the NUR would insist on the employment of extra staff to handle passenger-influencing work and that the further rise in fares thus rendered necessary would be a factor extremely adverse to the success of the propaganda.

Shorter Note

Fifteen months after the existence of a 400 million ton coal deposit was proved in the Lichfield area of South Staffordshire, a second deposit of at least 200 million tons has been proved in an area lying between Lichfield and the Cannock coalfield. It is probable that the seams join up with those of the Leicestershire coalfields. At a conservative estimate, these two finds have added 600 million tons to the country's known coal reserves, which the National Coal Board believed to be about 43,000 million tons. The final figure for the new fields may be larger. The coal has a low ash content and is described as a good household coal. Unfortunately it lacks the coking properties that have now become scarce in British coals.

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Letters to the Editor

A Tithe for Safety

Sir,—May I be allowed to comment on one passage in the editorial article of *The Economist* of August 5th. In your assessment of our immediate military requirements on land you give priority to tanks and second place to anti-tank weapons. I submit that the more urgent requirement is the other way round.

If war comes in the west there is every indication that pathetically small forces are going to be faced by a highly mechanised invasion deploying a large part of the 25,000 tanks which it is announced that Russia already possesses. In Europe there is no terrain suitable for the tank versus tank actions resembling naval warfare which were a feature of the Eighth Army's campaigns in the Middle East during the last war. Tanks are a mobile weapon, designed to be deployed against a suitable spot upon the enemy's front. They have to be pulled back at intervals for maintenance and fresh action elsewhere. Their inevitable and frequent withdrawal from the forward areas always brings a feeling of bitter despair to the infantryman who feels himself abandoned. Further, the presence or even the rumour of hostile armour at once produces in the best trained infantryman an acute realisation of his own nakedness and a half involuntary glance over his shoulder to see which will be the quickest way out. I remember vividly on one occasion in Normandy a regular battalion of a famous Scottish Regiment in a state of near panic because they had no anti-tank guns and could hear a Tiger prowling round their area, but could not see it; they settled down quite happily on the arrival of a handful of self-propelled 17-pounders. The answer, surely, is as great a mass of anti-tank guns as possible, which cement the front and form innumerable points round which the infantry can rally with confidence, while they in turn provide the local defence which the guns themselves require.

There must be a front firmly held by infantry and anti-tank from which tanks can emerge into offensive action. And if western infantry without suitable and sufficient anti-tank weapons were overwhelmed by a deluge of armour and driven into the Channel, there would be nowhere for our excellent Centurions to operate.—Yours faithfully,

DESMOND FLOWER
10 *Devonshire Place, W.1*

Richard Crittall Judgment

Sir,—At page 285 of your issue of August 5, 1950, you made a brief comment on the judgment in the Crittall case. You stated that "the prospectus included an estimate that the company's profits for the year ending December 31, 1947, would be in the region of £100,000 whereas an actual loss of some £600,000 was incurred." In the next sentence you referred to Mr Justice Humphreys' observations on the responsibility of auditors and gave an abbreviated report of his remarks concerning the appointment of partnerships instead of the appointment of individual auditors. You then concluded with the statement "Although Mr Steven signed the offending statement, it was his partner who had made tests and satisfied himself of its accuracy."

It should be noted that the charges against Mr Steven had no connection whatsoever with the directors' estimate of the profits for the year 1947, it being no part of an auditor's duty to give a report on such estimates. The charges against him related to the report made by his firm on past profits and the statement of net assets at December 31, 1946—in particular as to the treatment of an item of £99,746 described as "expenditure in connection with development and expansion of export trade and newly-formed subsidiary and associated companies—carried forward." The case against Mr Steven rested on whether or not the carrying forward of this sum and its description warranted the charge of having recklessly made statements which were misleading. The jury gave a clear answer in acquitting Mr Steven.

In view of your reference to Mr Steven's partner on whom he is said to have relied, the following extract from the summing-up of Mr Justice Humphreys should be quoted in fairness to Mr Steven, his partner (Mr Morton) and the firm of Singleton Fabian and Company, chartered accountants, in whose name the auditors' report was signed:—

> It seems to me a very serious matter for consideration whether you can possibly say that Mr Steven, having handed that matter over to his partner, and his partner having in fact made tests and satisfied himself, rightly or wrongly—as we now know wrongly—but satisfied himself at the time as an honourable man, as an accountant, and a careful accountant, that the document was right—can you say that Mr. Steven was reckless in accepting Mr Morton's explanation of that?—Because as I see it the whole of this case now depends, as far as he is concerned, almost entirely on that document [i.e., the schedule of development expenditure carried forward]. That is the one thing that is said to be against him. There is plenty of evidence that in the other parts he took meticulous care in trying to ascertain whether the books of this company were reliable or whether they were not. In this particular [the development expenditure] his evidence is "I relied upon Mr Morton." . . . In this case there is the sworn evidence of Mr Morton, who of course was not challenged upon this matter, that he did himself make inquiries which satisfied him. What Mr Steven had done was to find out that his partner had made tests and that his partner was satisfied with that document.

I appreciate the difficulties which arise from limitations of space, but I have no doubt that you would welcome the opportunity of publishing this letter, as it seems inevitable that incorrect inferences will have been drawn from your necessarily abbreviated note on this case.—Yours faithfully,

ALAN S. MACIVER
Secretary

Institute of Chartered Accountants in England and Wales

[It is proper that any "incorrect inferences" from our note should be corrected. But it is also proper to recall that the note was careful to say that Mr Steven was found not guilty of making misleading *statements*, and that his name was not associated with the *forecasts* of profits concerning which other defendants were charged.—EDITOR.]

West African Press

Sir,—One can understand expressions of concern over the shortcomings of the West African Press, but no one who has more than a superficial knowledge of the subject would care to endorse the remedy suggested by Mr Hugh Rom in your issue of July 29th.

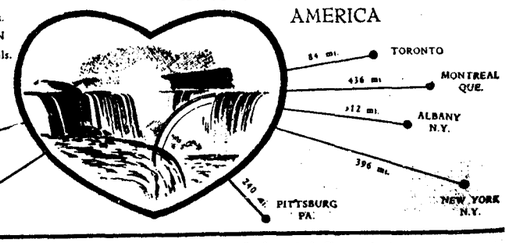
Nothing could be more misleading than to say that "These scurrilous publications are practically alone in the field, there being hardly any moderate press." How wide of the mark is Mr Rom can be judged from the circulation figures of the leading newspapers published in

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Nigeria. For the most powerful newspaper in West Africa is the *Nigerian Daily Times*, excellently edited, excellently produced. This is a "moderate" —despite Mr Rom's assertion that there "is hardly any moderate press"—and circulates more than 25,000 copies a day, which is more than the combined circulations of all the other English-language newspapers published in Nigeria. The admirable vernacular newspaper, *Gaskiya Ta Fi Kwabo*, too, is a powerful influence in the Moslem North and is more widely circulated than any of the anti-British publications which provide the heaviest ammunition for those who mistakenly believe that some form of press censorship is desirable or even practicable in West Africa.

In the Gold Coast, the situation is less favourable, but it is easy to over-estimate the influence of the broadsheets of which Mr Rom complains. The Gold Coast now has 17 daily newspapers—far more than Nigeria, which is several times larger, and by no means all deserve to share in the general indictment. Also, it has been announced that a new paper, the *Gold Coast Daily Graphic*, will appear in Accra in October. This is to be published under the same management as the *Daily Times* of Lagos, and there is no reason to suppose that it will be less valuable or less successful than its Nigerian contemporary.

In the remaining two countries of British West Africa, Sierra Leone and the Gambia, the press has its editorial and technical shortcomings, but it is loyal to a degree. Any suggestion to the contrary would be deeply resented in both places.

In the periodical field, the weekly *West Africa* and the monthly magazine the *West African Review* provide readers throughout West Africa with a picture in right perspective of the problems affecting their various countries. Both are held in high esteem by Africans and Europeans alike—not an easy achievement in West Africa.

To say, or to suggest, that there is no alternative to the extreme Nationalist press in West Africa is simply not true, and does injustice to the fine publications which are doing so much for good Anglo-African relations.—Yours faithfully,

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Books and Publications

The Working Team

Are Workers Human? By Gordon Rattray Taylor. *Falcon Press*. 196 pages. 10s. 6d.

Of the old, well-tried apparatus of carrot-and-stick incentives, the full-employment welfare state has left only an ineffective shadow; while of that new spirit of zealous community solidarity on which Socialists have always relied to replace it there is as yet little sign. Public opinion opposes, for reasons both good and bad, any return to the old regime; economic necessity demands that an effective substitute be found well before the millennium of universal devotion to the common weal. Mr Taylor believes that the genuinely effective substitute, or rather the genuinely human solution for which carrot and stick are themselves substitutes of the most regrettable sort, can be found in recognition of the working team as a social unit with all that that implies. The humanity of workers, their resentment at being "pushed around" and treated as automata, their concern with their standing among their fellows, their loyalties and group values, do not constitute a merely negative mass of irrational frictions in a tidily working economic mechanism, but a positive force; to work with this force rather than against it is to achieve at once better economic results and renewed social harmony. This thesis Mr Taylor expounds and illustrates with a combination of vigour, horse sense, occasional indignation, more frequent humour, and decent forthright English, which makes his book as hard to put down as is a fast-moving novel.

He pitches his claims, it is true, a great deal too high; one cannot, however much one prefers sociology to economics, give the latter a complete brush off. Quoting the experience of those firms in which, whether by the native wit and sympathy of management or through the advice of sociological experts, the methods which he advocates have been applied, he declares that were these universally adopted Britain could probably expand its national income by one-half within five years without any additional capital investment; thus he stumbles into the same pitfall as the "technocrats" of the thirties, the fallacy of composition. Because one "happy ship" can double its output while other firms struggle in a morass of non-co-operation it does not follow that all firms, and the whole economy, can do likewise; too big a part is played by raw materials, transport, and service undertakings in whose production there exists no comparable slack to be taken up. Some of Mr Taylor's psychological generalisations, too, are to say the least unconvincing. "To lay an employee off because there is no work for him is psychologically fantastic," he says.

> What would one say of a family which when its income was reduced threw one of the children out on the street in order that the others could continue at their usual standard of living?

Apart from the astonishingly static notion of industrial structure implied, this equalling of the responsibilities and emotional bonds uniting parent and child to those between worker and factory indicates a curious sense of relative values. One can hardly avoid, either, an uncomfortable feeling that carrot and stick may still be needed.

> O that the nets wad mend themselves,
> The fish jump on the shore,
> And that I in my bed might lie
> And sleep for evermore!

These are not the sentiments of a victim of the soulless industrial economy; they express the unfortunate but fundamental fact that Man needs to work harder than he likes to keep alive at the standards he likes—a fact not to be brushed away by references to the gruelling but pleasurable (because intermittent) activities of footballers, mountaineers and week-end gardeners.

When all is said, however, it remains overwhelmingly true and important that the younger social sciences should come to the rescue of the human working environment wrecked by a short-sighted economics. Mr Taylor demonstrates the principles according to which, and the often homely and commonsensical techniques by which, this necessary reconstruction can be accomplished; and no incidental over-optimism or occasional lack of balance can seriously detract from the value of that service.

Liberal Advocacy

Trial by Ballot. By Ivor R. M. Davies. *Christopher Johnson*. 194 pages. 8s. 6d.

This book is conducive to speculation beginning with: "If only . . ." If only Asquith and Runciman had not been irrevocably determined to put Lloyd George in the wrong; and Baldwin and Chamberlain had not suffered from the same preoccupation with regard to Mr Churchill; if only the Liberal Party had grasped the climate of opinion during wartime by-elections, and seized upon it to make a forceful come-back, instead of a near miss; if only the Conservatives had granted electoral reform in the day of their supremacy; if only Baldwin had had the courage of his convictions about rearmament; if only the Labour Party, with its overwhelming majority returned from a cross section of the whole community, had not been dominated by Transport House, and an artificial fomentation of a class antagonism which was already in process of rationalisation—how different our present situation might have been! Or would it? A writer of the late nineteenth century said:

> It is a fallacy very dear to the British elector that legislation emanates primarily from him. It would be folly to dispel so harmless an illusion, because it makes him manageable. But as a matter of fact, legislation is the joint product of the perplexities of an administration and the spite of the opposition.

Nevertheless, the impression left by this survey is that however much prejudice, lack of foresight and disunity may disrupt the business of Parliament, the electorate maintains a dogged determination to redress the balance. When stampeded by sentiment, as in 1918, its second thoughts were



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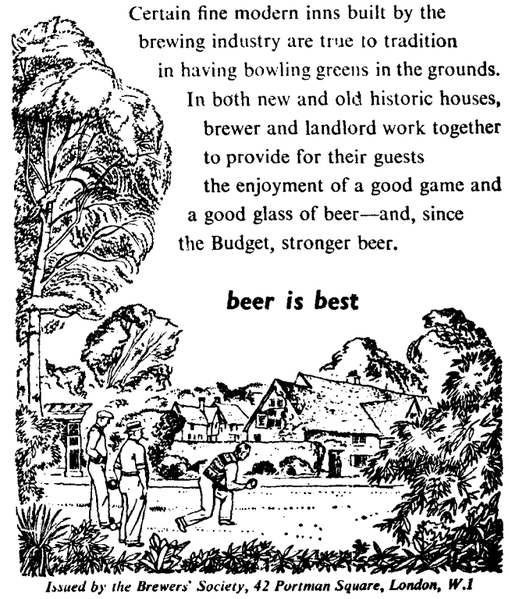
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promptly demonstrated in by-elections. This same acid test later proved that the voters who returned Labour to power in 1945 were not moved by pressing hysteria, but by a conviction that reflected its verdict in every by-election of the lifetime of that Government—although diminishing majorities at the polls were an indication of the gradual disillusionment of many of its partisans.

The fall of the Liberals was due to lack of solidarity, and that of the Conservatives to over-confidence. If there is to be an eclipse of the Labour party, Mr Davies considers it will be through lack of adaptability, because Labour has absorbed the lesson not to split the vote only at the expense of closing the door upon initiative.

> Unless the Socialist movement realises its own weakness almost immediately, and changes course in a manner that would be distasteful to its extremists, it would seem to be doomed to a short period of ineffective Government followed by at least a decade of sterile opposition.

He thinks that the present deadlock could be resolved by whichever of the Parties sponsors Proportional Representation:

> The key to the future lies with those who voted Liberal in 1950. That is generally realised. The key will be turned by those who are prepared to make concessions to the historic mission of the Liberal Party, and who understand that in compromise lies the secret of good government.

Projection of Sweden

The Debate on the Foreign Policy of Sweden, 1918-1939. By Herbert Tingsten. Translated by Joan Bulman. *Oxford University Press.* 325 pages. 21s.

The author of this remarkable book is now the outspoken editor of the largest and most influential newspaper in Sweden, the Liberal *Dagens Nyheter*. To read this book—the English edition of a work which appeared in Sweden in 1944—is to understand why one of the most erudite professors in Sweden has taken upon himself the Socratic role of gadfly to his country's conscience. For his thorough analysis shows that, with exceptions which can be numbered on one hand, the Press alone of the various centres of opinion and policy in Sweden maintained a consistent interest in foreign affairs between the wars.

Just how that interest was expressed it is the aim of Professor Tingsten's book to record, analyse and criticise. It is a masterly effort. Indeed, it is so good that one would wish the author had permitted himself to stray a little from the strict terms of reference he laid down for himself. For the book is not an account of Swedish foreign policy in the period covered, but, as the Preface is at pains to make clear, "an account of the debate on central questions of foreign policy in Sweden . . . not only the main outline of the debate but also its influence on public opinion." The narrative is lucid even when complicated, and the whole work is distinguished by an impartial—almost Olympian—approach. The last short section in which Professor Tingsten sets out his "Views and Conclusions" is a brilliant and valuable analysis of the ingredients of Swedish foreign policy, as cogent to-day as it is when applied to the inter-war years.

The book then has a dual value. It is secondary source material in a somewhat rare field. It is also a new and interesting experiment in political science and one which, although it has been made in related fields, has seldom been made in relation to any country's foreign policy. Professor Tingsten promises us a similar study of the Swedish foreign affairs debate during World War II. It is to be hoped that it will be as well produced as his present book and that it will be available to English readers with less delay.

Inland Waterways

The Inland Waterways of England. By L. T. C. Rolt. *Allen and Unwin.* 221 pages. 21s.

British Canals. By Charles Hadfield. *Phoenix House.* 259 pages. 16s.

Books about canals are infrequent, yet two have just appeared within a fortnight of each other and just in time for the first rally of inland waterway craft organised by the Inland Waterways Association this weekend at Market Harborough.

Mr Rolt's book is the more interesting of the two for the casual reader. The author is an enthusiast, something of a moralist and an advocate of any measures which will prolong the life of canals. His enthusiasm stimulates him to give an attractive account of life on the canals and to illustrate his text with a large and very good selection of photographs. His moralising is a bore; his homilies on the virtues of the good old days and the vices of modern life and nationalisation trip up the narrative infuriatingly. His advocacy of the canals and their ways is infectious and he is persuasive about the pleasures of a canal holiday. But his advocacy takes no account of economics and his plea for preservation is made without any proper attempt to estimate the costs of maintaining the canals or their competitive advantages and disadvantages against road and rail.

Mr Hadfield is less picturesque and more factual. He has no axe to grind and for the student of canal history he provides plenty of material. But it is raw material—an agglomeration of facts with very little cement to joint them. Contemporary records are quoted extensively and are interesting; large numbers of figures are given about costs and profits which give the book an economic flavour up to about AD 1900. But these figures peter out when it comes to recent costs and earnings, and, like Mr Rolt, he gives no sound comparison with railway costs for recent years.

Mr Hadfield appears to have given up the future of canals as hopeless; he does not look into their prospects at all, but concentrates on a minute and rather bewildering record of their growth and decline with too much detail and too little perspective. Mr Rolt is more optimistic, not because he proves any business-like case for survival but because he hopes to move others to share his enthusiasms—even his enthusiasm for the mechanics of locks and the minutiae of boat-building. It yet remains for someone to write a book about how canals can be made to pay now. This is the most difficult task of all.

Shorter Notices

The Home Market, 1950 Edition. The Book of Facts about People. By G. Harrison and F. C. Mitchell. Revised by Mark Abrams. *Allen and Unwin.* 82 pages. 15s.

The new and third edition of this book follows the same general lines as the previous one of 1939, but the information has been revised and brought up to date. There are sections dealing with changes in the population of Great Britain, its age and sex, regional distribution, and urban concentration. Other sections discuss regional employment, size of households, and distribution of purchasing power. The statistical tables are well set-out and some are helped by pictorial diagrams. But in one respect, the new edition is less useful than its predecessor for there is no longer any mention of the sources of the statistics nor of methods used in arriving at some of the estimated figures. The reader, therefore, has no indication of the reliability of the statistics. In some cases, these are obviously derived wholly from government sources but in many instances there is a large element of private estimation.

La Démocratie Industrielle et les Comités D'Enterprise en Suède. Charles Leger. *Cahiers de la Fondation Nationale des Sciences Politiques. Librairi Armand Colin.* 228 pages. 350 francs.

This is a comprehensive, thorough and up-to-date survey of the various methods evolved by Swedish industry for settling its family disputes and increasing its efficiency. From the groping experiments in syndicalism in the 1880's the book traces the growth of industrial democracy up to the Saltsjöbaden Agreement of 1938, which, modified and renewed, still governs labour relations in Sweden and is largely responsible for their unusual smoothness. Other reasons, to which the book gives less prominence, are the absence of the irritation and destruction of war and the strong innate respect for the law which the Swedes possess. In the last section of this useful, though specialised, book the practical application of the various conventions and regulations is described in some detail.

Broken Thread. Major General F. S. G. Piggott. *Gale and Polden.* 424 pages. 21s.

This is the story of a soldier's life, told with painstaking detail and meticulous accuracy in respect of names, careers and places. General Piggott passed into Woolwich in 1899, and many of his generation will find in his book the echoes of their own earlier days. To the more general public, the interest of the book lies in the author's lifelong association with Japan. Anglo-Japanese friendship is the thread that has been broken—largely at American instigation—and the present situation is not the first in which the British and Americans have found it hard to co-ordinate their policies in the Orient. The author gives an intimate picture of many leading Japanese of the past thirty years which would not be perceived by the normal globe-trotter or travelling journalist.

AMERICAN SURVEY

Deficit Diplomacy

Washington, D.C.

"IN the final analysis," the President said in his mid-year economic report, "there are no limits except our total strength to guide us in our determination to resist aggression and thus to strive for peace. But the question remains as to how much of our total economic strength must be shifted from peacetime production to defence purposes in the current situation." And, even after the increased programmes for which Mr Truman has asked Congress, the question still remains to plague those who try to compile a political and strategic balance-sheet for the United States. Mr Walter Lippmann recently used the phrase "deficit diplomacy" to describe the way in which Mr Truman had allowed American commitments to increase while the power to meet them had been allowed to decline. The decline has now been reversed and the power of the United States is being built up again. But the commitments are increasing too, and neither the balance-sheet at present nor the projected one for next year gives much hope for diplomatic solvency.

This tendency towards insolvency is probably a relic of the good old days when the United States could adopt attitudes, either by resolution of Congress or by Presidential pronouncement, for which it took no further responsibility. Today every attitude, official or Congressional, carries responsibility with it. Some Congressmen are still ignorant of the change which has come over their position; others prefer to go on behaving as if it did not exist; others, again, consider their personal fortunes more important than the policy of their country in a moment of crisis. The result is that the United States goes on collecting commitments like a magpie—some on moral grounds, some for domestic political reasons—while leaving political expediency to decide how they shall be met. Mr Truman is not the first American President to allow this to happen, or to be unable to stop it happening, but he is the first whose bills show signs of coming due for payment without the warning of prior calls on the European friends of the United States.

There has been some argument about the Korean commitment, and Mr Acheson has been blamed for giving the Russians official notice that the United States was not interested in South Korea when he said in his speech at the Press Club on January 12th that the United States defensive perimeter "runs along the Aleutians to Japan and then goes to the Ryukus. (It) runs from the Ryukus to the Philippine Islands." But it is forgotten that, later in the speech, after finishing the discussion of the needs of American defence, he turned to another question—that of commitments—and said: "We have direct responsibility in Japan and we have direct responsibility to act. The same thing to a lesser degree is true in Korea." In the light of what has happened it is easy to complain that he did not make the distinction clearer and explain what he meant in words which the Soviet Union would understand. It is even more reasonable to inquire why the State Department acquiesced in a military establishment which could not meet the calls likely to be made on it by even the unavoidable minimum of political commitments.

Had the Republicans in Congress concentrated their fire on this weakness in the Administration's conduct of its policy, they would have a good case to argue—though not necessarily an honest one, since much of the deficiency in American diplomacy comes from Congressional refusal (or well-justified Administration fears of Congressional refusal) to balance the diplomatic books. It was the Republicans in the House who voted earlier in the year to stop economic aid to South Korea; it was the Republicans in the Senate who made any kind of constructive action in China impossible. Nor did the Republicans in 1945 recognise any more clearly than did the Administration the "true aims and methods of the rulers of Soviet Russia." Such considerations justify Senator McMahon's attack on the analysis of foreign policy issued by the Republicans in preparation for the election, as "an attempt to cut themselves in on the victories of our foreign policy and to divorce themselves from our defeats."

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The attitude of fifty-one members of the United Nations proves that the United States was justified in assuming a moral commitment in Korea. And the plans of the Defence Department for the expansion of the armed forces are, for the first time, based on the possible existence of other commitments (such as the Mutual Defence Assistance Programme) which are more than financial and entail less than total war and general mobilisation. In addition to the ten divisions which, before June 25th, undertook occupation duties in Germany and Japan and provided the "mobilisation base" in the United States, there will be the Korean force and another task force which, in the imagination of the planners, at least, will, when trained, be always ready to embark at a few hours' notice if some similar "police action" is needed. There are many who criticise this plan on the grounds of its inadequacy, but it is one which recognises the nature, if not perhaps the size, of the emergency. And until the Russians give some indication of future moves it is, in all probability, all that the economy can stand for an unspecified number of years without dislocation.

It may seem to provide very few troops for very many dollars, but that is the way of the United States. However, it will be found to be too small if the Congress continues to add new and unwanted commitments to appease the Irish Catholics, the cotton growers, the China lobby or any other group whose spokesmen can persuade frightened Senators that its votes are for sale in job lots. In the case of the Spanish loan, it is true, there were some, if not many, among those voting in favour who had been won over by the arguments of certain politicians in the armed forces who would have only themselves to blame if they found they had bereft

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

themselves of some important old allies in the hope of acquiring a new one. Hope is the only word to use in this case because the spotlight which the Economic Co-operation Administration is, by statute, required to turn on the economies of the countries it assists can be expected to illuminate much that the Franco regime would prefer to keep hidden. Senator McCarran's $100 million may well do little good to Spain and even less to improve relations between the United States and General Franco.

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Much more serious is the intricate pattern of intrigue over Formosa. Mr Acheson did not include that island within the defence perimeter of the United States, nor did he mention any special responsibility towards it or the Nationalist Government. It is still not within the defence perimeter. The Defence Department does not want, nor does General MacArthur, to have American troops tied down there or to occupy it. There has been a revision, rather than a reversal, of official policy towards Formosa since the January furore because there has been a revision of the official estimate of Russian intentions. It can no longer be assumed that Soviet expansionism will use only the method of infiltration and will not court war. Therefore it has become necessary, in the view of the Chiefs of Staff (who remember where the planes which bombed Manila on December 7th, 1941, came from), to see that Formosa does not fall into hostile hands. From this necessity sprang the idea of neutralisation—of neither allowing the Chinese Communists to invade Formosa nor supporting, or even tolerating, General Chiang Kai-shek's attacks on the mainland.

This was the policy which the President enunciated on June 27th, and it might have worked smoothly—despite the suspicions of some non-Communist countries who believe in the myth of American capitalist-imperialism—if General MacArthur had not taken his inordinately tactless trip to discuss military matters with General Chiang Kai-shek and been photographed kissing Madame Chiang's gloved hand. Partly for domestic political reasons and partly because he has fought and is still fighting a brilliant defensive campaign, the Administration has been unable to utter a single word of criticism of General MacArthur's action. Mr Harriman had to describe it as "entirely natural"—which was, to say the least, a surprising description of a performance which perturbed every Foreign Office west of the Iron Curtain.

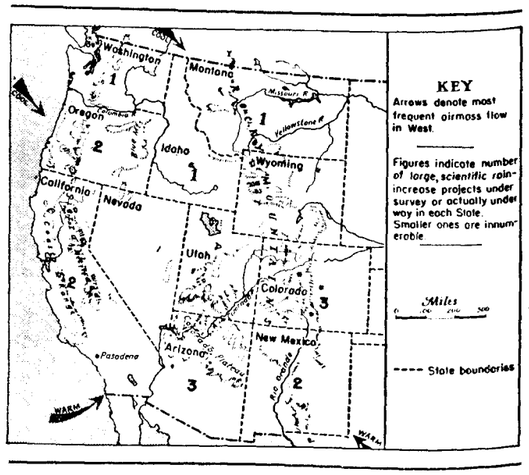
The decision of the Administration to cover up the General's tracks is understandable and should be accepted as necessary since there has been an assurance that Mr Truman has not changed his stated policy. But the whole episode has given Chiang Kai-shek's friends in the Senate the chance to start their dangerous campaign again, and Senator Knowland began it on August 10th. Mr Truman at the moment is faced with the unfortunate fact that any policy which is politically possible in his own country is unlikely to be acceptable to its allies and to the United Nations. It is doubtful how firm he can remain in the face of demands which, because they have the support not only of the McCormick, Hearst and Scripps-Howard press (none of which have influence in proportion to their circulation), but also of the *Time-Life* group, will scare the Democrats in Congress into claiming the right to campaign on level terms. The President's closest advisers in the executive branch must know how disastrous this would be to the United Nations and to the western alliance, but Congress, preoccupied with re-election, might negligently trade Spain for France, Belgium and Holland and Chiang Kai-shek for the rest of Asia, and throw the balance-sheet far into the red again.

Weather to Order

[FROM A CORRESPONDENT IN COLORADO]

In America today people not only talk about the weather, but actually do something about it. Four years ago a scientist employed by the General Electric Company discovered that, if dry ice were dropped through suitable clouds, they could be made to snow. Precipitation in America comes almost entirely from "super-cooled" clouds, colder than freezing, but with their constituent droplets still liquid. When Nature is in charge these droplets freeze upon sub-microscopic ice-crystals, dust particles or other natural nuclei and grow into snowflakes, which fall and, in warm weather, melt into rain. When the temperature is below minus 40 degrees the droplets congeal spontaneously into ice crystals. The dry ice system works by lowering the temperature around itself to below minus 40 degrees, and the ice crystals thus formed then spread far through the cloud.

In 1947 another employee of the General Electric Company found a way of improving on Nature. He seeded the clouds with silver iodide crystals, so like ice crystals that they



"fool the moisture" into collecting on them at temperatures far above minus 40 degrees. Moreover, while ice crystals may melt or evaporate, silver iodide crystals are permanent and remain aloft until each can form a snowflake and bear it to earth. Dry ice must be dropped on the clouds from an aircraft, an expensive proceeding. But silver iodide can be smoke-borne upwards from the ground, more cheaply and more efficiently, by burning coke saturated with it in portable generators. Stationed to windward of the cloud to be treated, these float 30 quadrillion crystals a minute into the air, each one a potential raindrop.

Clouds over New York have been seeded this year to help fill reservoirs depleted by the demands of a city population that has temporarily outgrown its water-supply. But the western States, with only 20 per cent of the country's precipitation and 40 per cent of its area, are permanently short of rain, and here the new process seems like a dream come true. The dream has been brought down to earth by hard-headed business men, who sell "rain increase" to other business men who find it pays dividends—ranchers, farmers, hydro-electric companies and city councils with water problems. Billions of dollars, both public and private, have been spent in the west to provide the stored water without which there can be no farming in that arid region. Even so, most of the western half of the United States remains, and was expected to remain, desert, or at best pastureland, so scantily provided with fodder that it could support only a few cattle on each square mile. Now it seems that, if the clouds are seeded on a regular and sustained basis by those who know how to do it, precipitation may be increased by a minimum of 50 per cent a year. What the maximum may be, no one knows. There is real hope that through scientific methods the rainfall over many million acres may become sufficient to allow farming of the type possible in humid regions, and that the supply of water for the irrigation reservoirs may become larger and more certain.

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The first firm to exploit the idea of rain increase is the Water Resources Development Corporation of Pasadena, California, organised by Dr Irving Krick, one of the war's famous weathermen. Now he is using his own long-range forecasts to increase rainfall where it is wanted—and this year it is wanted in many places. Word is sent from headquarters in Pasadena to representatives in the field when a cloud that will repay seeding is coming their way, so that the smoke generators can be started up. Since it began operations last March, WRDC has been uniformly successful. The key to this success lies in the successive waves of high-pressure air pushing down from the North Pacific at regular intervals across the western States, to contend over the continent with warm, moist air masses from elsewhere. Where these meet there is likely to be rain or snow, and Dr Krick's experts place their generators so that the smoke-borne silver iodide will increase the amount of rain that would naturally fall.

A wheat farmer in the State of Washington got 2.3 inches from two June storms, while his neighbours outside the down-wind smoke plume got half-an-inch. In Idaho the corporation has a contract which involves not only providing enough rain to increase the wheat yield, but trying to keep clouds over the fields as a protection against the frosts which catch the grain before it is ripe. Dryland ranges in New Mexico got so much rain as a result of the firm's activities that a reporter flying over the district said it looked as though a green ribbon, 100 miles wide, had been laid across the dun semi-desert. A Californian electricity company has noticeably increased the flow through its hydro-generators, and next winter clouds will probably be seeded over the Colorado watershed to increase the snow-pack and therefore the spring run-off. The city of Santa Barbara, on the Pacific coast, perpetually short of water, is negotiating an annual programme with WRDC.

There are several other groups in the field. One of them has a contract with the Navajo Indians, who have thus insured against a failure of their rain dances. There are other interesting possibilities, which may make the proverb—"it never rains but it pours"—seem out of date; the idea is to dissipate hail and thunder storms by seeding them, and so causing them to dissolve into gentle rain before they build up to their full fury. Already this method has been used to protect Oregon pears from being bruised by hail, and the US Forest Service is trying to dissipate lightning storms before they can set fire to the forests. Success is also claimed for the government's Project Cirrus, a military venture which works away in secrecy both as to its methods and its purposes. The State of New Mexico has an official programme and neighbouring Colorado has a committee studying the subject. But the Weather Bureau, which carried out its own experiments in 1948, remains sceptical about the economic value of rain increase.

Nor is the general public as yet universally convinced; there are still vivid memories of the fakirs and magicians who for centuries have professed to make rain. Then, since there is no regulation, hundreds of amateurs with "a bucket of dry ice, an airplane and a desire to do something about the weather" have spread their wings. Such haphazard efforts do little good. In fact, Dr Irving Langmuir of General Electric says that over-enthusiastic "seeding" may put so many artificial nuclei in a cloud that they soak up all the moisture and leave none to grow into snowflakes and fall to earth; alternatively such seeding may drive the clouds away from where they are wanted to where they are not. Finally, potential moisture is necessary if rainfall is to be increased; over hot, dry regions like the Sahara, the system might not work at all.

The political and legal implications are endless. The General Electric Company stopped its own experiments long ago, for fear of lawsuits, and has become merely a consultant to the government. One unsolved legal problem is whether those who take rain for themselves steal it from their down-wind neighbours. Dr Krick answers that no one can bring down more than one per cent of total cloud moisture over any one area, so that the down-wind effect is negligible. Rain increasing is not yet quite respectable enough to be a plank on any political platform, but it may not be long before the sky ceases to be the limit of inter-state arguments over water rights. The new science may eventually be strictly regulated, or even end up with the government as rain-maker-in-chief. Dr Langmuir believes that weather control should be on an international basis. The transformation of deserts into green fields is a dream long dear to the hearts of men.



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American Notes

Back in the Democratic Fold

With more than half the candidates chosen for next November's campaign, this would be the season for election forecasts if developments in Korea had not upset the political almanack. In New York, however, these same developments have cleared the air a little. There the American Labour Party, the local left-wing organisation, can no longer conceal its red underwear from the voters ; the tattered cloak of respectability draped around it by its alliance with the Progressive Party has been finally torn to shreds by Mr. Henry Wallace's resignation from the leadership of that party. When it officially opposed United Nations' intervention in Korea, even he could not close his eyes to the fact that the Communist line was being toed with a consistency that was more than a coincidence. Mr Wallace and other reputable Progressives have now decided that they can best serve the cause of peace by abandoning both the party they founded and the ALP too ; as a result, the anti-Republican vote in New York this autumn will not be as divided as it was in 1948, when Mr Wallace took enough support from Mr Truman to give the State's presidential votes to Mr Dewey.

Mr Wallace has not yet announced whether he hopes once more to serve the cause of peace within the Democratic Party, but his running mate in 1948, Senator Glen Taylor, of Idaho, was long ago readmitted to the Democratic fold. He was nevertheless still too black a sheep to get the official endorsement from Mr Truman that might have given him victory in last week's Democratic primary in Idaho for his Senate seat. He lost the nomination by just over a thousand votes to Mr Worth Clark, his predecessor. Mr Truman, however, put a large thumb in the primary pie in his home State of Missouri, but failed to pull out his candidate, Mr Emery Allison, who is more distinguished for his connections with the Pendergast machine than for his personal qualifications. Missouri Democrats, somewhat embarrassed at having rebuffed their President, can at least feel that the man they have chosen, Mr Tom Hennings, has a better chance of defeating the incumbent Republican Senator next November.

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Amongst other incumbent Senators who have been beaten already in their party primaries is Mr Elmer Thomas of Oklahoma. His defeat, after 24 years in the Senate, is explained partly by the greater energy and ability of his rival, Representative Mike Monroney, and partly by his own reputation for flirting with the private electricity interests and for using his position as chairman of the Senate Agriculture Committee to the advantage of his speculations on the commodity exchanges. Both Senator Thomas and Mr Monroney have been true to the Fair Deal in their fashion. In the neighbouring and even more safely Democratic State of Arkansas the young Fair Dealing Governor, Mr McMath, held the nomination against a conservative, anti-Truman States' Righter—a Dixiecrat, in fact. And in South Carolina the Dixiecrat presidential candidate in 1948, Governor Thurmond, lost the Democratic nomination for Senator.

But this does not mean that the right-wing black sheep have repented as those who strayed to the left have done. Mr Thurmond was defeated by Senator Olin Johnson, who denounced the Administration in general, and its civil rights programme in particular, just as violently as his opponent. The only difference was that Mr Johnson argued that the Democratic flock could be more effectively infiltrated from within the fold than from without. And South Carolina has also provided the conservatives with a bell-wether ; the State's new Governor is to be Mr James Byrnes, the ex-Secretary of State, who has now broken with Mr Truman and who will give the right wing of the Democratic Party a prestige and a leadership that it has not had before.

Excess Profits

Skimming off rearmament profits from a brimming civilian economy may prove to be much more difficult than it was during the war, when profits rose sharply. The first half of 1950 has shown that no war stimulus was needed to revive corporate incomes, which wilted somewhat during the 1949 recession. The Council of Economic Advisers, on incomplete returns for the first six months of 1950, estimates that profits were running at an annual rate of $18.4 billion after taxes, compared with $17 billion in 1949, $20.9 billion in 1948, and $18.5 billion in 1947. The National City Bank, tabulating final returns from 500 corporations, mostly the larger manufacturing ones, finds that profits after taxes were 27 per cent higher in the first half of 1950 than in the first half of 1949, and that in the second quarter alone they were 50 per cent higher. This is on the assumption that taxes are not raised retroactively, an assumption that seems safe since the Senate Finance Committee has turned down the President's request that new corporate taxes should apply to the whole of 1950 and proposes that they should apply only to income earned after July 1st.

Leading this year's expansion were the textile and apparel, metal products, electrical goods, chemical and cement industries. Some, but not all, owed their good showing to last year's bad record, but the automobile, iron and steel, and chemical companies have gone from strength to strength. In the recovery, capacity production, improved plant, rising sales and stable or rising prices have all played a part. Investors in one corporation, General Motors, are to share in this prosperity. The corporation has announced a special dividend of $2.50 a share, which brings dividends in three quarters of this year to $7 compared with $8 in the whole of 1949. But this one swallow does not make a golden age ; most investors are resigned, if not reconciled, to skimpy pickings. Dividend payments, though at a record rate, have only doubled since 1939, while profits have tripled. Undistributed profits have financed expansion and internal improvements, and have brought working capital to the peak figure of $69 billion.

The demand that Congress " take the profits out of war " has already been marked in Senate discussions and will become irresistible if ceilings are put on prices and wages. The Administration would prefer, however, to postpone this complicated and controversial issue until the next session, feeling with Senator George that to introduce it now might mean no tax legislation at all at this time. Senator George also suspects that the left wing would like to take the profits out of peace as well as war, for Senator O'Mahoney would rank as excess profits any earnings above 75 per cent of a company's 1947-49 level. Before the excess profits tax is revived, the Treasury would also like to try to discover a formula that might avoid the inequities of its predecessor.

* * *

Community Colleges

The United States has become increasingly college-minded since the war. The cost of a college education has risen, but, thanks to good times, so have the number of those who can afford it. College enrolment is likely to settle down at about 2,500,000, 1,000,000 more than the number on the campus in 1941 and 1942. The most remarkable growth has come, however, not in the traditional four-year institutions, but in a peculiarly American phenomenon, the two-year college. Of the 150 colleges and universities established in 1948 and 1949, half offered a two-year course, bringing the number of such junior and community colleges up to 500, with 500,000 students. Only one State, Nevada, lacks a two-year college, and communities in 24 States are planning to establish new ones.

The junior college has been an accepted part of the educational system for twenty years or more, particularly in the west. It offers a shorter course, either technical or in the liberal arts, for those without the money or inclination to embark on a four-year investment. The community college, a postwar phenomenon, goes much further toward bringing higher education within everyone's grasp. It is designed to serve all the educational needs of the community in which it is situated and, by enabling its students to live at home, it does away with the heavy residential expenses that prevent many boys and girls from attending even the universities provided by the States. Unlike the junior college which is often a stepping-stone to the university, the community college is primarily for those who intend to go directly into business, public service, farming, or semi-professional jobs. Finally, it also caters for adults who wish to continue their education while at work or who, having set out on the wrong foot in life, need a foundation for a fresh start. In New York, the new master plan for higher education is based, in large part, upon the expansion of two-year colleges ; the State will pay half the capital costs and a third of the running costs of colleges set up by local authorities. A further stimulus has been provided by the approval of two new college degrees for two-year courses, Associate in Arts (AA) and Associate in Applied Science (AAS). Forty-two other States recognise these degrees.

The community college is one method of satisfying the growing demand for free higher education. The President's Commission on Higher Education emphasised a different solution ; it proposed that the number of four-year institutions should be expanded to accommodate 50 per cent more students by 1960. There is much scepticism, however, as to whether so many will ever be able to afford a four-year residential course, even if the number of scholarships is increased. There is even more doubt whether such a flood of would-be graduates—even if it could be financed—might not swamp the colleges and universities and prevent them from giving first-rate instruction to those who have professional ambitions and the equipment for book-learning. The speed with which the community college idea has spread shows the need for a new institution to fill the gap between the high schools and the four-year colleges. Whether the community college provides the answer depends on its ability to attract teachers with an imaginative grasp of the possibilities and without too rigid an academic approach.

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How Bomb-proof a Shelter ?

A brisker business in cave reservations and homes " outside the radiation zone " is not the only proof that the leisurely tempo of civilian defence planning has been rudely jolted by the fighting in Korea. Until the invasion, and the American decision to resist it, 1953 had been the year by which defence against the bomb, like so many other things, was to be ready. Now city mayors and State Governors await with impatience and open irritation the interim guide the Federal Government promises to publish early in September, and some, refusing to count on Russian restraint until then, are going ahead on their own. Congressmen, startled to find that even they would not know what to do if an atom bomb fell on Washington, have hastily passed a model civil defence law for the District of Columbia ; the $30,000 tentatively mentioned in June to finance preparations has been raised to $290,000. Governor Dewey has appointed General Clay to supervise New York's plans ; already wardens are being appointed and an observation network created. Chicago is sponsoring a " walking blood bank " scheme by tattooing blood types under, not on, the arms that might be blown off.

By and large, however, despite loud complaints of Federal delay, sharpest in the West Coast cities conscious of being only ten hours flying time from the nearest Soviet base, plans remain on paper, if they exist at all. Only twenty-one States possess a civil defence law ; nineteen have taken no steps whatever. Most, though not all, of these, are unlikely ever to experience an attack, but mutual aid pacts are desirable if bombed areas are to secure effective aid from their neighbours. At present Newark's fire-fighting apparatus, for example, would be useless across the river in New York because of coupling differences, and New Jersey's nurses and doctors are forbidden to practise in Pennsylvania —though the latter refinement would hardly survive an atom bomb.

Even more urgent, in the view of Mr James M. Landis, director of civil defence in the last war, is the need to designate a single authority to issue defence regulations and ensure the best use of all resources. Dr Larsen, the national director of civilian defence, is only a planning officer ; he has no enforcement authority. Moreover, there have been jurisdictional quarrels between committees, and the National Security Resources Board only recently received the information from the Atomic Energy Commission that is necessary to formulate its guide against atomic attack. Prolonged bombardment by conventional weapons is not regarded as a serious threat ; it is the relatively unknown, and more terrifying, effects of atomic weapons that monopolise attention and have made the new guide issued this week a best-seller overnight.

Among the general measures that the report recommends, and which incidentally would add to the peace-time amenities of dwellers in large cities, are the provision of more parks and the clearing of slums, to reduce the density of population and fire hazards, and the building of better highways, as escape routes and fire-breaks. The implication seems to be that the $450 million some New Yorkers would like to spend on vast shelters under the parks might better be invested in these other ways. The NSRB already has a plan for moving key Washington agencies to new towns 50 miles from the centre, and filling the vacancies with less precious personnel—the exact obverse of what happened in the last war. The dispersal of industry is another matter ; few cities, even under the shadow of the bomb, will willingly see their bread and butter depart—perhaps for ever.

Shorter Notes

President Truman has sought shelter from the gathering Congressional storm over the Reconstruction Finance Corporation and has refrained from renominating two of the existing directors for a new term. The chairman, Mr Harley Hise, had been especially hard hit during the Senate inquiry into the RFC and he is one of those now dropped.

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With the new defence programme a new defence investigating committee has also got under way in the Senate and is hoping to do as good a job as its predecessor in the last war. Its chairman, Senator Lyndon Johnson of Texas, may also hope to follow in the footsteps of his predecessor, ex-Senator Truman.

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The American soldier in Korea may feel that as yet his weapons show little improvement over those of the last war, but at least his combat rations are better. The famous C ration has become the C-4 and now contains tinned fruit—a choice of cherries, peaches, pineapple or fruit cocktail—as well as pork sausages, chicken, stewed meat or ham and eggs, bread, cigarettes, a spoon and a cake of soap.

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In the interest of the national security, the du Pont Company, which withdrew from atomic energy projects in 1946, has been prevailed upon by the Atomic Energy Commission to take the responsibility for some new plants of advanced design to produce materials " which can be used either for weapons or for fuels." It is taken for granted that this new project is connected with the hydrogen bomb.

THE WORLD OVERSEAS

Pakistan's Third Birthday

(From Our Karachi Correspondent)

PAKISTAN was three years old last Monday. These three years of existence have put Pakistan firmly on the map and have secured for it recognition as the strongest and most stable Muslim State. In terms of population it is, of course, by far the largest and, being divided into two portions one thousand miles apart, it has a special strategic importance in that it has one foot in the Middle East and the other in South-east Asia. It is interesting to compare the attention now paid to Pakistan by foreign governments and press with the indifference with which the country was regarded in its early struggles. Obviously in the early days the world was inclined to regard Pakistan as a figment of Jinnah's brain which might not survive his death, and would at best have a hard job to establish its economic viability.

Pakistan's foreign policy from the outset has been almost entirely dictated by its fear of India. There has already been an undeclared war in Kashmir, and full-scale war very nearly broke out last March. Pakistan's grievance against the Commonwealth—of which it has all along been disposed to be a genuine member—has been that the United Kingdom and associate countries have not been fulfilling their moral responsibility of settling disputes within the family, and of taking a firm line against India when called for. Hence, the brief Russian flirtation last year ; nothing earned so much kudos for Liaquat Ali Khan in his own country. By accepting the Russian invitation—which still stands—the Prime Minister made it quite clear to the Commonwealth countries, and America, that Pakistan was not prepared to be treated as a camp-follower. At the same time it must be recognised that there is no real enthusiasm in Pakistan for the combined action against aggression in Korea, and that Pakistanis take a very cynical view of the United Nations. They contrast the speed with which it acted when American interests were threatened with its spineless attitude towards the Kashmir, Junagadh and Hyderabad affairs.

Relations with the Commonwealth

Although the present tendency is for Pakistan to align itself with the Commonwealth, it must be remembered that it stands committed to nothing. It is for the Constituent Assembly, which is still only at the early stages of constitution making, to decide whether Pakistan remains a Dominion, or a Republic within the Commonwealth, or even quits the Commonwealth altogether. The odds are that it will follow India's example and become a Republic within the Commonwealth. Pakistan has not, however, finally found its political niche. On the other hand, it has determined its ideological status. It regards itself as an Islamic democracy based on "Islamic Social Justice." This means a "third way," lying between capitalism and communism, which has much in common with British socialism and the concept of the welfare state. Concentration of wealth in the hands of a few individuals is to be avoided, though private enterprise is to have its place. Communism on the Russian model is regarded as repugnant to Islam, but public utility concerns are likely to be completely nationalised within the next ten years.

It was fortunate for Pakistan that it had the leadership of Mr Jinnah for its first year. Jinnah was meticulously constitutional, but was nevertheless a dictator in the sense that his authority was absolutely unchallenged and his lightest word was law. There might have been a serious crisis at his death—for there were disgruntled elements in political life—but Mr Liaquat Ali Khan carried the day successfully and now occupies almost as secure a position as Jinnah did. Being Prime Minister, he can exercise his power even more constitutionally than Jinnah did. His government is a Muslim League Government, and the League is by far the most important party in the country. Various splinter parties have come and gone, and at present, there is only one party which can be regarded as in any sense a rival to the Muslim League. This is the Awami Muslim League, led by Mr H. S. Suhrawardy, the former premier of undivided Bengal. Suhrawardy has gathered various dissident elements under his banner ; but he started under a disadvantage inasmuch as he had originally continued his citizenship of India, and only came over to Pakistan when it suited him.

Financially Strong

Pakistan has always taken great pride in having balanced its central budgets during each of the three full financial years for which budgets have been presented. This has certainly been a *tour de force* on the part of Mr Ghulam Mohammed, the Finance Minister. Nor should it be thought that the very high level of defence expenditure has squeezed out expenditure on development. In 1950-51, Rs 25.34 crores have been budgeted for capital expenditure on development —almost exactly twice as much as in the previous year. The Pakistan Government has sometimes been criticised for paying too much attention to industrial development and too little to its natural resources, that is, to agricultural development. There is not much basis for this criticism, which arises from the fact that industrial development steals most of the news ; every new factory gets into the headlines, while agricultural schemes seem to lack news value. Actually, Government have, so far, approved 105 special development schemes, estimated to cost about Rs 112 crores over a period of 5 years. Of the total expenditure of these schemes, the heading "Communications" accounts for Rs 33.12 crores, even though this does not include the bulk of the Rs 14.5 crores, which is being spent on the development of Chittagong Port. "Electricity" accounts for Rs 29.53 crores, and the approved schemes for the generation of electric power will bring the total output up from 40,000 kW to 200,000 kW. "Irrigation" accounts for Rs 22.16 crores, and "Agriculture" for Rs 16.04 crores. "Industry" accounts for only Rs 7.50 crores. These figures do not include provincial schemes to the extent that the latter are being financed by the provinces out of their own resources. The huge Lower Sind Barrage scheme, for example, is not included.

Three years have proved that Pakistan is not merely economically viable, but, if left in peace, is capable of attaining a level of prosperity which would be unusual in an over-populated Eastern country. It has the inestimable advantage of starting on a thoroughly sound basis for general development—self-sufficiency in foodgrains, plus valuable cash crops for export which bring in the necessary foreign exchange to pay for requirements of manufactured goods from abroad. "If left in peace," is however a big "if." Even in the present state of uneasy relations with India, Pakistan is spending between 60 and 70 per cent of central revenues on defence: this, of course, includes expenditure charged to capital as well as expenditure appearing in the revenue budget. No country can afford to spend so high a proportion of its income on unproductive expenditure if it is to attain a well balanced economy, least of all Pakistan, which has a vast programme ahead of it. Mr Ghulam Mohammed makes no secret of his belief that both India and Pakistan are heading for bankruptcy, unless they can reduce defence expenditure—unless, to put it another way, they can come to an agreement over Kashmir. The future of both countries depends on this thing more than anything else.

Italy's Fifth Column—II

[FROM OUR ROME CORRESPONDENT]

IT is in practice evidently impossible to treat eight million voters, or a third of the population, as a fifth column. Nor, however, can two and a half million persons (the present alleged membership of the Italian Communist Party), knitted together by an intricate organisation and dominating strategic points of the national society, be carried along as an actively hostile organism within the body politic. Recent Communist statements have it that 20,000 persons pass yearly through the Party's various schools of political and ideological leadership and that another 4,000 take courses by correspondence. In Northern Italy a cell has an average membership of about 40, in Southern Italy of above 90, but a campaign is in course for the "bolshevisation" of the Party—that is, its articulation into a far greater number of cells. Comrades are told not to be shy of establishing a cell of four or five persons. This process is to bring many thousand more comrades into responsible positions. The Youth Organisation (now claiming nearly half a million members) has been bidden to exert itself in forming small sporting, cultural, and entertainment units for the attraction of non-Communist youth. Reproofs have been administered at various levels to Party organisers for failure to understand the Party's position as the advanced part of the nation, and for treating Catholic or Social Democratic workers as foes, instead of as less fortunate brethren to be guided subtly to the light. An examination of recent Communist documentation indicates an intense effort to radiate the Party's doctrine, way of life, and organisation for mutual assistance and discipline into the recesses of Italian village, workshop, farm, and family life, coupled with a recognition that in recent perplexing times many weak brethren have fallen away—and all for the best. In the very latest months, however, the paid-up membership is said to have expanded sharply (in Rome province by 10 per cent in six months, to 100,000). It is common form, in Italy, to assume that the membership claims of all organisations are grossly exaggerated. There has so far been no spectacular purge in the Italian C.P., but the scrutiny of individual conduct in the Party is severe.

The question of how to confront "the Communist menace" in Italy—in case of grave international events and consequent internal crisis—resolves itself, in the short run, into the possibility of segregating a manageable number of persons whose removal from political activity would cause their agitatory machine to run down ; and secondly, into the possibility of giving the operatives and landless peasants a channel, other than those controlled by the Communist Party, for making their weight felt in the national life. For the events of 1943-45 have bequeathed to the Communist Party a *prima facie* identification with organised labour which has not been successfully challenged.

Partisans and Patriots

How many Communists can be considered as dangerous carriers of the fifth-column germ? One may reasonably suppose that the infectious hard core consists in the main of men (and some few women) who participated conspicuously in the anti-Fascist guerillas of 1943-45. The Party's Vice-Leader and Military Chief, 50-year-old Luigi Longo, claims that 462,000 "partisans and patriots" took up arms in that struggle. Making allowance for enthusiastic exaggerations, for the inclusion of numbers of occasional helpers, and for the fact that large portions of the partisan forces were non-Communist, it must yet be supposed that some thousands of present-day Communists have behind them an experience not merely of handling arms but of exercising some military command in partisan warfare. It is perhaps today as fully assumed in Communist circles that a political leader should be capable of thinking and acting in military terms, as it was that an eighteenth century landlord should be able to command a body of militia. Since 1945 Italy has, of course, re-formed a not contemptible army and a strong police corps. Yet there has been some surprise in Italy that Signor De Gasperi's mettlesome Defence Minister, Signor Pacciardi, should in July have talked confidently in the presence of foreign Military Attachés of "four hundred or so" persons whom it would suffice, in an emergency, to deprive of opportunities for harm. The fifth column can hardly be so slender. Yet, however difficult the problem of segregating the Communist politico-military *élite* in case of extremities it is on the other hand clear that the present Ministers would not easily be deflected from a stern policy. It is presumed that in the case of real trouble there would be a mass rally to the stronger side, and it is presumed that the stronger side would be the one which controls the police.

The most important of all considerations, for those who are attempting to lead Italy against all Marxist aspirations into a peaceful "Western" evolution, is how the factory workers on the one hand, the landless peasants on the other—twin pilasters of the present fifth column—can be shown a way to participate creatively in the national society. The General Confederation of Labour, resuscitated in 1944 as the sole central syndical organisation, with a Communist,

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a Socialist, and a Catholic Secretary-General, survived in that form uneasily through the year which passed between the "expulsion" of the Communists from the Government (as that episode is described by themselves) and the electoral victory of Signor De Gasperi in 1948. By that time the Marshall plan was in operation and the anomaly of a monopolistic labour organisation effectively organised by the Communists to frustrate the Marshall plan, coexisting with a Government pledged to the Marshall plan, no longer appeared tolerable. The first inclination, on the Government side, was to try to wrest control of the Confederation from the Communists by compelling the component unions to elect their officers (and so, at the top of an electoral ladder, the Central Union's officers) by democratic secret ballot. But before this democratically correct solution could be attempted the Catholic officials, under the impulse of the Vatican's Catholic Action, threw in their hands and formed a separate Catholic Union. In course of time this body has gained, or claimed, about one and a half million adherents. The Catholic secession left high and dry inside the General Confederation the considerable portions of the Socialist sections which had prepared to respond to the call to break the Communist control. Later, two distinct groups of Socialist Unions broke away, first the FIL, which after a dim separate career on American money has recently joined the Catholics in the CISL. This joint organisation now backs the Government more or less to the hilt. The second defection created the new but potentially more substantial UIL, hostile both to the Communists and to the Government. Ostensibly the General Confederation, with its claimed membership of well over five millions remains a pure preserve of the Communists and the rump of Nenni Socialists, and acknowledges a net loss of about one million members as the result of these defections.

Failure of Political Strikes

The big losses to the Communist unions have been in Lombardy and Venetia, regions where small textile factories employing many women are specially prevalent. State employees, bank employees, and school teachers have for the most part adhered to the secessions, but also quite substantial groups in the tougher industries. There has been open criticism of the syndical side of the Party's activities at recent meetings of the Communist executive, and the General Secretary of the Confederation, Di Vittorio, though Moscow-trained and a Spanish War combatant, walks on a tightrope between party obedience and the public opinion of his Union, which strongly objects to a purely political and ideological treatment of labour questions. The many local and temporary general strikes called since 1948 for political motives have been progressive failures, and none has been attempted since the spring, when the protest strike against the unloading of Atlantic arms was purely nominal.

In short, it may be suggested that the syndical situation of the Communists is weaker than it appears, and has not allowed them much real opportunity for frustrating the Government in the day to day field. The support given to the Government by the CISL has lately proved adequate to save it from the humiliation of total labour stoppages. If, however, the Government were to attempt to conduct the country quickly along a full-blooded line of policy upon which no moral unity has been achieved in the nation, such a course, however necessary, would entail a most perilous political operation.

The observer of Italian affairs is bound to express anxiety when contrasting the suddenly increased urgency of the military co-operation which it is suggested that all "Western" nations must offer as a counterpart to economic assistance, with the slow and broken progress in Italy of the policies which would make the Italian masses feel that a "Western" evolution offers them better hopes than the dictatorship of Togliatti, or of Togliatti's tougher replacement.

(Concluded)

Canadian Trade with the United States

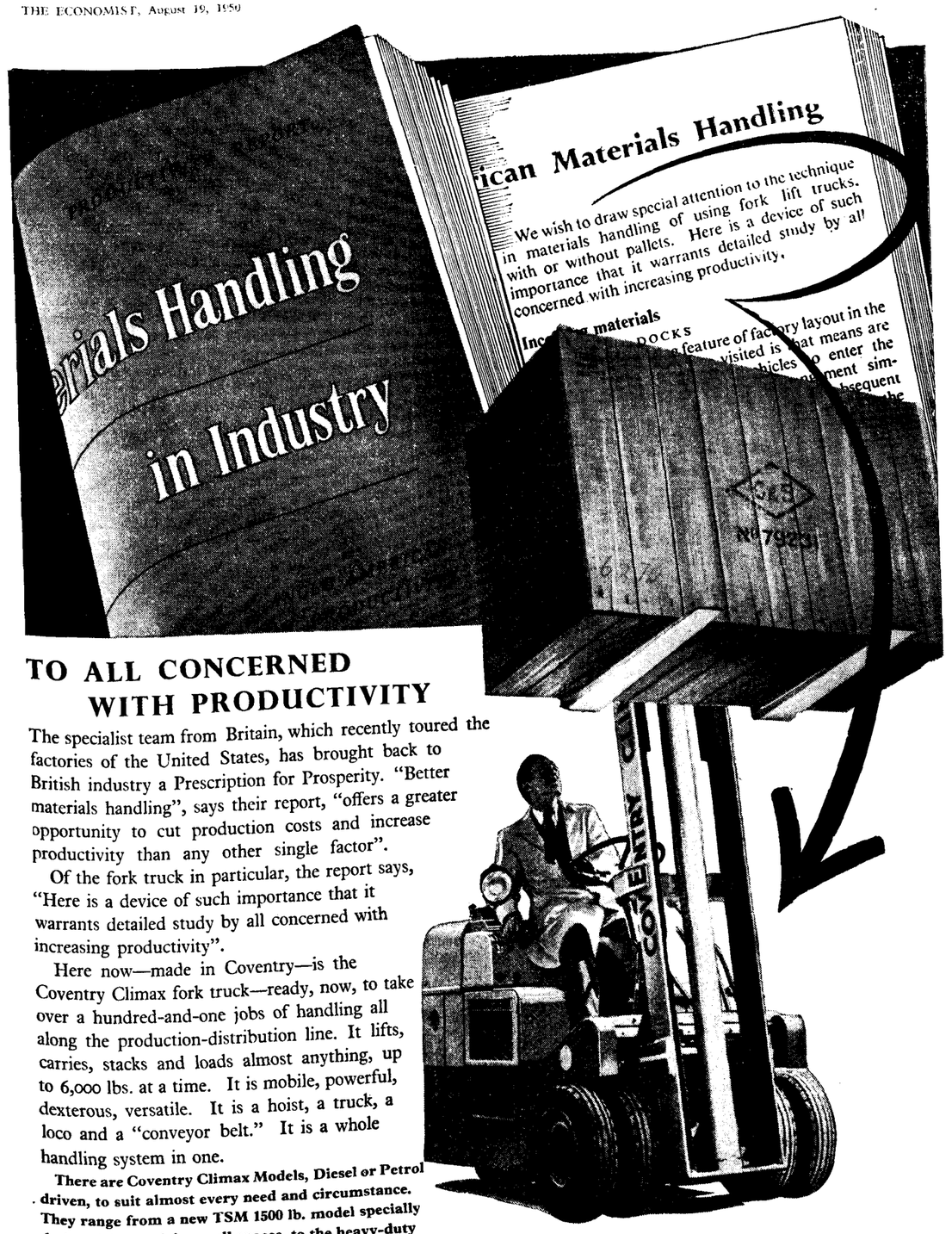
[FROM OUR OTTAWA CORRESPONDENT]

THE United States rearmament programme promises to accelerate the trade trends between Canada and the United States which were already becoming very pronounced before the Korean crisis. Before the war Canadian exports were equally divided between the United States and Britain: 37 per cent of the total exports went to each. In 1949 the United States took 51 per cent of Canadian exports and the United Kingdom took only 24 per cent. In the first half of this year the United States took 64 per cent of total Canadian exports, and Britain's share was down to 17 per cent. The import picture has not changed so drastically. The United States was always Canada's chief supplier. Between 1935 and 1939 it supplied 61 per cent of Canadian imports, against Britain's 18 per cent. The US share rose to 70 per cent in 1949, and just under 70 per cent in the first half of this year. Britain's share dropped to 11 per cent in 1949, and was recovering in the first part of this year: for the first five months it was 12.8 per cent.

In 1947, Canada's balance on commodity trade with the United States ran a deficit of more than $900 million. The reserves of gold and US dollars dropped to the dangerously low point of $500 million. Before the end of the year the Government had been obliged to impose a strict import control programme. It banned the import of a range of goods amounting (on 1946-47 trade figures) to $150 million; it applied quotas to categories amounting to another $250 million; and it required import permits for the whole range of capital goods, motor vehicles and production materials on which Canada had spent $572 million in US dollars in 1947.

The balance of payments responded immediately. The reserves shot up to $997 million by the end of 1948 and $1,117 million at the end of 1949. At the end of June this year they had increased to $1,255 million. Many factors have contributed to this increase. No doubt the import restrictions were a vital factor in tipping the scale, but they have been progressively relaxed for the last two years without altering the favourable trend. On July 1st the banned list was reduced to a few minor items, whose total 1946-47 value was only $25 million. The quota list was down to some $200 million on the same basis; but there were a good many signs that it was affecting very much less than that volume of trade. The backlog of demand which so inflated Canadian imports in 1947 has by now been largely satisfied; the sources of supply, which in 1947 were largely restricted to the United States, have now widened; and in some items such as textiles it appeared that the competitive appeal of the US products had to a considerable extent worn itself out. It is doubtful whether the full quotas permitted for US imports will be used. Very much the same story applies to capital goods, where the Government has always tried not to refuse permits for any essential imports which had to be obtained from the United States. Permits granted in 1949 had crept back to about the same level of imports as 1947.

If import restrictions are not enough to account for the improvements in reserves the next obvious answer is ECA. Commentators in the United States have attributed nearly all the Canadian improvement to offshore purchases under ECA. This has certainly been an important factor, but US observers seem to exaggerate its effect. It is in fact difficult to determine what ECA funds are actually spent in Canada: expenditures frequently vary very widely from the allocations. Nor is Canada very much concerned; so long as the ERP countries raise the funds from somewhere to buy Canadian goods it does not matter whether they are ECA dollars or "free dollars." Britain's dollar deficit with Canada in 1949, for instance, was about $400 million. $120 million of this was covered by a Canadian credit. It may be argued that the



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remaining $280 million could not have been covered without ECA offshore allocations. But Canada's net gain from ECA dollars is limited to that amount.

A third factor, besides import controls and ECA offshore purchasing, which accounts for the improvement in the Canadian position, is increased exports to the United States. They have risen from a monthly $83.7 million in 1947 to $125 million in 1948 and 1949, and $146 million in the first five months of 1950.

Conscious policy has helped this rise in two ways. At the same time that the import restrictions went into effect in November, 1947, the Geneva tariff concessions were announced. These new rates gave Canada in many important lines the lowest US duties in living memory. It has taken advantage of the opportunity. At the same time the import controls were consciously used by the Canadian Government to provide incentives for export to the United States. Many of the larger Canadian firms which are subsidiaries of US parent companies were persuaded to co-operate with the import control programme by allowing the Canadian plants to make parts for export to the United States. The permits given for import of capital goods and production materials do not therefore tell the whole story. Although certain firms may have imported as much as ever from the United States some of them achieved the same balance-of-payments result by the more desirable method of exporting more.

Both these factors have helped. But neither of them has been the major influence, which is the astonishingly high level of continuing demand in the United States. Despite all the attempts to increase the export of manufactured goods—some of which have been successful—the rising exports to the United States consist principally of the raw or semi-raw products of forests and mines. Wood and wood products, with newsprint as by far the most important item, amounted to almost half the Canadian exports to the US in 1949.

Effect of United States Rearmament

There are, however, many disadvantages about being primarily a supplier of raw materials to the United States. Canadian policy has been constantly directed towards increasing the sale of more processed or manufactured goods. But the supply of raw materials has the advantage that it tends to be more stable than that of processed goods. Moreover, in times of tension and rearmament, the American demand for Canadian raw materials is increased. It is also very possible that US rearmament may produce a demand on Canadian factories which no amount of peacetime persuasion could bring forth. At the time of writing it is not yet known what war supplies the United States may want from Canada. It is, however, clear that the demand is likely to be considerable. The figure of $25 million a year had been set by Defence Secretary Johnson as a maximum for military purchases in Canada. Korea has certainly changed all that.

It must be foreseen that when Canadian rearmament also begins to get under way, there will be an increase in Canadian defence purchases south of the border. But from the balance of payments point of view Canada may very well come out on the right side of the account. The time-lag, which between 1939 and 1941 kept Canadian demand ahead of US demand, now operates the other way round. The United States is setting the pace and leading the way. It is reasonable to suppose that the "defence account" will start with Canadian earnings of US dollars which will be quite adequate to cover later Canadian expenditures in the United States.

The effect of the new rearmament drive may very well be to bridge the difficult period which Canada, like everybody else, was looking forward to at the end of the ERP programme in 1952. In spite of the very favourable results of the last few years' trading, no one would have dared to prophesy before the Korean crisis that Canada would be able to balance its US dollar account by 1952.

Before the last war, sales overseas were predominantly a means of earning US dollars to pay for the excess of imports from the United States. Now it no longer seems fanciful to suppose that Canada's own exports to the United States may in the near future be enough to balance its imports from there. This must always depend on a high level of demand in the United States, either from peacetime prosperity or from defence needs or, as now, from both. In such a situation the problem of the British market becomes much more self-contained. It is to maintain the traditional exports which cannot find a ready market on this continent. The range is fairly wide, from wheat to fish to rubber goods; but Canadian overseas exports may merely have to find a balance in Canadian imports from overseas. They may no longer have to carry the burden of paying for Canadian imports from the United States.

Elections in Denmark

[FROM OUR COPENHAGEN CORRESPONDENT]

THE Danes are going to the poll for a general election to the Lower House (*Folketinget*), on September 5th. Early in the morning on August 9th, Hr Hedtoft, who is the head of the Social Democrat minority Government, threw over the reins, not even taking a debate or a vote in the House. He simply stated that, as the majority (Agrarians, Conservatives, Radical Left and Single Tax Party) in a sub-committee set up during the night to deal with the Government's proposals for a series of currency regulations had refused to accept these, he would appeal to the country. It was indeed evident from the very beginning of the emergency session of the *Rigsdag*, which was summoned to consider rearmament proposals and Denmark's economic crisis, that the Social Democrats looked forward to a conflict with the Opposition, and they had no intention of listening to tempting invitations to form a Coalition Government.

The Government succeeded, however, in carrying through one bill before Parliament was dissolved—the new defence measures. In its reply to Washington the Danish Government had stressed that Denmark, at the end of the German occupation, had been stripped of all its weapons, warships and aircraft. Immediately after the liberation, 100,000 men had been trained in the Army, 20,000 in the Navy, and 30,000 in the Home Guard—altogether twice the number of men who had been called to the colours before the war, and all with an extended period of training. Expenditure on defence had risen from 60 million kroner (£3,000,000) in 1938 to 358 million kroner this year, or 2.1 per cent of the national income (16.9 per cent of the total state budget). As Denmark's contribution to the greater measure of collective defence now necessary, the country would spend an additional 300 million kroner on the armed forces, and 100 million kroner on civil defence during the next two years. This would bring defence expenditure to the equivalent of 3.6 per cent of the national income (the same as Sweden, who is not a member of the Atlantic Pact) or 29.1 per cent of the state budget.

But all the Government's proposals for covering the increased expenditure on defence, as well as on the measures to meet the economic crisis, were flatly turned down. A situation, probably unique in democratic countries, thus exists. The *Rigsdag* has passed a bill involving amounts that are far from negligible, but has refused to sanction payment. This problem will be entrusted to the new *Folketing*.

The expenditure for defence, totalling 400 million kroner over a period of 18 months, was to be met by a special defence tax on all incomes over 10,000 kroner (about £500) a year, and a compulsory 3½ per cent loan to be obtained from all with a capital over 50,000 kroner (about £2,500).

The Government also needed two hundred million kroner in cash for meeting other increasing expenses, and it intended to impose as well drastic restrictions on imports to close the gap between exports and imports. The "National Budget" for 1950-51, published in April by the Minister of Economic Co-ordination, Hr Wilhelm Buhl, revealed a new gap in Denmark's foreign currency position. Compared with the year before, Denmark was 500 million kroner worse off as regards foreign currency. This was mainly due to the devaluation of sterling, which had made a large part of Denmark's raw materials much dearer. At the same time, export prices were unchanged—a problem having a special bearing on relations with Great Britain. The deficit on the balance of payment for the year 1950 was at that time estimated to be approximately 200 million kroner. But when Parliament met this month the situation was even worse: the deficit was now calculated to be about 350 million kroner. Imports had cost 450 million kroner more than estimated, while exports had only risen by 200 million kroner. Giving the prospects for 1951, the Minister of Trade, Hr Krag, had no consolation to offer. Developments in prices, the reduction of Marshall aid, increased interests on foreign debt, and so forth, would mean a further considerable deficit in the balance of payment, probably 500 million kroner.

Austerity Ahead

In these circumstances, the Government submitted proposals to Parliament to introduce austerity measures. First of all it would be necessary to cut imports by 280 million kroner for a period of eighteen months. The goods affected included paper, wine, spirits, machinery, clothes and woollen goods. This could all be done through transferring goods from the free list to the controlled list. The Minister of Trade said, with reference to the European Payments Union, that Denmark had made explicit reservations as regards the 60 per cent rule for the liberalisation of trade, mainly on the argument that Denmark had the lowest tariffs in Europe. Furthermore the state, by indirect taxation, proposed to obtain 200 million kroner from taxes on tobacco, spirits, paper, chocolate and petrol. Even with the new taxes, these goods would be cheaper than in Great Britain.

When the four democratic opposition parties (the Communists not included) turned the Government's complex of bills down, it was, of course, not from the same motives. But all parties agreed that the Government's economic and financial policy had been confused. During the last six months, the Minister of Trade had one week given a very rosy picture of Denmark's economic situation, promising the population that it would find prosperity just round the corner, while the Minister of Economic Co-ordination the following week had nothing to offer but new sufferings.

The election campaign's two major subjects will be the increase of defence and the economic policy. The opposition parties object to the transfer of goods from the free list of imports to the controlled list. They want, on the contrary, the free list to be extended. The Social Democrats reply that, if imports are not checked, it will soon be necessary to reintroduce rationing of several goods. (Today, only butter, margarine, sugar and coffee are rationed.)

Hr Hedtoft's Government took office in November, 1947, after the elections in October the same year. Normally, fresh elections would not have been held until October, 1951. Now they have been brought on prematurely, but there is no doubt of the importance of the disagreements that have caused this, disagreements on which both the country and Denmark's allies will welcome the opportunity of a clear-cut decision.

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THE BUSINESS WORLD

Retirement and Taxation

THE first question that any businessman or employee asks today when he is confronted with a change in his circumstances is likely to be simple and cynical: "How do I stand for tax?" An article in *The Economist* a fortnight ago claimed for the British tax system that it was as equitable as ingenuity could make it. But there are still great differences in the treatment of different tax-paying subjects. It has been said that Schedules D and E of the Income Tax are not two different schedules, but two different taxes. The man who enjoys a high gross income from industry or the City can enjoy the pleasures of "clean boot farming" and pay less surtax. Employed persons can save for their retirement out of untaxed income; the self-employed professional man cannot do so. It is this last question that provides Mr J. Millard Tucker, KC, with part of his second task of inquiry, to which the Chancellor of the Exchequer referred in his Budget Speech. The committee* is to review the treatment for income tax of superannuation and pension fund schemes. It is also asked to consider whether further tax relief should be given for payments made by individuals for retirement or for their dependants after death—that is, the committee will pay special attention to the position of self-employed persons and others not at present covered by a pension scheme.

There are thus two separate points for the committee to consider. The first is to review the present tax law governing voluntary and contractual pensions schemes; this law is complicated, inconsistent and arbitrary. The second is to seek remedies for the long-felt grievance of professional men and self-employed persons who enjoy no opportunity to share in the considerable tax advantages of pension schemes, and must struggle as best they can to save out of taxed income—which means in many cases no saving at all. For employed persons, the burden of providing maintenance after retirement has been largely lifted by the great development in this generation of "retirement benefit schemes," as they are known to the Finance Acts. These are now part of the normal pattern of remuneration and conditions of service for great numbers of wage and salary earners.

It cannot be said that income tax principles have kept pace with the rapid development of such schemes. Three groups of specific provisions in the tax statutes govern retirement benefits for employed persons. Section 32 of the Income Tax Act, 1918, grants life assurance relief for sums deducted from remuneration to provide for a widow or dependant; such relief is not limited to the normal life assurance relief of two-fifths of the standard rate of income tax on the premiums paid, but is granted at one-half the standard rate for incomes up to £1,000, at three-quarters between £1,000 and £2,000, and at full standard rate for incomes above £2,000. The allowance is limited to tax on £100 a year for contributions for a widow's pension. The second set of provisions is found in Section 32 of the Finance Act, 1921, and in the regulations issued under that section; these deal with the tax treatment of funds held in trust to provide pensions, and provide that the investment income of such funds is exempt from tax, that contributions are mainly exempt, and that all payments from the fund are taxable in the hands of the recipients. The third group consists of the complicated provisions of Sections 19 to 23 of the Finance Act of 1947; these deal—or attempt to deal—with the case of retirement benefits provided by employers, as distinct from benefits towards which the employee makes a contribution, and their main intention was to prevent employers from paying large annual contributions to provide tax-free lump sums to employees.

It is impossible to trace any consistent taxation principle in these various attempts to deal with different facets of employees' pension schemes. Anomalies and inequities abound. Here are some examples:

(1) An employee's contribution towards a widow's pension is not allowed for surtax. But the same employee's current contribution towards his own old age pension under an approved scheme within the 1921 Act may be deducted both for income tax and surtax.

(2) An employee's contribution towards a lump sum benefit in a provident fund is not deductible for tax purposes but an employer's contribution for the same purpose is deductible. If the employer's contribution exceeds £100 a year or 10 per cent of the employee's salary and the scheme is not confined to persons receiving less than £2,000 a year, the contribution is taxed as income of the employee for income tax and surtax.

(3) An employee's contribution to a life endowment policy obtains life assurance relief at two-fifths of the standard rate. An employer's contribution for the same purpose is tax free. If the employer's contribution exceeds £100 a year or 10 per cent of the employee's salary and the scheme is not confined to persons earning less than £2,000 a year, the contribution is treated as income of the employee for income tax and surtax and the employee is given life assurance relief.

(4) A member of a Statutory Superannuation Scheme—which includes most persons in central and local government employment—may receive a tax free gratuity when he retires. So can an employee of a business, provided that he has no contractual right to receive the payment; but if his terms of service entitle him to receive a lump sum payment on retirement, he is taxed on it.

(5) A member of a staff pension fund approved under Section 32 of the Finance Act, 1932, may receive a retirement benefit only in the form of pension, limited to £2,000 or two-thirds of salary after 25 years of service. He may not receive a lump sum benefit under such a scheme. But the Commissioners are prepared to approve a supplementary scheme created by the employer, at his expense, to provide lump sum benefits; these benefits are tax free provided that the lump sums do not represent more than one-quarter of the combined benefits of both schemes.

(6) A civil servant who elects to contribute to a widow's pension obtains no tax relief for his contribution, yet the pension is taxed as income when it arises.

(7) An employer can pay a voluntary pension of unlimited amount. He may deduct the payment as a business expense and the pensioner pays tax on it. But if the employee has a contractual right to receive a pension and the pension is considered to be excessive in comparison with his salary and length of service, a notional annual premium has to be calculated that would purchase that pension (or such part as the Commissioners deem to be excessive) and the employee is taxed on it during his service. He also pays tax on the pension when he gets it.

(8) The investment income of a pension fund approved under Section 32 of the Finance Act, 1921, is exempt from tax. This applies also to Friendly Societies and Trade Unions that pay annuities not exceeding £104 a year. The investment income of all other pension and provident funds is taxed.

*

The tax regulations are thus full of anomalies and contradictions because piecemeal legislation has been grafted on an Income Tax code designed long before retirement benefits began to be developed. Hence the committee's first problem is to settle the tax principles that should govern the treatment of pension schemes for employees, on the footing that they confer deferred remuneration for services and that tax should be paid once only on the income accruing to or set aside for the employee. To achieve this broad purpose, two alternative courses can be followed. The first would be to exempt the cost of building up the benefits, by allowing all contributions, whether annual or capital sums, as deductions from taxable income and by exempting from tax any investment income of the fund; then, all benefits whatever their form would be taxed when they fall due, so far as they exceeded the tax allowances of the recipients. The second would be to tax all the costs of building up the benefits, and then to exempt the benefits when they arise. The two principles are mutually exclusive, in the sense that the use of one rules out the use of the other for a particular form of benefit, though it would still be possible to apply one principle to one type of benefit and the other to another type.

The adoption of either principle involves difficulties in treating lump sum contributions or payments, since lump sums are normally outside the scope of the income tax. To adopt the first principle—that is, allowing as deductions from taxable income all costs of providing benefits and taxing all benefits as they arise—would mean permitting tax allowances in respect of lump sums contributed to pension funds, exempting the income of the fund from tax, and taxing lump sum benefits (as well as annual benefits). To tax lump sum benefits fairly, they would have to be treated not as a single payment (vulnerable to the highest scales of tax applicable in that particular year) but as a benefit to be enjoyed during a period of succeeding years and subject to tax at an average rate appropriate to such a period. The contrary principle would involve taxing all contributions to pensions funds and premiums for life assurance, and exempting all pensions and annuities, as well as lump sum benefits from provident funds and endowment policies.

To state these principles in general terms is easy. But the tax exemptions that now exist have acquired a sanctity of usage, and their restriction or cancellation would cause a good deal of outcry, even if existing contracts were fully protected. Yet it would seem illogical to ask for the rationalisation of the tax treatment of retirement benefits and at the same time to insist on the retention of a particular form of exemption that could not be justified by reference to principle. For instance, it seems to be inconsistent to deny to civil servants the right to deduct contributions to a widow's pension from their taxable income, but to insist on taxing the pension when the widow receives it. But is it consistent to let their leaving gratuities escape tax? Some underlying principles of tax treatment are clearly needed, but they can hardly be rigidly applied to the exclusion of social justification. For instance, pure logic would lead to the withdrawal of tax relief for endowment assurance premiums, since the benefits of maturing policies are untaxed; in this case, insistence on a tax principle would obviously have to give way to the social desirability of encouraging thrift and personal provision for personal security. The important point is that any deviation from principle should be justified on other sufficient grounds.

If underlying principles can be laid down for retirement benefits of employed persons, the work is then half-done for other persons. Controlling directors of companies are treated by the 1947 Finance Act more as proprietors than as employees, and an assimilation of the tax treatment of employed persons and other persons in connection with retirement benefits would automatically remove the existing prejudice against controlling directors. For self-employed persons, taxation is so high that it is quite impossible for them to save for retirement or for dependants. This would surely justify the conclusion that the income tax principle that requires saving to be made out of taxed income should be lifted to enable a proper amount of saving for retirement or dependants—and no more—to be made tax free. If such relief is to be given, it would no doubt have to be limited to provisions for sustenance in old age and for dependants during their dependency, but it could be extended generally to the rentier, the professional man, the business proprietor, and to the unprotected employee.

No formidable technical difficulties appear to stand in the way. The insurance industry could provide cover at a cost governed by prevailing rates of interest and mortality experience. The tax allowance could be granted by deducting premiums from gross income for tax purposes, making it allowable for surtax as well as income tax. Some limitations of benefit would, however, be necessary, because there would be no automatic check such as can be applied in cases where the employer himself bears the cost of retirement benefit in whole or part. Five limitations suggest themselves. First, benefit should be in the form of a taxable annuity. Secondly, the benefit should not mature until a normal age for retirement, with suitable relaxation for earlier retirement caused by ill-health; a dependent pension should not mature until the death of the provider. Thirdly, the benefit should cease on death in the case of a pension; a dependent benefit should cease when dependency ends—on the re-marriage of the widow or the attainment of employable age by a child. Fourthly, the benefit should be non-commutable and non-assignable. And fifthly, the benefit should not be excessive in comparison with the income of the provider.

This last condition is the most difficult to define in terms of annual premiums, because the period over which the benefit is accumulated may be shorter than the working life of the provider, and his income may fluctu-

* The members are:—Mr J. Millard Tucker, KC (chairman), Mr W. S. Carrington, FCA, Member of Council of Institute of Chartered Accountants; Sir John J. Cater, late Chief Inspector of Taxes; Mr H. Weston Howard, CBE, Chairman of Hayward-Tyler and Co. Ltd.; Mr George Woodcock, MA, Assistant General Secretary of the TUC; Mr R. C. Simmonds, FIA, Past President of the Institute of Actuaries and Past Chairman of the Life Offices' Association.

ate considerably during that period. Some limit of premiums in relation to annual income seems to be required—perhaps one-sixth, including life assurance premiums and state pension contribution—and also some maximum amount—perhaps five hundred pounds in any one year. In broad effect, the need is to defer income from working years to the years of retirement. Whether the benefit is in the form of an annuity (where some outside party underwrites the risk of death) or in the form of capital (which the beneficiary must spread over his remaining life) is immaterial provided that no capital remains at the date of death, and provided that any payments in the form of capital sums are taxed at the rate applicable to the annuities that they could purchase.

These are no more than broad suggestions towards resolving the technical tangles of taxation on pension schemes. If the new Tucker Committee succeeds in producing a consistent scheme of tax treatment for such schemes that would remove the present anomalies, and is able to extend their advantages to persons other than employees, it will earn the gratitude of employed and self-employed persons alike.

Industry's Assets

REASONS were given last week for questioning the comfortable assumption that the cost of rearmament can be found from a continued expansion of industry's productivity during the next three years. If it can be so covered, it will be due in no small part to the expanded scale of investment in new fixed assets during the past year or two. Broadly speaking, the growth of productivity in industry is particularly marked in those sectors where new capacity was laid down during and since the war, though to this generalisation (as to all others concerned with industrial productivity) there are significant exceptions. It is not a simple matter to measure the extent of industrial investment in new fixed assets. The official estimates in the "Economic Survey" examine the projected programmes of a number of basic industries that are directly or at one remove subject to some form of governmental supervision, but they rightly include a large margin of several hundred million pounds for new investment schemes that are likely to be undertaken by miscellaneous industries on their own initiative. These estimates, moreover, are concerned with projected expenditure, and circumstances may alter the shape and size of many schemes before they are completed.

Nor, unfortunately, are the balance sheets of industrial companies as complete a guide to the facts about new industrial investment as could be wished. Indeed, it is now clear that one of the important gaps in the 1948 Companies Act (so far as the economist and student of industrial finance is concerned) is the lack of any obligation on the part of companies to state unequivocally how much they have spent on new capital outlays during each accounting period. The nearest approach to such a figure is to compare the gross book values of fixed assets in successive accounting periods, and to have regard to movements in the total amounts set aside for depreciation. This method does not give perfect results. Fixed assets may be increased in a company's group balance sheet because it covers an increased number of subsidiaries, and not because of any physical increase in buildings or plant. And the year-to-year movements in depreciation provisions are nowadays so dependent upon directors' decisions in the matter of treating initial allowances in their accounts that they are often hard to explain. These reservations, and others besides, must be kept in mind in examining the movement of the fixed assets of the 917 companies whose reports appeared in the second quarter of this year. This group of companies represents about one-third of the total number whose reports are analysed each year by *The Economist*. The figures given in the accompanying panel show that the gross book value of their fixed assets has risen during the past year by a tenth from £1,401 million to £1,537 million; their accumulated depreciation provisions have also increased by about the same proportion, from £406 million to £446 million, and net book values are up from £995 million to £1,091 million.

CONSOLIDATED BALANCE SHEET FOR INDUSTRY

ANALYSIS OF COMPANY REPORTS PUBLISHED APRIL–JUNE, 1950 (£'000)

(Detailed figures for the 33 industrial groups comprised in the total figures are published in this week's issue of the *Record and Statistics* supplement)

	917 Companies		939 Companies		917 Companies		939 Companies
	Previous Year	Latest Year	Latest Year		Previous Year	Latest Year	Latest Year
Capital (Parent Companies):—				**Fixed Assets:—**			
Debenture	*173,230*	189,900	190,178	Land, property and plant	*1,400,984*	1,536,755	1,547,064
Preference	*376,653*	380,825	384,457	*Less* depreciation	*406,165*	446,203	448,069
Ordinary	*668,028*	703,093	709,524		*994,819*	1,090,552	1,098,995
	1,217,911	1,273,818	1,284,159				
Revenues and Surplus:—				**Trade Investments**	*247,771*	266,834	267,477
Capital res. and EPT refunds	*377,743*	429,716	431,260				
Revenue res. and carry forward	*603,377*	684,629	687,252	**Intangible Assets**	*112,842*	112,626	112,914
Total Capital Reserves and Surplus	*2,199,031*	2,388,163	2,402,671				
Outside Interests in Subsidiaries	*117,685*	128,749	128,750	**Current Assets:—**			
Current Liabilities and Provisions:—				Stocks	*817,745*	872,772	882,081
Bank overdrafts and loans	*77,855*	80,357	83,781	Debtors	*444,947*	492,874	498,346
Creditors and accrued charges	*763,913*	794,832	801,552	Gilt edged securities	*121,963*	131,444	131,546
Reserve for future taxation	*104,520*	111,562	112,967	Other marketable investments	*234,478*	208,054	208,389
Other provisions	*61,074*	64,452	64,891	Cash	*349,513*	392,959	394,864
	1,007,362	1,051,203	1,063,191		*1,968,646*	2,098,103	2,115,226
	3,324,078	3,568,115	3,594,612		*3,324,078*	3,568,115	3,594,612

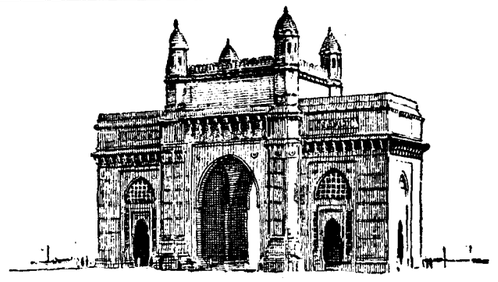
An increase of one-tenth in the physical framework of British industry in a single year would be an astonishing achievement; but that is not the meaning that has to be attached to these figures. All new investments in fixed assets has to be shown in company balance sheets at cost, but the Companies Act allows assets existing before July, 1948, to be shown at cost, less accumulated provisions, or at net book value, or at valuation. These various methods of treatment make it impossible to compare the rise of gross and net book values of assets with the original figures. All the figures have a pound sign in front of them, but the pounds used to measure recent increases in assets are very different from those used in stating the bulk of existing assets in industry's books. The fact remains, however, that these companies — and they are a representative cross-section of British industry — have expanded their fixed assets in a single year by £136 million, and this represents an appreciable slice of the total outlays on new industrial plant and buildings contemplated in the Government's economic planning for 1949. It is, of course, to that year that the figures mainly relate, for the notional accounting year that they cover ended in January last.

MOVEMENT OF FIXED ASSETS (£'000)

Group (and No. of Companies)	Previous Balance Sheet: Fixed Assets	Previous Balance Sheet: Depreciation Provisions	Previous Balance Sheet: Net Book Value	Latest Balance Sheet: Fixed Assets	Latest Balance Sheet: Depreciation Provisions	Latest Balance Sheet: Net Book Value
Food and confectionery (52)	60,565	20,361	40,204	66,128	22,422	43,706
Tobacco (10)	31,021	12,218	18,803	37,394	13,342	24,052
Building (47)	63,679	32,359	31,320	72,725	37,130	35,595
Engineering (73)	62,357	23,904	38,453	71,538	27,687	43,851
Iron and steel (30)	157,685	51,142	106,447	175,948	59,700	116,248
Chemicals and paint (28)	150,297	51,691	98,606	179,854	58,058	121,796
Electrical manufacturing (20)	52,248	24,859	27,389	58,550	27,885	30,665
Motors, cycle and aircraft (27)	55,556	29,361	26,195	61,626	32,440	29,186
Miscell. manufacturing (105)	123,994	55,106	68,888	135,337	56,214	79,123

Approximately £100 million of these capital expenditures were undertaken by nine industrial groups, whose separate figures for fixed assets and depreciation provisions are to be found in the second table; gross book values have increased from £757 million to £859 million. (Complete figures for over thirty groups are given as usual in the *Records and Statistics* Supplement.) These groups happen to include several of the industrial giants —Unilever in "Food and Confectionery," British American Tobacco, and Imperial Chemical Industries—but they are none the less representative for that. The progress of major schemes of industrial equipment is reflected in gross additions to fixed assets of over £18 million by iron and steel companies reporting last quarter and of no less than £29½ million for chemicals. Miscellaneous manufacturing industries have increased their fixed assets by nearly £11½ million, building and engineering by £9,000,000 each, and electrical manufacturing, tobacco and the motors, cycle and aircraft groups by about £6,000,000 each. Of the total increase in fixed assets, roughly one-third has been written off in the latest year, for accumulated depreciation provisions have been raised from £301 million to £335 million. But the individual provisions for depreciation vary rather widely—for instance, the engineering and electrical groups seem to have provided reserves last year against half of their new expenditure, whereas the chemical group's write-offs represented less than a quarter of its new outlays. Such comparisons cannot be pressed too far, and they are likely to be modified by movements in capital and revenue reserves.

For the 917 companies whose summary balance sheet is set out in the panel, such capital reserves increased by £52 million during the year, and revenue reserves by £81 million. Together with a significant increase in issued loan and share capitals (£56 million) there was thus an expansion of the long-term resources of these companies as a whole of £189 million, well over half of which has been applied in the expansion of net fixed assets. The remainder has been required (together with an increase of £44 million in current liabilities and provisions) to finance an increase in current assets of no less than £130 million. Here the key fact is the increase in stocks (£57 million) and in debtors (£48 million). The behaviour of prices since the beginning of the year has removed all fears about the possible consequences of a fall in stock values; indeed, on present indications, company profits during the coming year are bound to be considerably augmented by so-called "inventory profits." It is to these profits (after the tax collector has taken more than half) that industry must look for the main part of the new resources that will be required to finance the higher cost of its inventory holdings. And apart from this need for current finance, there are still large investment programmes awaiting completion and permanent finance. Hence it is probable—given favourable market conditions—that the recent flow of industrial debenture issues may continue in the autumn. The relatively recent emphasis on such industrial borrowing finds a certain reflection in the rise of £16½ million in the debenture capital of these second quarter companies. Given the relatively high cost of new ordinary capital, and the inhibiting effects of Profits Tax on equity and preference share issues, it is likely to become more marked in future.



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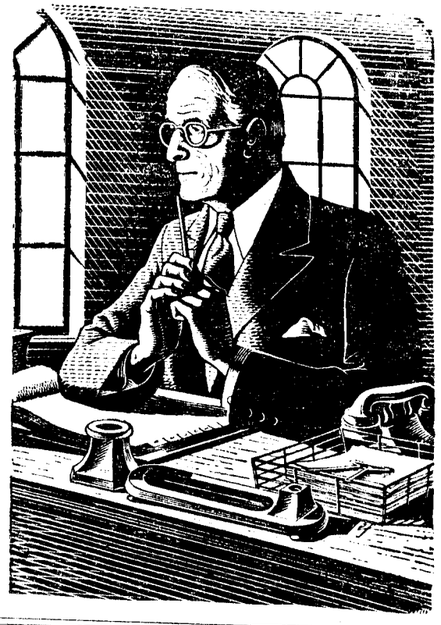
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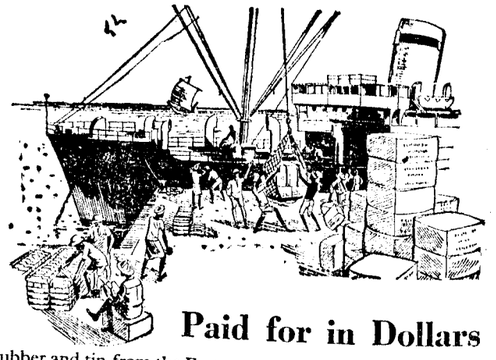
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Business Notes

The Rise in Gilt-Edged

An unexpected but outstanding feature of the stock markets during the past week has been the increasing and quite pronounced firmness of gilt-edged securities. Since Wednesday of last week these have advanced day by day, culminating in rises of up to $\frac{5}{8}$ on Wednesday of this week, and bringing the week's gains in some stocks to as much as $1\frac{1}{4}$. Significantly, this gain was scored by one of the longest stocks in the market—the 3 per cent British Gas Stock 1990-95, now quoted at $90\frac{1}{8}$. The ground had been prepared for this advance by the calmness of the investing community's response to the Korean bombshell. Only in a few stocks did the impact knock more than two points off the pre-Korean prices—and most of this decline was due to the jobbers' precautionary marking-down of prices rather than to any general pressure of sales. Thereafter, several weeks of narrow markets and minor price changes seemed to confirm that, despite the day-by-day pronouncements on defence plans and possibilities, there was little danger that the public would be stampeded into a rush for liquidity.

Meanwhile, first impressions about the probable effects of world rearmament suggested that, thanks to American buying in the world markets, Europe's dollar problem will be, if not solved, at least deferred to an indefinite future. On top of this came the argument that, if the Government now faces a long phase of rising defence expenditure leading to deficit-financing, it may wish, as in 1939/45, to borrow on comfortable terms and will prime the gilt-edged market accordingly. With all these reflections in mind, investors began to take heart afresh, and some of the institutions quietly resumed their pre-Korean policy of extending the average life of their portfolios.

GROSS REDEMPTION YIELDS
(Per Cent)

Stock and Redemption Dates	B.E.A. Loan Announced	Eve of Korea	Post-Korea Low	Truman Message	British Defence Memorandum	Aug. 16
	May 3	June 23	July 4	July 20	Aug. 4	
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Shorts and Middles						
2½% Nat. W. Bds. 49/51	1 9 9*f*	1 16 4*f*	1 17 0*f*	1 15 3*f*	1 11 11*f*	1 11 5*f*
3% Nat. Def. 54/58	2 8 3*c*	2 1 8*c*	2 12 1*f*	2 12 1*f*	2 12 7*f*	2 12 8*f*
3% War Loan 55/59	2 10 3*c*	2 5 0*c*	2 15 4*f*	2 13 4*f*	2 13 6*f*	2 12 11*f*
Medium Longs						
3% Sav. Bds. 55/65	3 1 11*f*	2 19 5*f*	3 2 4*f*	3 0 3*f*	3 0 11*f*	3 0 5*f*
4% Funding 60/90	3 6 5*c*	3 1 8*c*	3 6 11*c*	3 4 8*c*	3 5 4*c*	3 3 3*e*
Longs						
2½% Sav. Bds. 64/67	3 1 2*f*	2 17 5*f*	3 1 5*f*	3 0 6*f*	3 0 8*f*	2 19 9*f*
3% Sav. Bds. 65/75	3 9 2*f*	3 6 1*f*	3 8 10*f*	3 7 5*f*	3 7 6*f*	3 6 2*f*
3% Brit. Elec. 74/77	3 9 3*f*	3 6 8*f*	3 8 10*f*	3 8 1*f*	3 8 3*f*	3 6 5*f*
3½% Brit. Elec. 76/79	3 11 1*f*	3 9 9*f*	3 11 7*f*	3 10 7*f*	3 10 6*f*	3 9 7*f*
3% Trans. Stk. 78/88	3 11 9*f*	3 9 0*f*	3 11 8*f*	3 10 2*f*	3 10 1*f*	3 9 0*f*
3% Gas Stk. 90/95	3 11 10*f*	3 9 5*f*	3 11 9*f*	3 10 10*f*	3 10 8*f*	3 9 6*f*
Undated						
3½% War Loan '52	3 16 5*f*	3 14 3*f*	3 16 6*f*	3 15 6*f*	3 15 10*f*	3 14 11*f*
2½% Consols	3 12 10*f*	3 10 5*f*	3 13 3*f*	3 12 4*f*	3 12 1*f*	3 11 0*f*
2½% Trans. Stk. '75	3 13 8*f*	3 11 3*f*	3 14 3*f*	3 13 3*f*	3 12 10*f*	3 11 9*f*

(*e*) To earliest date. (*f*) To latest date. (*f*) Flat yield.

* * *

Interest Rates and Defence

The authorities, moreover, have not been slow to take advantage of these conditions. In the very thin market that obtains at present, even moderate buying exerts a perceptible effect, and the Departments seem to have been deliberately accentuating it. There is no evidence that they have been net buyers, but the Govvernment broker has made his presence very definitely felt—mainly by switches that, so far from being complementary to, have often competed with those of the institutions. In particular, there has been a tendency to dry up still further the limited supplies of the longer-dated stocks. This apparently mainly explains the week's good gains in Transport and Gas stocks, and the rise in the premium on the new partly-paid BEA stock (1976/79) from $\frac{15}{16}$ to $1\frac{1}{4}$ points—a quotation that compares with $1\frac{5}{16}$ on the eve of the Korean assault and with $\frac{1}{8}$ in early July. This comparison, however, is not quite typical of experience in other stocks over the whole period: Gas and Transport stocks are just back to their pre-Korean prices, but other stocks in this section of the market still show small net losses.

Although the recent strength of the market can be thus explained, it cannot be regarded as an entirely rational movement. The activities of the Government broker have, of course, had a psychological effect transcending their direct effect, and have been widely interpreted as confirming the hypothesis that the authorities are planning, even thus early, to return to former techniques of managing the market. This assumption surely takes a great deal too much for granted. In the first place, there is no evidence yet that the actual scale of defence expenditure can become really formidable in the early future, and—in the absence of a new and greater emergency—would be unlikely in any case to be strongly felt before well into 1951. Apart from this, there is at the moment a more serious flaw in the City's line of argument. So long as the Government adheres to its present clearly indicated approach to the defence problem—a "business-as-usual" approach, with the *minimum* of new controls and emergency measures, no retrenchment and no special budget—any additional defence outlay is bound to aggravate the underlying strains upon the nation's capital account and to increase the inflationary pressures. The more reluctant the Government is to depart from this attitude, the stronger will be the case for allowing interest rates to play some part in exercising restraint, and the more hazardous will it become to pursue the opposite gilt-edged policy of trying to force rates down—for this can be done only by new creations of credit that will feed the fires of inflation.

* * *

The Winter's Coal

Lord Hyndley's appeal to the miners to start their autumn production drive a month sooner than usual is undoubtedly needed. Experience has shown that the miners can be relied upon to produce more coal in the last quarter of the year than at any other time, but the extent of their autumn effort is never fully predictable. Last year they saved the situation by a sustained effort as unexpected as it was welcome. But there were then 20,000 more miners in the pits than now. Unless the reduced labour force responds even better to appeals this year, the unpleasant choice will have to be made between cutting remunerative exports and facing the winter with what are considered dangerously low stocks. Responsibility for that decision would lie less with the Coal Board as the producer than with the Board of Trade, which negotiates the trade treaties under which coal is exported, and the Ministry of Fuel, which is concerned with the country's stocks.

In the Economic Survey it was estimated that coal production would be between 218 and 223 million tons and home consumption between 199 and 201 million tons, leaving 19 to 22 million tons for export. Both production and consumption are running within the margins allowed, but production is at the lower end of the estimate and consumption at the upper end. Figures for output up to August 12th show that 131,465,300 tons of coal had been

produced, only 1.7 million tons or less than half a week's output more than in the same period last year. By August 5th consumption had reached 131,725,000 tons of which 11,563,000 tons were exports and bunkers. This is 4,900,000 tons more than in the same period last year and exceeds the production increment by 2,866,000 tons.

Comparisons made at this season of the year tend to give an unduly pessimistic picture because it is in production that the seasonal fluctuations are the greater, and the trough of the holiday season is hardly over yet. Another unknown factor in the stock position is the extent to which householders may have taken advantage of the reduced summer coal prices. Still, the position is clearly not bright, and the continuing fall in manpower in the mines may tend to aggravate it further. This fall has not yet been checked by the influx of juveniles that is expected at the end of the school year. There have been suggestions that the call-up of certain classes of reservists to the forces has taken face-workers from the mines in recent weeks. This, if true, is disturbing even though the numbers so far involved are small. The Coal Board has lately as a deliberate policy been relying less on wholesale recruitment than formerly, and more on improving the effectiveness of deployment at the coal face of its existing labour force. There may be some danger that withdrawals of men for the forces may introduce an incalculable element that will upset the production plans. Some reassurance seems to be needed that the Government is aware of this danger.

* * *

Argentina Bets on a Boom

Argentina's confidence that a new world inflation is about to pull its economic chestnuts out of the fire found some small reflection this week in the announcement that a sum of 30.8 million pesos is to be made available for purchasing new railway equipment in London—and for paying at long last for railway equipment already received. It is impossible to say how much sterling this 30.8 million pesos represents. If it is converted at the remittance rate of 25.25 pesos to the £, it amounts to about £1,200,000 ; if converted at the Government import rate of 10.45 pesos, it would be about £2,950,000. The probability is that Argentina will pay as little sterling as it can consonant with its need to buy new equipment to keep its railways running in good order. The same criterion of short-term advantage is likely to influence its decision whether to pay off other portions of its outstanding £15 millions of commercial debt to this country—as and if its imports from the sterling area mount. Argentina's lack of any sense of obligation in such matters was shown anew last week when a Bill was suddenly slipped through the Senate raising the profits tax imposed on foreign companies (many of which are long-standing creditors of Argentina) from 24 per cent to 30 per cent ; at the same time profits tax imposed on Argentine companies was raised from 15 per cent to 24 per cent. The precise incidence of the tax on British companies trading in Argentina will, of course, be affected by the relief they gain under the double tax concessions in the last Finance Act ; but they are likely still to be appreciably out of pocket.

The background to Argentina's resurgence of confidence —and therefore its resurgence of chauvinism—was clearly seen in a recent decree authorising the Ministry of Technical Affairs to resume publication of trade statistics now that "the country's fight for economic independence has been won." (Freely translated, this means "now that the statistics do not make such a bad showing.") The Ministry's statistics purported to show that Argentina had a trade surplus of 259 million pesos in the first four months of this year compared with a deficit of 486 million pesos in the same four months of 1949 and a deficit of 928 million pesos in 1949 as a whole ; they suggested, moreover, that Argentina was in viable surplus with both the United Kingdom and the United States. In view of the odd things that can happen to Argentine trade statistics in the course of their translation from foreign currencies to peso values, these figures must be treated with reserve. The fact that publication has been resumed, however, suggests that the Argentine Government is optimistic about its future trade prospects. The same optimism, incidentally, has now induced neighbouring Uruguay to follow Argentina's lead in suspending meat shipments to Britain until the dispute about prices is settled.

* * *

Aircraft Production in the Commonwealth

The announcement that the newest British fighter (which is thought to be the fastest in the world) is to be built in Australia under licence from the Hawker Aircraft Company, is the latest development in the dispersal of aircraft production over the Commonwealth. There are three aircraft companies in Australia. One is a subsidiary of de Havilland and is primarily concerned with producing Vampires. The second is the Commonwealth Aircraft Corporation, in which Rolls-Royce recently bought a minority interest. It is here that the new fighter, the P.1081, is to be built. CAC are already building Rolls-Royce Merlin and Nene engines under licence ; the Nene is used in the Vampire fighters from the de Havilland factory and will go into the new fighter as well. Production of Avon engines will start soon. The third plant is operated by the Australian Government's Division of Aircraft Production. The Canberra jet bomber will be built here and will use Avon engines from the CAC factory.

The slow progress in Australia reflects the difficulties of a dispersal policy when no pool of appropriate technical skill exists in the districts chosen. Although aircraft were built in Australia during the war in considerable quantities, the majority were, and still are, made to designs licensed from British and American manufacturers. No team of designers has emerged of the calibre of those discovered in the Hawker Siddeley group's new company in Canada. The military aircraft under development in Australia since the end of the war are only now approaching the stage when their first flights can be expected. The production of engines can be handled in stages. Rolls-Royce, who have considerable experience now in training foreign engineers, have men from the licensee companies working in their factories in Britain for eighteen months. When they return, work starts on assembling components sent from Britain. Only in slow stages does the factory take over the entire construction of the engine. The building of airframes cannot be handled in this manner and it is almost certain that Hawker engineers will have to go to Australia for the building of the P.1081, even though Australian engineers have been working in Hawker's factories, as they have in the English Electric factories building the Canberra. It has always been intended to build the Canberra in Australia, as its name suggests, but it is unlikely that either will actually be produced for a year or two. The position at the moment is that the Australians have a considerable engine manufacturing potential without the airframes in which to fly the engines. Delays in getting into production mean that only the most advanced types of aircraft are worth undertaking. This in itself presents difficulties ; advanced types tend to need modification with experience, and such modifications may be difficult to carry out when the parent company of the design is far distant. It is also unlikely that the aircraft can be produced in these conditions as cheaply as they can by quantity production in Britain. The average cost of a Meteor fighter is now about £30,000 ; cost cannot be ignored. For such reasons the extension of aircraft construction to New Zealand or South Africa seems unlikely.



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P.19

Trends in Dollar Exports

The threatening strains of competition for defence production have not, of course, yet begun to impinge upon Britain's exports. The latest figures show that the export drive maintained its momentum during July. Total exports for the month reached £182 million—£6,000,000 more than in June, £40 million more than in July, 1949, and £12½ million above the monthly average for the second quarter of this year. The month's imports, provisionally valued at £225 million, equalled the monthly average for the second quarter of this year but were £38½ million more than those of July last year. For the first seven months of this year the excess of imports (valued c.i.f.) over exports and re-exports (valued f.o.b.) was £257 million compared with £239 million in the corresponding period of 1949. The sharp rise in the cost of imports has thus tended to mask the success of the export drive as far as the overall balance of payments is concerned, but the expansion in exports to dollar markets in recent months has certainly been encouraging. Last month's exports to the United States were valued at £11.3 million an all-time record, while exports to Canada (£10.5 million), though not a record, were above the average for the second quarter. This, no doubt, has been partly attributable to the efforts of the Dollar Export Board, the third of whose series of practical guides to the dollar markets, dealing with capital goods, was published this week.

BRITISH EXPORTS TO USA AND CANADA
(£ Million)

	United States			Canada		
	Jan. to June, 1948	Jan. to June, 1949	Jan. to June, 1950	Jan. to June, 1948	Jan. to June, 1949	Jan. to June, 1950
Food and drink	4·8	5·1	8·0	1·2	1·3	2·4
Raw materials	4·2	1·3	4·7	0·7	1·1	1·4
Manufactures	22·6	18·5	27·7	28·5	35·8	50·7
Of which:—						
Pottery, etc.	*0·9*	*1·0*	*1·6*	*2·3*	*2·6*	*3·2*
Iron and steel manufactures	*0·1*	*0·1*	*0·6*	*0·6*	*1·8*	*3·2*
Non-ferrous metals	*3·0*	*2·2*	*2·8*	*0·4*	*1·9*	*3·0*
Machinery	*1·5*	*1·4*	*1·6*	*2·4*	*2·3*	*4·2*
Cotton goods	*1·5*	*0·9*	*1·4*	*2·9*	*3·2*	*2·3*
Wool goods	*2·4*	*2·2*	*4·1*	*9·0*	*9·0*	*8·5*
Other textiles	*2·4*	*2·1*	*3·8*	*2·4*	*2·8*	*2·2*
Apparel	*0·6*	*0·6*	*1·0*	*1·1*	*0·9*	*1·3*
Chemicals, etc.	*1·5*	*1·0*	*1·3*	*0·7*	*0·7*	*1·5*
Leather manufactures	*0·7*	*0·5*	*1·3*	*0·4*	*0·4*	*0·8*
Vessels	*4·8*	*3·1*	*3·4*	*4·0*	*7·7*	*16·1*
Miscellaneous	*2·1*	*1·3*	*3·0*	*1·4*	*1·7*	*2·4*
Other exports and re-exports	2·5	2·7	4·9	1·7	1·3	2·8
Total	34·1	27·6	45·3*	32·1	39·5	57·3*
Equivalent in million US and Canadian $	*137·4*	*111·2*	*126·8*	*129·4*	*159·2*	*176·5*

* Provisional.

A comparison of British exports to the United States and Canada in the first half of this year with those in the same period of 1949 and 1948 shows a considerable change in the detailed pattern. Total exports to the United States amounted to £45 million, or 64 per cent more than in 1949 and 33 per cent more than in 1948. To maintain their dollar value at the level ruling before devaluation, an increase of 44 per cent was required; thus it appears from these figures that dollar earnings from exports this year have risen appreciably above last year's level but are not yet back to that of 1948. Exports to Canada have also shown an increase in dollar earnings whether reckoned in Canadian or American currency. The half-year's total of £57 million was 45 per cent larger than in 1949 and 78 per cent larger than in 1948.

Whisky is still Britain's largest export to the United States, though its increased value has been almost entirely due to its higher sterling export price. Vehicles, however, are no longer second on the list; their place has been taken by wool textiles, which this year amounted to £4,100,000 against £6,900,000 for whisky and spirits. Strangely enough, woollen tissues have surpassed worsteds in both value and quantity. The quantity of wool textiles shipped to the United States this year was almost double that of last year. Textiles other than cotton form the third most important export; the volume of linen exports, the largest single item of this group, has this year been running at 80 per cent above its 1949 rate. Vehicles now come fourth; their sterling value is only 10 per cent larger than last year and still appreciably below the level of 1948. Among the less important groups, pottery, leather manufactures and apparel were larger than in either 1949 or 1948; cotton goods and chemicals, though higher this year, are still below their level of 1948.

* * *

Canada takes more Motorcars

The pattern of exports to Canada has also changed materially. Vehicles are now by far the outstanding group, accounting for nearly 30 per cent of the total; previously they were second to wool textiles. During the past year the sterling value of these exports has more than doubled, while the number of motorcars shipped to Canada has increased threefold. The trend, moreover, has been fairly steadily upwards during the past six months. Exports of each of the textile groups other than apparel have declined, and were smaller than in 1948. Cotton piece goods, for example, which have been declining for the past two years, were this year 50 per cent smaller than in 1949. Shipments of woollen and worsted tissues have also declined, but not so markedly, while those of carpets have increased. Machinery exports have almost doubled and are now the third largest group, while exports of iron and steel manufactures have more than doubled; they now rank equally with pottery for fourth place. Machine tools and textile machinery are the main items in the machinery group but practically all sections have expanded during the current year. Among iron and steel manufactures the main items are tubes, plates, heavy sections and rails, for which there seems to be more than a temporary demand.

This new pattern of trade with the dollar markets deserves close scrutiny in the light of Britain's rearmament programme. Canada has hitherto been Britain's chief dollar market, with the United States second, and this order is not likely to be permanently changed by the fact that in July exports to the United States were the larger by a small margin. Whereas the United States demand is becoming focused upon consumer goods—in the first six months of this year, these comprised 65 per cent of Britain's exports to the United States against 55 per cent in 1949—British trade with Canada is increasingly taking the form of capital goods, particularly vehicles. The proportion of consumer goods out of total exports to Canada fell from 58 per cent last year to 43 per cent this year. If large-scale rearmament means a reduction in the output of vehicles, exports to Canada might be affected. British cotton goods were competitive in Canada last year because for a limited period they enjoyed a lower tariff. But it would require a most determined effort to make Canada a large-scale market for British consumer goods.

* * *

Ups and Downs in Tin

The equivocal position of the tin market, dependent for its spot supplies on releases from Government-held stocks, has been vividly demonstrated during the past week. After the Government broker's announcement (reported in last week's issue) that the tin market could no longer rely on the Ministry of Supply's stock for cash supplies there was a complete dearth of spot tin. Since November when dealings in tin were resumed in London, the market had been content to let the Ministry bear the risk of carrying stocks. This policy was certainly convenient so long as cash tin was being released. As soon as those supplies were stopped the market was faced with the problem of trying to cover short positions and the price rose very sharply. Last Wednesday week, the London spot price was quoted at £762 a ton and three months' delivery at £752½. By Tuesday this week the price had risen to £838 a ton—a record price—and backwardation had disappeared. The New York price rose during the same period from 101½ cents a lb. to 108 cents. On Thursday, however, one smelter which hitherto had sold directly to consumers placed 65 tons of tin for cash on the market. That offer, coupled with hints that the Ministry of Supply might be willing to help brokers to cover a short position, caused the spot price to drop by £91 to £744 a ton in the morning session. A slightly firmer tone was evident in the afternoon and the market closed at £767½ a ton.

In the first six months of this year, world tin production has been provisionally estimated at 83,000 tons and consumption at 70,500 tons, leaving a surplus of 12,500 tons. The surplus for the full year might thus be of the order of 25,000 tons against 50,000 tons last year when production reached 168,800 tons and consumption 118,400 tons. If American purchases for the stockpile are put at 20,000 tons for the current year, the actual increase in producers' stocks will, indeed, be small. But whether the prospect of such a small increase in supplies would justify the maintenance of even the present price of tin for any length of time is another matter.

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Unsettled Rubber

Rubber prices are still feverish. A fortnight ago, the London price touched 4s. 2d. a lb.; last week it was down to 3s. 9d. and at close of business on Tuesday it had fallen to 3s. 1d. a lb. A steadier tone then developed and by Thursday the price had risen to 3s. 3½d. At 4s. a lb., it was obvious that the market had overreached itself. Certainly the statistics of production and consumption given on page 333 of last week's issue strongly suggested that rubber was too dear. But the sharpness of the fall this week was not altogether foreseen. The main contributory factor was the suggestion last Monday that the American Government had decided to impose control on the use of natural rubber in the manufacture of tyres and inner tubes as from September 1st. No official announcement has yet been made, but if the "leak" was deliberately intended to bring prices down to a more reasonable level, it has certainly achieved its object.

According to American reports, consumption of natural rubber will be fixed at the level which obtained for the twelve months ending last June. That would mean an annual consumption in the United States of about 650,000 tons compared with an annual rate in the past three months of 750,000 tons. A reduction of 100,000 tons in the annual consumption of natural rubber would not spell disaster for rubber producers; the American stockpile could absorb such a quantity without difficulty, and earnings of rubber producers in the sterling area would thus be fairly well maintained. The main effect of the new control will be to ease the pressure of demand on current supplies.

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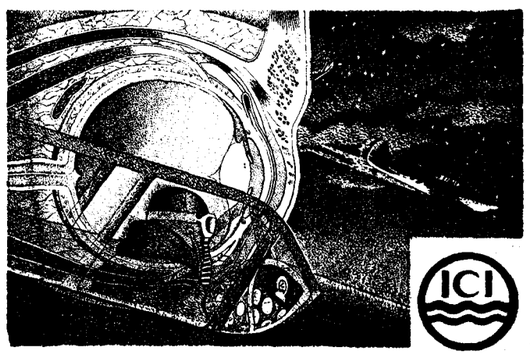
Future of Iraq Oil

The announcement from Baghdad of the new agreement on oil royalties to be paid by the Iraq Petroleum Company throws useful light on the part Iraq can expect to play in the development of Middle East oil. Iraq, though its potentialities for expansion as an oil producer are vast, is of all the important Middle East producing countries the only one that showed no expansion of output between 1938 and 1949. The delay in developing these fields has been due to the need for pipelines to carry the oil to the Mediterranean coast; and it has been aggravated by the political

Vitamins

More than two thousand years ago Hippocrates, the Father of Medicine, recorded that night-blindness could be cured by eating liver. The significance of this observation only became clear during the first decade of the present century through the researches of Sir Frederick Gowland Hopkins. He established the fact that the human diet must contain minute quantities of certain substances, known as vitamins, in addition to proteins, fats, carbohydrates, salts, and water. Knowledge of vitamins is still far from complete, but their general properties are now known.

Until chemical research began to reveal their true nature, vitamins were identified by letters of the alphabet. There are two important groups—A, D and E, soluble in fats, and B and C, soluble in water. Vitamin A, which prevents night-blindness, is found in cod-liver oil, butter and liver; vitamin B, in cereals and pulses, cures beri-beri; vitamin C, in fresh vegetables, prevents scurvy; vitamin D, also found in liver oils, protects against rickets. As important as the realisation that vitamins existed was the discovery that many of them could be made synthetically. British scientists played a leading role in this vital research. The British chemical industry now makes many tons of synthetic vitamins every year, and thus has a direct influence on the health of millions of people.



ICI

folly that has kept the Haifa leg of the Kirkuk pipeline out of action in the last two years.

The Baghdad statement shows that the prospects for the Iraq fields (though not necessarily for Haifa) are now getting brighter; the government in Bagdad has estimated at £17 million the additional revenue it expects to secure from oil royalties between last January and October, 1954. The figure is only in part attributable to the increased royalty per ton that the Iraq Petroleum Company has agreed to pay. The new royalty is 6s. (gold) a ton instead of 4s. (gold). This does not mean that the royalty is paid in gold; it is paid in sterling, but in terms of the pre-1931 gold standard. Since the price of gold has gone up from 88s. a fine ounce before 1931 to 245s. a fine ounce today, 4s. (gold) now means about 12s. and the new royalty of 6s. means about 18s. a ton in sterling.

But the bulk of the increased revenue is to come from a projected increase in output to 18 million tons a year by 1954. The first step in bringing this about became effective in November, when the new 16-inch pipeline to Tripoli came into operation. This more than doubles the northern leg of the old 12-inch line. In a common-sense world the next step would be to bring back into use the southern leg of the old pipe-line (the line to Haifa) together with the new 16-inch line which has been laid alongside it as far as the border of Israel. But when will this happen? It seems entirely doubtful. The output of 18 million tons a year by 1954 can be achieved by bringing into full operation before then yet another line, the big 30-inch line which will terminate at Banias, on the Syrian coast some way south of Latakia. Deliveries of pipe for this line are to start at the end of this year, partial operation is expected by the end of 1952 and full operation by 1954. If the old and new pipelines to Haifa were brought in as well the figure of 18 million tons a year could be raised to 24 million a year by 1954. It would be absurd to suppose that the oil interests concerned are content to sink money in new pipelines while accepting passively the disuse of the existing line because it terminates in Israel. But there is no sign that the ridiculous deadlock over Haifa is near solution.

* * *

A Development Council Dropped?

The long wrangle over the application of the Industrial Organisation and Development Act to the wool textile industry appears at last to be approaching, though it has not yet reached, a happy end. For well over two years the employers in the industry have been resisting attempts by the Government to proceed with the setting up of a Wool Textile Development Council, and for the last year or more feelings have been bitter enough to make it evident that the proposed council, if the Government did insist on having it, would be a poor thing. A state of deadlock on the matter persisted through the early months of this year, but at the end of July the Board of Trade laid before Parliament an Order for a compulsory levy to be raised from the industry for export promotion. This step was occasioned by the shortage of funds for the work of the Wool Textile Export Corporation, a body that was supported during the war by a levy collected by the Wool Control but has lately been carrying on its useful work without apparent means of support.

The Order could have meant no more than that the Government wanted to make interim provision for the export corporation until the industry could be brought to heel on the larger matter. Still, it did mean that the Government had accepted the necessity of applying section 9 of the Act —the section permitting action for specific purposes in industries "for which there is no development council" —and it was understood that similar action would soon be taken under the same section for another purpose, the financing of research. Further, these measures were concerted by the Board of Trade and the industry in full agreement, and in this sector of the Government's dealings with industry agreement is a novelty that can hardly be disregarded. In the circumstances, the Wool Textile Industry (Export Promotion Levy) Order has been widely taken to mean that the Development Council project is being quietly dropped.

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Two further steps are needed to confirm the correctness of this view. The first is an agreement between the employers and the trade unions in the industry to set up a voluntary body to take the place of the obnoxious statutory Development Council. Meetings to this end have been going on in recent weeks, and agreement in substance is now believed to have been reached in Bradford; the trade unions, though they have in the past expressed a preference for a fully-fledged Development Council, have never really objected to having a voluntary body instead. The resultant proposals have still to be formally agreed and will then have to be put up to the Board of Trade for its approval. Little doubt appears to exist, however, that the Board will now be willing to receive the proposals favourably. If these arrangements go through without any unexpected hitch there seems no reason to doubt that anything they may lack in constitutional perfection will be more than made up in regained harmony and good will.

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Limited Freedom for Tea

The London tea market is to be reopened next April, but rationing, price control and the subsidising of the retail price will all continue. The framework of the scheme to be introduced was published by the Ministry of Food last weekend, and many of the details have still to be worked out. The market is to be confined to the sale of first-hand teas offered on producers' account, but the auctions will be open to buyers of tea for re-export. Merchants will not be able to buy in Calcutta or Colombo, as they did before the war, for re-sale at the London auctions. The rate of subsidy, as in the past, will vary according to the countries and districts of origin of the tea offered for sale. The different rates will be announced some time before next April and will be maintained throughout the first year. The subsidies will not come into play until after bargains are struck on the market, so that prices there should reflect world prices. A buyer of tea for home consumption will bid at a price undistorted by subsidies, but he will be invoiced at that price less the appropriate subsidy. The Ministry of Food will pay the subsidy to the broker, who will then remit the full price—as bid by the buyer—(less the usual charges and commissions) to the producer.

To fit the auctions into the present rationing scheme, primary wholesalers will be given quotas stipulating the maximum amounts they can buy from the market for home consumption. The quota will depend on the quantity of tea that the wholesaler is permitted to sell on the home market, the direct imports made by the wholesaler, the allocations made to him from Ministry of Food stocks and the amount of tea he has re-exported. As at present, maximum retail prices will be fixed for the various grades of tea.

Before the war the retail price of tea kept surprisingly steady, despite the wide fluctuations in Mincing Lane, so that, superficially, it might appear that the maintenance of price control might not be any very serious obstacle to the freedom of the market. But there is no doubt that the new system will involve greater rigidity than obtained before the war. London was always considered the "spot" market for tea, and as such its prices tended to be higher than those ruling in either Calcutta or Colombo. But now that buyers in Britain for home consumption will have to work to a rigid

ceiling price, it is possible that during the season London prices might not reflect the appropriate premium between spot and forward delivery or might even be at a discount on those in the local markets. If such a risk seems at all probable to the tea-growers, they are unlikely to consign large quantities to London. Under these conditions, Mincing Lane cannot be expected to function as smoothly as before the war, though the friction will be greatly lessened if brokers and wholesalers co-operate to the utmost. At least it will be a welcome fact that another of London's terminal markets is allowed to operate after a lapse of ten years—even though its operations will be so artificially constricted.

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Cover for Converters

Until this week cotton converters have had to bear the brunt of fluctuations in raw cotton prices. When cotton prices have risen during the period of weaving and finishing cloth on order, the converters have gained, and when prices fell the converters lost. Since the war this particular trading risk has increased owing to the lengthening of delivery dates. Over any long period these windfall profits and losses may tend to balance each other out. But in any extended period of falling prices converters might be badly hit. Thus some time ago the Raw Cotton Commission approached the Cotton and Rayon Merchants' Association and the Cotton Spinners' and Manufacturers' Association to discuss the possibility of a cover scheme for converters. The agreed scheme was introduced this week.

In the discussions between the Commission and the trade two points became clear: that it was impossible for converters to keep their position balanced as the spinners do in their cover scheme, and that converters must have discretion about the transactions they cover and for what period—in other words, any scheme must enable them to take a view of the market. Thus although the scheme is similar in principle to the spinners' one, it differs greatly in detail. The converter can choose his cover, though the total amount of cover offered by the Commission is limited, and if all the requests together exceed this sum they will be scaled down. There are also provisions against what is termed "speculation": cover must be for a minimum of three months and not more than twelve months; cover must be asked for on the day on which the cloth contract is booked; a cash margin or an approved bond is required, and the Commission reserves the right to inspect the converter's record.

The procedure is that a converter, having booked an order for loomstate cloth on a particular day and wishing to cover that transaction, sells to the Commission at the forward price the weight of raw cotton equivalent to his loomstate order. When the cover matures the converter will buy back the cotton at the spot price then ruling. If, therefore, the spot price has fallen below the futures price ruling on the date on which the original order was made, the converter will get the appropriate compensation from the Commission less an administration charge of one per cent. If on the other hand the price has risen, the converter in effect pays to the Commission what he has gained.

The scheme is ingenious and the Raw Cotton Commission deserves credit for tackling a difficult problem. But at first sight it is difficult to see how the Commission will balance its books unless through the errors of human judgment. If converters were always to take a correct view of the market, the Commission would be likely to be always on the paying side. No doubt that risk has been considered.

* * *

Blackburn Aircraft Dispute

Shareholders of Blackburn and General Aircraft are not in an easy position to judge between the two contesting sides in the company's boardroom. The chairman has issued one circular, and the two former managing directors have published a reply. There are gaps between the two accounts and, indeed, a number of flat contradictions. The two managing directors were removed from office because—according to the chairman's account—they declined to furnish a full report to the board on the action to be taken to avoid losses; this is denied by the managing directors, who say that they submitted a report which was accepted. They also complain of interference by the chairman, and of failure to provide information about the Dumbarton subsidiary for which they had asked. Equally confusing and contradictory are the different accounts of discussions about the possibility of liquidation.

When two sides of the boardroom table are thus at odds, it is clear that only an independent enquiry by a committee of shareholders can clear the air—and independence in this case would imply that the parties to the controversy should be prepared to rest upon the committee's findings. The possibility of an application for a Board of Trade inspection under Section 164 of the Companies Act may perhaps be regarded as a possibility in the background if an accommodation between the two sides is not quickly reached. But matters may already have gone too far for that; evidently there are deep seated differences of view about the future policy and management of the concern, and about the wisdom or otherwise of liquidation. On this last point, it would be strange if the events of the past two months had strengthened the arguments—whatever force they might have in other respects —for liquidation.

* * *

Holiday Spending and Saving

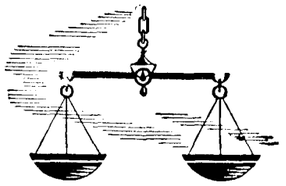
All the signs suggest that the British public is spending heavily on its holidays this year—and is drawing freely on past savings in order to be able to do so. In the twelve weeks between May 17th and August 9th the active note circulation increased by £48.4 million; the corresponding increase between the mid-May low and the August Bank Holiday peak last year was £39.6 million. In the week following August 9th £9,800,000 of notes came back from circulation, compared with £10,300,000 in the same week last year. It is probable, however, that the rise in the note circulation this summer is not wholly due to seasonal influences. The active note circulation this year did not show the usual seasonal decline after the Easter rise, and since then the price level of goods of a kind generally bought with notes has undoubtedly been rising. This tendency must be expected to increase in the next few months and to exert an upward pressure on currency holding habits.

Meanwhile, the "small" savings figures have also deteriorated this year. Since April 1st the National Savings Movement shows a net deficit of repayments over receipts amounting to £52.5 million—nearly £30 million more than the deficit in the same period in 1949. The peak summer deficit in the week preceding the Bank Holiday was nearly £6,500,000 this year, compared with £5,700,000 in 1949. Last year's savings deficit was widely explained as being due to the withdrawal of "hot" savings that had been stored away against the day when goods previously in short supply came back to the shops. The continuing deterioration of these savings figures suggests strongly that the deficits are in fact due to more general pressure of prices on present incomes and past savings; the prospects for an improvement of this trend can hardly be said to be bright.

* * *

New Anglo-German Trade Pact

Since the end of the war, trade between Britain and western Germany has been conducted under the auspices of a series of make-shift trade pacts largely dictated on the British side by the necessity to avoid dollar losses to Germany. This unsatisfactory and extended interlude should be terminated by the new pact initialled in London this week.



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Yes, he's late again. Late to leave the office. Late to get home. Late to realize that yesterday's business machines and methods cannot keep pace with the tempo of today's business.

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the late Mr. J.

Together, he and the Burroughs representative will make plans to put the "book-keeping" of business on a production basis, to produce promptly the day-to-day figures he must have to make the right decisions. Modern, time-saving Burroughs machines will replace time-wasting relics of another day. New methods and procedures, based on Burroughs experience with British business leaders, will be applied. In short, the office will be mechanized to get work done *on time,* at less cost, with less effort.

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The negotiations that have been proceeding on and off since the beginning of the year, and that before the establishment of EPU were bogged down with payments problems, have lately centred in the removal of the discriminatory measures that have been impeding a wider range of trade between the two countries. When Britain liberalised its trade with Europe last year under the OEEC agreement, Belgium, Switzerland and Western Germany were excluded to avoid hard currency losses. Germany in its turn has discriminated against Britain and has unduly favoured Holland and Scandinavia and a number of other European countries.

One result of this has been that Britain has recently been importing German goods via Dutch traders, while German importers have used Dutch agents to purchase sterling goods. Under the new agreement this discrimination will come to an end. British exporters will now be able to compete on free lists or for quotas on equal terms with other OEEC countries; in particular exports of machinery to Germany should be stepped up. In return German manufactures, in particular of optical instruments, will be marketed in Britain either under open general licences or without discrimination under quotas. Dominion markets will also become more accessible to Germany. The new arrangements will come into force as soon as possible. They are likely to do so long before January 1st when the EPU ban on discrimination within Europe becomes effective.

* * *

The Marking of Furniture

The Board of Trade has accepted in principle the idea of compulsory marking of furniture with the name and address of its manufacturer. Both the Furniture Development Council and the employers' organisations have pressed for such a scheme on the ground that it would give the public a means of redress against shoddy furniture, the defects of which become apparent only with use. It might therefore act as a deterrent to manufacturers who are tempted to cut quality. Somewhat surprisingly many retailers have objected to the plan; some go so far as to remove identifying marks which many manufacturers now put on their furniture. The selling methods of many shops depend on a suggestion of personal responsibility for the goods shown, and they feel that compulsory marking would destroy this. Few shops, however, carry the suggestion to the point of taking actual responsibility for the performance of the goods in use.

Legislation would be necessary to make marking compulsory, and Mr Wilson has told the chairman of the Furniture Development Council: "It is impossible at this stage to say when it might be possible to consider legislation." This is unfortunate. The furniture industry has become resigned to accepting the Board of Trade specifications for utility furniture as a means of maintaining quality. The specifications are effective within limits but they were designed to meet a temporary need; their continuance stifles developments in design and construction which are essential to the vitality of a consumer industry. Compulsory marking is only a partial solution, but the more effective means of supervision, such as the evolution of performance tests for standard items of furniture, will take a long time to work out and the industry cannot afford to let things go on as they are.

* * *

Ferguson and Ford

The latest development in the claim by Mr Harry Ferguson and his American company against the United States Ford Motor Company and other defendants over the Ferguson tractor is the arrival in the British Isles of a Commission from the United States Federal Court. The Commission, headed by a Master of the New York Federal Court, sat in Belfast and has since gone on to Coventry to take further evidence there. The purpose is to record for the purpose of the trial of the action the evidence of witnesses who otherwise would have to cross to New York to give their evidence.

The Ferguson-Ford case is outstanding if only because of the size of the sum involved, no less than 251 million dollars. It is also remarkable in that the core of the case is an agreement made between Mr Ferguson and the late Henry Ford in October, 1938, which was never reduced to writing. It was on the basis of that agreement, so the Ferguson case alleges, that Mr Ferguson entrusted the whole production of the Ferguson tractor in the United States to the Ford Motor Company, with the result that the Ford Motor Company was the sole manufacturer of the tractor in the United States from the summer of 1939 until June, 1947. The substance of the Ferguson claim for damages is that, with the change in management of the Ford Motor Company when Mr Henry Ford II assumed control, the Ford Motor Company, its executives and subsidiaries began deliberately to annex the Ferguson system as their own and to manufacture and sell what were in substance Ferguson tractors on their own account. That allegation, of course, is disputed by the defendants. During the two and a half years the action has been under way (not an inordinate length of time by American standards), the last noteworthy event was the visit of Mr Henry Ford II to England last year in an attempt, so it was suggested, to effect some settlement with Mr Ferguson. Whatever the purpose of the visit, no settlement was made.

Lawyers are likely to throw up their hands with horror at the very idea that a project of this size could have been launched, in America or anywhere else, without the parties recording their terms of their arrangements in writing; it is, however, only fair to add that written agreements have never deterred the parties to them from disputes as to their meanings and effects, nor have they deterred lawyers from conducting, and defending, equally sizeable actions based upon their contents.

* * *

Double Tax Agreement With Ceylon

When Sir Stafford Cripps recently added to the 1950 Finance Bill provisions for granting a unilateral measure of "double taxation relief" to British companies operating abroad, he expressed confidence that these new provisions would not prejudice the United Kingdom's efforts in negotiating double-tax agreements with other countries. This confidence has proved justified in the particular case of Ceylon, which was mentioned in debate. An agreement now concluded after prolonged discussion provides that the total taxation levied on British companies operating in Ceylon will be appreciably reduced from between 66 and 71 per cent of trading profits to something over 50 per cent.

The main weight of concession under this agreement will fall on the British Exchequer. The companies concerned will apparently continue to pay full income tax, profits tax and an additional 6 per cent foreign companies' tax at present levied by the Ceylon Government (amounting in sum to just over 40 per cent of profits) and will pay to the British tax collector the difference between this 40 per cent and the 50-56 per cent which is the present combined levy imposed by British income and profits taxes. The Ceylon Exchequer for its part will forgo the revenue at present received from United Kingdom residents as a result of the taxation of the earnings of ships and aircraft operating in Ceylon, together with the proceeds of taxation of copyright royalties, non-government pensions and the earnings of temporary residents in Ceylon. It will, however, continue to tax the proceeds of tea sales in London, the income of United Kingdom residents trading through agents in Ceylon and to levy super tax on rupee company dividends remitted to this country. This particular convention may seem to lay a disproportionate burden on the British as distinct from the Ceylon Treasury; but it certainly lifts a heavy burden from the back of British firms operating in Ceylon and will encourage them to seek more business there.

Stock Exchange Yardsticks

The promise held out by recent measures that the Stock Exchange Council has introduced, and others it has mooted, for more facts and figures about the security market have not been fulfilled in time to make any improvement in the content of the "Stock Exchange Statistical Tables for 1949-50." Those interested in such matters have again to content themselves with a statistical exercise that epitomises the lack of adequate information about Stock Exchange business.

On April 3rd this year the value of the 9,711 securities then quoted on the London Stock Exchange was £25,067 million against a market valuation of £26,523 million for 10,053 securities quoted on April 4, 1949. The nominal value of the stocks quoted on the two dates was £22,949 million and £23,054 million respectively. The fall in the number of securities quoted is primarily due to the consolidation of individual gas securities in Gas Stock; gas companies' securities now number 52 against 466 a year earlier. Between April, 1949, and April, 1950, the *Financial Times* ordinary share index fell from 115.0 to 105.4, and the fixed interest securities index from 133.45 to 120.52. In the "Commercial, Industrial, etc." group of the Stock Exchange Table, market values fell from £4,324 million (£1,905 nominal) for 4,172 securities to £4,097 million (£2,018 nominal) for 4,282 securities. The nominal value of government and government-guaranteed securities has risen from £14,395 million represented by 53 issues to £14,589 million in 55 issues. This further growth of the gilt-edged sector of the market was not matched by market performance, for market values fell by no less than £1,000 million from £14,613 million to £13,682 million. The only important market to register a significant improvement between the two dates was the mining market, where values rose from £1,069 million for 469 issues to £1,322 million for 463 issues. Of this improvement, a considerable portion has of course been lost since April.

Markings recorded during the year were 1,566,280 against 1,730,213 for the previous year and 2,816,353 in 1946-47. But these are no adequate guide to the volume of business. Perhaps the long-needed improvement in Stock Exchange statistics will eventually be achieved; certainly London's figures bear no comparison with the comprehensiveness and the speed of Wall Street's regular output of market data.

Shorter Notes

A further credit to finance purchases of wool from sterling sources during the 1950-51 season has been placed at the disposal of the French wool industry represented by the Groupement d'Importation et de Repartition de la Laine. The credit as in previous years is granted by a London syndicate headed by Messrs Lazard Brothers and Co. It again takes the form of a revolving acceptance credit but the line this year is limited to a maximum of £5,000,000 except in the peak buying season when it may be raised to £10 million, which was the limit of last year's credit. The new credit is finally repayable by October, 1951.

★

A table on page 327 of last week's issue of *The Economist* gave some figures described as "rough productivity estimates." This title and the accompanying description of the way they had been prepared were intended to emphasise their crude character. The aim, as stated in the article, was to demonstrate that different industries had achieved different improvements in productivity, and we were not concerned with the precise figures for individual industries. But the comparison shown between the second quarter of 1948 and the first quarter of 1950—unavoidable because of the lack of comparable employment figures before June, 1948—involves some distortion owing to seasonal differences, which is particularly marked in the estimate for shipbuilding and repairing component based on the London and Cambridge production index. Over a longer period, shipbuilding productivity has shown some increase in recent years.

★

This week the price of lead in the United States rose by one cent to 13 cents a lb. and the Ministry of Supply raised its selling price by £8 to £104 a ton. For some days prior to this rise, lead had been selling unofficially at 13 cents a lb. Zinc and copper prices have remained unchanged, though zinc has been sold for as much as 18 cents a lb. compared with its official price of 15 cents. A two-cent premium for copper on its official price of 22½ cents a lb. is quite common, while certain reports have quoted copper as selling at 27 cents a lb. Many consumers unable to get American-produced copper are importing foreign copper and paying the 2 cents a lb. duty rather than reduce their output of manufactures.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement.

Prices, Year 1950 Jan. 1 to Aug. 16 High	Prices, Year 1950 Jan. 1 to Aug. 16 Low	Name of Security	Price, Aug. 9, 1950	Price, Aug. 16, 1950 (n)	Net Yield, Aug. 16, 1950 £ s. d.	Gross Yield, Aug. 16, 1950 £ s. d.
		British Funds				
101⅜[37]	100½	War Bonds 2½% Aug. 1, 1949-51	100⅜	100⅞	0 8 0	1 11 5†
100⅛	98⅜	War Bonds 2½% Assented	98½	99⅛	1 9 5	2 12 2†
102	101⅛	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅝	0 14 11	1 16 11†
102⅛	100⅛	War Bonds 2½% Mar. 1, 1952-54	102⅛	102⅛	0 15 7	1 17 7†
101⅛	100	Exch. Stk. 2½% Feb. 15, 1955	101⅛	101⅛	0 19 3	1 19 5
103½	100½	War Bonds 2½% Aug. 15, 1954-56	101⅛	102	1 0 7	2 2 11†
102½	101½	Funding 2½% June 15, 1952-57	102½	102⅜	1 3 10	2 8 11†
104⅛	102	Nat. Def. 3% July 15, 1954-58	102⅛	102⅜	1 5 9	2 12 8†
104⅛	101⅛	War Loan 3½% Oct. 15, 1955-59	103¼	103⅜	1 5 4	2 12 11†
101⅛	96⅛	Savs. Bonds 3% Aug. 15, 1955-65	99½xd	99⅜	1 13 5	3 0 5†
100⅛	97⅛	Funding 2½% April 15, 1956-61	99⅛	99⅜	1 8 8	2 12 1†
99⅜	98½	Funding 2½% April 15, 1956-61'A'	99	99⅛	1 9 1	2 12 1†
99⅛	95	Funding 3% April 15, 1959-69	97⅜	98¼	1 15 11	3 4 0†
108⅜	104⅛	Funding 4% May 1, 1960-90	107½	108¼	1 7 6	3 3 3e
98⅛	94½	Sav. Bonds 3% Sept. 1, 1960-70	95½xd	96⅛xd	1 16 10	3 4 4†
95⅞	91½	Sav. Bonds 2½% May 1, 1964-67	93¼	94⅜	1 15 11	2 19 9†
110⅛	105⅜	Vict. Bonds 4% Sept. 1, 1920-76	107⅜xd	108⅜xd	1 11 1	3 4 11*
96⅛	91⅛	Sav. Bonds 3% Aug. 15, 1965-75	93⅜xd	94⅛	1 18 3	3 6 2†
105½	100	Consols 4% (after Feb. 1, 1957)	102⅛	103½	2 2 5	3 17 3†
96⅛	91½	Conv. 3½% (after Apr. 1, 1961)	94⅛	95½	2 0 6	3 14 0†
71	66⅞	Treas.Stk.2½%(after Apr.1,1975)	69½	70⅜	1 19 3	3 11 9†
84⅛	79⅜	Treas.Stk.3%(after Apr.5,1966)	82⅜	83⅝	1 19 9	3 12 9†
102	99	Treas. Stk. 3½% June 15, 1977-80	100⅛	101¼	1 17 2	3 8 8†
91	86½	Redemp. Stk. 3% Oct. 1, 1986-96	89½	90⅛	1 19 9	3 11 0†
94⅛	90	War Loan 3½% (after Dec. 1, 1952)	93	94⅜	2 1 1	3 14 11†
71⅛	68¼	Consols 2½%	69⅜	70⅜	1 19 0	3 11 0†
96⅜	92½	Brit. El. 3% Gd. Apr. 1, 1968-73	95½	96⅜	1 17 8	3 6 0†
95⅜	91⅜	Brit. El. 3% Gd. Mar. 15, 1974-77	92½xd	94½xd	1 18 7	3 6 5†
100⅛	99	Brit.El.3½%Gd.Nov.15, 1976-79	99⅛	100⅛	1 18 0	3 9 7†
91	86⅛	Brit. Tpt. 3% Gd. July 1, 1978-88	89⅜	90⅛	2 0 1	3 9 0†
96⅜	92⅛	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	94⅜	96⅛	1 17 11	3 6 4†
90⅛	85⅞	Brit. Gas Gd. 3% May 1, 1990-95	88⅛*	90¼	2 0 0	3 9 6†

Prices, Year 1950 Jan. 1 to Aug. 16 High	Prices, Year 1950 Jan. 1 to Aug. 16 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Aug. 9, 1950	Price, Aug. 16, 1950	Yield, Aug. 16, 1950 £ s. d.
		%		%	**Other Securities**			
100⅛	95½	(d)		(d)	Australia 3½% 1965-69	97½	97½	3 8 6†
101⅛	99⅛	(d)		(d)	Birmingham 2½% 1955-57	100½	100½	2 13 6†
8⅜	6⅛	50	c	60	c Anglo-American Corp., 10/-	6¼	6⅜	4 6 11
7⅛	5⅛	5	a	25	b Anglo-Iranian Oil, £1	5⅛	5⅛	5 5 6
77/6	67/9	5	a	10	b Assoc. Electrical, Ord. £1	76/6	76/6	3 18 5
87/-	71/6	7½	a	15	b Assoc. Port. Cem., Ord. Stk. £1	82/6	83/6	5 7 10
25/7½	17/0½	40	c	40	c Austin Motor, Ord. Stk. 5/-	24/4½	24/9	5 7 9m
70/7½	66/-	7	b	7	a Barclays Bank, Ord. 'B' £1	68/-	68/-	4 2 4
145/-	129/-	†19	b	†5	a Bass Ratcliff, Ord. £1	135/7½	135/7½	3 10 9†
98/-	87/4½	8	a	12	b British Oxygen, Ord. £1	95/-	95/-	4 4 3
39/3	32/1½	2½	a	5	b Courtaulds, Ord. £1	36/10½	37/3	4 0 6
18/9⅜	16/6	5	a	15	b Distillers Co., Ord. 4/-	18/6	18/6	4 6 6
32/9⅜	28/9	8	c	8	c Dorman Long, Ord. £1	32/6	31/9	5 0 9
63/6	59/-	15	c	15	c Dunlop Rubber, Ord. £1	60/3	60/9	4 18 9
44/3	39/6	3	a	7	b Imp. Chem. Ind., Ord. Stk £1	41/6	42/1½	4 14 11
109/4½	95/-	18½	b	1.3½	a Imperial Tobacco, £1	99/4½	99.4½	6 8 10
37/3	29/7½	10	c	5	a Lancs. Cotton, Ord. Stk. £1	36/6	36/9	5 8 10
44/6	38/1⅜	10	c	10	c Lever & Unilever, Ord. £1	38/9	38/9	5 3 5
63/-	51/9	15	c	15	c London Brick, Ord. Stk. £1	56/3	53/9xr	5 11 7
82/9	69/6	15	a	45	b Marks & Spencer ("A") 5/-	75/9	76/-	3 18 11
43/9	33/3	7½	a	17½	b Pwhin Tuson, Ord. Stk. 10/-	37/6	38/-	6 11 7
48/9	41/-	8	a	4	b P. & O., Def. Stk. £1	46/6	47/6	5 1 1
33⅜	27¼	†77½	c	†77½	c Prudential, 'A' £1	31	31	2 9 9†
56/6	50/-	12½	c	12½	c Stewarts & Lloyds, Def. £1	56/-	56/-	4 9 3
70/2½	59/3	†25	a	†5	b "Shell" Transpt., Ord. Stk. £1	62/6	62/6	2 8 0†
6⅛	5⅞	12½	b	12½	a Tube Invst., Ord. Stk. £1	6⅛	6⅛	4 2 6
85/3	75/3	35	a	11½	b Turner & Newall, Ord. Stk. £1	79/6	80/-	3 15 0
33/6	27/-	8	c	8	c Union Castle Ord. Stk £1	31/6	32/6	4 18 6
48/4½	41/9	27½	b	15	a Woolworth (F. W.) Ord. 5/-	45/-	45/6	3 16 11m

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (n) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield * Assumed average life 14 years 3 months

(a) Interim (b) Final (c) Whole year. (d) Int. paid half-yearly (f) To latest redemption date † Free of tax m) Yield basis 35% m) Yield basis 26⅔% after capital bonus

COMPANY MEETINGS

LAND SECURITIES INVESTMENT TRUST

INCREASE OF RENTS

The nineteenth annual general meeting of the Land Securities Investment Trust, Limited, was held on August 17th in London, Mr Harold Samuel, F.R.I.C.S., F.A.I. (chairman and managing director), presiding.

The following is an extract from his circulated statement:

The value of properties at cost to the group, after providing for amortisation to date, stands at £4,169,836, as compared with a figure of £2,391,908 for the previous year. This substantial increase has been brought about by the acquisition of Mayfair Court, Stratton Street, W.1, and other properties in the West End of London.

Current assets amount to £778,970, including cash at bank of £719,869, and compare with a total of current liabilities amounting to £511,084. Rents, etc., receivable for the current year amounting to £282,299 are greater than the combined income of last year from rents, etc., receivable, less expenses, of £214,753, plus profits on sale of properties of £50,955.

The balance attributable to the Land Securities Investment Trust, Limited, excluding profit on sales of £86,963, less tax £45,066, which has been taken to capital reserve, amounts to £62,165, as compared with £57,042. The latter figure, however, included profit on sale of properties.

An interim dividend of 32 per cent., less income tax, has been paid on the ordinary share capital, and your directors now recommend the payment of a final dividend of 48 per cent., less income tax.

SUBSIDIARY COMPANIES

Mr Harold Samuel also presided at meetings of United City Property Trust, Limited, and Lansdowne House (Berkeley Square), Limited, held on the same day. In his circulated statement to shareholders of the former company he said, *inter alia*: The purchase of the entire share capital of the following property-owning companies has been made:

ROCK PROPERTY TRUST, LIMITED.—The building known as "Clive House" is proceeding satisfactorily, and it is anticipated that the Ministry of Works will take possession next November.

BELFORT TRUST, LIMITED.—The Ministry are already in occupation on long leases of Ariel House and Lacon House, which have a total net floor area of 290,000 sq. ft.

DEVONSHIRE HOUSE, LIMITED.—This company owns a lease for 150 years on Devonshire House, Piccadilly. The present satisfactory yield should increase considerably when the upper part, which is used as Government offices, is de-requisitioned.

The value of the properties at cost to the group has increased from £900,435 to £2,818,937, and there are mortgages secured on these properties amounting to £2,200,672. The company has only received during the year a small income from the newly acquired properties which will increase during the current year, but the full benefit will not be apparent for a few years to come.

In the course of his statement circulated to the Lansdowne House shareholders, he said: The 4¾ per cent. mortgage debenture stock has been replaced by a mortgage at 4 per cent. The Minister of Works has leased approximately 75 per cent. of the lettable area at a rental of £72,500 per annum exclusive, tenants being responsible for all outgoings. This lease is for 35 years from December, 1948, without option to break, and includes the sections of the building originally requisitioned and held on lease.

In each case the report and accounts were adopted.

AMALGAMATED ANTHRACITE COLLIERIES, LIMITED

DIVIDEND PROSPECTS

The 26th annual general meeting of Amalgamated Anthracite Collieries, Limited, was held on August 15th in London, Mr John Waddell, the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year 1949:

The income available to the stockholders now becomes that arising from the operating group of Anthracite Holdings Limited, which, after providing for depreciation, income tax and other items, leaves a sufficient sum to provide for the annual charge on Funding Certificates, the cumulative preference dividend and to add a small amount to our carry-forward.

Broadly, the company is almost being compelled to mark time until such time as the division of the global sum or colliery compensation can be ascertained, and the only satisfactory feature is that during this period we are not slipping back but are managing to hold our own and consolidate the position.

THE HOLDING COMPANY

Anthracite Holdings may be the sole asset, and certainly will be the major asset, represented by the share capital. Fortunately this company hived off to Anthracite Holdings Limited, the non-colliery activities in 1942, and it started off with and still has a capital of £1,150,000. I consider the trading record of this company to be excellent and that the management of it has shown considerable capacity in meeting a set of difficult circumstances.

The average profits over the period 1942-1949, if fully distributed, would be sufficient to pay the full cumulative and participating dividend on the preference stock of 7½ per cent. and 2 per cent. to the ordinary stockholders, but only if the penal profits tax is abolished. I should like to emphasise the complete unfairness of this profits tax upon the equity stockholders in a company like this which has a heavy preference capital. I hope it will not be long before the Chancellor of the Exchequer realises the unfairness of the present method.

PRESENT ACTIVITIES

Broadly, the basic activities of Anthracite Holdings Limited, are in wholesale and retail coal distribution and exporting and shipping. But in addition we have other activities of many years' standing in engineering and manufacturing, wagon repairing, brickworks and various other small products. Our policy of becoming less and less dependent on one particular activity is bearing good fruit, and a substantial proportion of the profits is now derived from activities other than those of coal distribution and exporting, which are, to a large extent, dependent on the policy of a nationalised industry.

We have two new brickworks, which we have been building for two years, coming into completion during 1950 and we expect good results from them. Our coal export and shipping organisations are feeling the brunt—particularly on shipping—of very low freights. Our coal exporting business is expanding. The Holdings group is managed energetically and well and is constantly meeting fresh forms of competition and fresh economic conditions and meeting them successfully, and I think this Group will maintain its already good record and surmount these difficulties successfully.

The report was adopted.

OLDHAM AND SON LIMITED

CONTINUED PROGRESS

MR JOHN OLDHAM'S REVIEW

At the thirty-first annual general meeting of Oldham & Son Limited, which was held on August 18th at the company's head office, Denton, Manchester, the chairman, Mr John Oldham, O.B.E., J.P., who presided, said that the results now disclosed covered a period of only ten months, a change in the accounting date having been made for taxation and other reasons. Net profit to March 31st last amounted to £210,161, which was at the annual rate of £252,192, thus showing a substantially proportionate rate of profit to that of last year.

It was proposed to adjust the final dividend for the ten months to March 31, 1950, proportionately, so that the yield to Ordinary shareholders remained unchanged.

A very substantial part of the company's business was derived from essential industries at home and overseas—mining and transport. Present-day methods of mining demanded the most modern portable lighting equipment, in which the company had specialised for over forty years. Total of Oldham miner's lamps in use amounted to many hundreds of thousands, and the firm were now leading manufacturers of this equipment in the world.

Continued growth of road transport requirements for public, commercial and private purposes had raised to high levels demand for electric storage batteries, and the number of Oldham batteries supplied to home and export markets continued to expand.

FURTHER DEVELOPMENTS OVERSEAS

Developments concerned with their associated company, Oldham & Son Africa Limited, were proceeding very satisfactorily, and this company were now the largest suppliers of portable lighting equipment to the gold mining industry in the Union.

The French subsidiary, Société Française des Procédés Oldham, was now established in full manufacturing operation, and the entire supply of many thousands of Oldham lamps used in the French coalfields, as well as spares, batteries and technical service, was derived from this subsidiary.

In India, manufacture of Oldham batteries and mine lighting equipment was foreshadowed by completion of negotiations with the Indian Government for the establishment of a company under the title of Oldham & Son India Limited. Premises and land had been acquired in Madras, and manufacturing was expected to commence early in the New Year. Oldham & Son England would have a 55 per cent. interest in the new project, the remaining equity being held jointly by the company's Indian selling agents, the South Indian Export Company of Madras, and Mousell & Company, Limited, of Bombay and Calcutta.

Concluding, the chairman said that the developments to which he had referred illustrated the broad-based character of the company's business, the essential industries it served, and the increasing spread of its sales and services at home and overseas, and added that these factors were of importance in assessing the firm's future prospects. Shareholders could, in his view, derive considerable confidence in the continued progress of the company.

The report and accounts were unanimously adopted, and a final dividend of 10 per cent., as recommended, was approved, making with the interim dividend of 15 per cent. paid on April 1, 1950, a total of 25 per cent. for the ten months, or at the rate of 30 per cent. per annum.

UNITED DOMINIONS TRUST LIMITED

SERVICES TO COMMUNITY

MR J. GIBSON JARVIE'S SPEECH

The twenty-eighth annual general meeting of the United Dominions Trust Limited, was held in London on August 14th

Mr J. Gibson Jarvie, the chairman, in the course of his speech, said: The parent company is a banking concern and holds the shares of several subsidiaries, certain of them being specialised financing companies restricting their operations within particular industries. Our several but related activities create a unique and—subject always to Government policy and tactics—profitable arrangement for stockholders, as the following information will show.

At the end of the last financial year the figure of total group outstandings increased by £2,274,200 to £12,682,156 or by roughly 22 per cent. Investment income at £59,375 was practically the same, but gross profits of the group (excluding investment income), increased by £117,712 to £456,873 or by nearly 35 per cent.

NEED FOR FURTHER CAPITAL

The time is approaching when, subject to the approval of the Capital Issues Committee (to whom we have already made application), the issued capital must be increased if we are to respond to the expanding demand for our services. Through the varied facilities we furnish to industry and commerce we have rendered invaluable service to the country. Given reasonable freedom of action, under any sort of ordinary conditions, we can be of still greater and essential use to the community.

To maintain and even improve our already strong position on our present capital resources is, your board believe, something which we are entitled to expect.

GOVERNMENT'S OBJECT

When the war ended the Government's duty—and their great opportunity—was to create the conditions under which we, as a nation, could replace the capital destroyed by the war; refill the depleted national treasure chest; re-establish our position as the world's bankers; rebuild our invisible exports; maintain our armed strength; and, generally, recover our old place as a world power. But it was not to be. That grand comprehensive objective was subordinated to the Socialist ideal of a regimented State based on exploded Marxist theory.

The present Government promised immediate demobilisation; high wages and short hours; and unlimited social services. They set out to kill capitalism—the only system which could have made their grandiose schemes even remotely possible. They are still determined to kill private enterprise; they are out to punish by penal taxation those who may have inherited fortunes and those who may have been diligent enough to build fortunes in happier days.

Surely we must see that, if we wish to regain our pre-eminence and to recreate the wealth-producing services on which even the maintenance of our common standard of living depends, the class vendetta of the Socialist Government against the producers of wealth—as exemplified by punitive taxation and Government controls—must cease before consequential inertia sets in.

If our country is to survive, and with it your group of companies as an integral part, I believe it is essential that a change of Government economic policy cannot longer be delayed.

The report was adopted.

GLOBE TELEGRAPH AND TRUST COMPANY, LIMITED

CAPITAL REORGANISATION SCHEME

SIR EDWARD WILSHAW'S SPEECH

The seventy-seventh annual general meeting of this company was held on August 17th in London.

Sir Edward Wilshaw, K.C.M.G., the chairman, in the course of his speech, said:

The profit for the year is £5,671 higher at £191,155. I feel certain, however, that your interest is less in the past, as represented by the accounts, than in the future as represented by the capital reorganisation scheme to consider which meetings have been convened immediately following this meeting.

I should like to correct an impression which appears to have gained some currency regarding the rate of dividend to be anticipated in the future and also to make clear one statement in the circular concerning which I have received letters from some stockholders. My justification for doing so now is that both points relate to the income which stockholders may expect to receive in the future.

The impression to which I refer is that the dividend to be anticipated on the ordinary stock in the future is 4 per cent., less income tax. I know of no grounds whatever for this assumption; in fact, it ignores the assurance given by the directors regarding the future income which stockholders may expect to receive from the company.

I have been asked by stockholders to clarify that part of the explanatory statement which reads: "Whilst the earnings attributable to his £150 ordinary stock are estimated to be at least £9 15s.—that is, at the rate of 6½ per cent. per annum before deduction of income tax; also to say whether this means that the payment of a dividend of 6½ per cent. is to be anticipated.

FUTURE EARNINGS

It is in my opinion generally dangerous to prophesy as to the rate of dividends to be paid in the future, and for this reason care was taken in wording the sentence in question with the express object of indicating that while no firm forecast was made as to the rate of dividend to be paid, the earnings out of which any dividend could be paid was equivalent to at least 6½ per cent. of the revised ordinary capital. I will now read the relevant part of the written reply sent to a stockholder who wrote to me on this matter: "... the words are intended to imply that the estimated future profits of the company—after meeting all charges—are equivalent to not less than 6½ per cent. of the ordinary capital of the company as increased under the proposed capital reorganisation scheme.

"This statement you will thus see refers to estimated earnings, not to dividend to be paid, and obviously the directors would not commit themselves in advance about dividends to be declared in the future.

"You will note that it is confidently expected that the future income (this means debenture interest and dividend to be received) from the company will exceed the present income (or dividend) received, in spite of the fact that the holder will have already received a cash distribution of 20 per cent. on his existing stock. It is, of course, obvious that this expression of opinion by the directors is capable of realisation only if a dividend at the rate of approximately 5 per cent. or more is paid by the company.

The report and accounts were adopted, and the proceedings terminated with a vote of thanks to the chairman.

NOTICES

UNIVERSITY COLLEGE, EXETER

Applications are invited for the post of LECTURER IN ECONOMICS

The post is open to men and women.

An honours degree in Economics is a requisite. Candidates may be preferred who desire to teach Economic Theory, but candidates who can offer other specialities will be considered.

The salary scale for lecturers is £500-£1,400.

Further particulars may be obtained from the Registrar.

HIS MAJESTY'S COLONIAL SERVICE

MALAYA AND SINGAPORE

Social Welfare Officer (Woman) required for general welfare duties including training of locally recruited officers and supervision of their work. Post is on agreement for three years first instance, salary scale $373-$1,218 a year. Cost of living allowance. Quarters at low rental. Free passages. Income tax at local rates much lower than those in United Kingdom. Candidates must be unmarried, preferably between 26 and 35, graduates or holders of diplomas or certificates in social science. Experience as Children's Officers or in rural development desirable.

Further particulars and application forms obtainable on written request to Director of Recruitment (Colonial Service), Sanctuary Buildings, Great Smith Street, London, S.W.1, quoting reference 372/50/24.

WELL-KNOWN Industrial Company has vacancy in Investment Department for Senior Assistant. Applicants should be under 36 years of age and have some practical experience in investment work. An ability to appraise securities and analyse Companies' Balance Sheets is necessary together with some knowledge of economics and statistical methods. Pension fund rights. Write giving full particulars to Box Z.G.416, Deacon's Advertising, 36, Leadenhall Street, E.C.3.

UNIVERSITY COLLEGE OF NORTH WALES, BANGOR

Applications are invited for the post of Temporary Assistant Lecturer or Temporary Lecturer in the Department of Economics. The appointment will date from October 1, 1950, and the initial salary will be between £350 and £750 p.a.

Twelve copies of the application should reach the undersigned, from whom further particulars may be obtained, not later than September 4, 1950.

KENNETH LAWRENCE, Secretary and Registrar.

SCHOOL OF ECONOMICS DUNDEE

17, BELL STREET, DUNDEE

Courses of study are provided for the External Degrees of B.Sc Econ. and B.Com. in the University of London.

Next Session begins October 3rd.

July 19, 1950.

APPLICATIONS are invited for the post of Deputy to the Director of Personnel of a well-known firm. Age 40 to 45; the desirable qualifications are a University Degree, industrial training and experience. The duties require a man of broad education and interests, having a working knowledge of industrial organisation, Trades Unions, etc. A commencing salary of £1,000 per annum with excellent prospects.—Please send full details of qualifications, etc., in confidence to Box 482.

GENERAL Works Manager required by Midland firm employing 1,000 people and engaged on the manufacture of light engineering and leather consumer goods. Knowledge of time study and production planning and control desirable. Age 40 to 50. Salary £2,000 per annum for man with right experience, qualifications and personality.—Box 488.

LADY graduate, 1st Class Honours Economics and Political Science seeks post, academic or commercial, experience of both.—Box 490.

Statistical Summary

EXCHEQUER RETURNS

For the week ended August 12, 1950, total [illegible] was £52,119,000, against [illegible] of £49,610,000 and issues [illegible]20,000. Thus, including [illegible]s of £4,698,000 the surplus [illegible]t is £108,176,000 compared [illegible] the corresponding period a

SELF-BALANCING REVENUE AND EXPENDITURE

	Receipts into the Exchequer (£ thousand)			
	April 1, 1949 to Aug. 13, 1949	April 1, 1950 to Aug. 12, 1950	Week ended Aug. 13, 1949	Week ended Aug. 12, 1950
ORDINARY REVENUE				
Income Tax	289,868	283,023	10,991	12,006
Surtax	28,700	29,100	1,100	1,000
Estate, etc. Duties	68,100	68,550	3,200	2,300
Stamps	18,500	18,365	900	800
Profits Tax	81,860	73,220	5,600	5,600
Ent. P.T.	17,800	5,500	...	250
Other Inland Rev.	80	50	10	...
Special Contributn.	11,100	2,220	500	150
Total Inland Rev.	516,008	479,828	22,301	22,106
Customs	286,861	308,950	14,810	16,604
Excise	267,595	268,900	15,995	9,500
Total Customs and Excise	554,456	577,850	30,805	26,104
Motor Duties	9,016	9,602	254	216
Surplus War Stores	46,111	10,477	18,158	1
Miscellaneous Receipts				
Crown Trading	4,045	25,974	...	...
Fees (Net Receipts)	...	2,900	...	2,000
Wireless Licences	3,040	3,100	...	...
Interest, etc. Receipts	7,560	6,219	1,589	1,048	[illegible]
Miscellaneous Receipts	19,817	21,093	443	644
Total Ordinary Rev.	1160053	1137044	73,550	52,119
BORROWING				
Savings Certificates	58,000	58,500	4,900	2,500
Defence Bonds	3,267	3,574	270	120
Total	1221320	1199118	78,720	54,739

	Issues out of the Exchequer to meet payments (£ thousand)			
	April 1, 1949 to Aug. 13, 1949	April 1, 1950 to Aug. 12, 1950	Week ended Aug. 13, 1949	Week ended Aug. 12, 1950
ORDINARY EXPENDITURE				
Supply Services	149,360	147,120	2,509	3,273
Payments to N. Ireland	11,581	12,191	...	...
Other Consolidated Services	4,973	3,714	...	17
Total Ordinary Services	165,854	163,025	2,509	3,290
Supply Services	899,543	861,145	30,100	45,900
Total Ordinary Exp.	1065397	1024170	32,609	49,190
Sinking Funds	4,604	4,698	473	420
Total Exchequer	1070001	1028868	33,084	49,610
SELF-BALANCING REVENUE AND EXPENDITURE				
Post Office and Telegraphs	58,000	58,500	4,900	2,500
Other Trading Services	3,267	3,574	270	120
Total	1131258	1090942	38,254	52,230

Exchequer balances by £262,873 to [illegible] operations for the week decreased [illegible] £2,219,992 to £26,153 million

NET REPAYMENTS (£ thousand)

Post Office and Telegraphs (Money) Act, 1948		320
Tithe Redemption		147
Export Guarantees Act, 1949, s. 3(2)		180
Local Authorities Loans Act, 1945, s. 3(1)		3,169
Exchequer and Audit Departments Act, 1921, s. 3(4)		1,069
Finance Acts, 1946 to 1947 (Post-war Credits)		339
Total		5,086

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	1,080	Nat. Savings Certs	500
Tax Reserve Certs.	64	2½% Def. Bonds	140
		3% Def. Bonds	415
		2½% Ter. Annuities	1 550
		Other Debt:—	
		Internal	19
		Ways & Means Advances	740
	1,144		3,364

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
Aug. 13	2260·0	2228·1	512·—		1199·0	5999·7
1950						
May 20	3020·0	1839·4	457·	.	413·0	5707·3
" 27	3050·0	1812·0	438·	.	400·0	5705·1
June 10	3070·0	1838·2	431		390·0	5729·4
" 10	3080·0	1765·2	413·2	...	380·0	5638·4
" 17	3090·0	1784·8	411·9	2·0	370·0	5658·7
" 24	3100·0	1769·7	421·4	4·0	350·0	5645·1
" 30	4856·9		404·2	12·—	350·0	5623·6
July 8	3120·0	2054·5	387·4	...	375·	5937·3
" 15	3120·0	2046·8	360·9	5·—	366·—	5919·3
" 22	3130·0	2025·9	396·2	...	380·0	5932·1
" 29	3140·0	1969·4	382·8	...	405·0	5897·2
Aug. 5	3140·0	1934·9	374·4	...	405·0	5854·3
" 12	3140·0	1936·0	373·7	...	405·0	5854·7

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
Aug. 12	210·0	275·7	210·0	10 6·05	70
1950					
May 12	240·0	313·0	240·0	10 3·03	68
" 19	250·0	312·5	250·0	10 3·15	73
" 26	240·0	295·4	240·0	10 3·47	77
June 2	240·0	343·5	240·0	10 2·64	57
" 9	240·0	317·8	240·0	10 3·08	67
" 16	240·0	299·6	240·0	10 3·33	75
" 23	240·0	315·4	240·0	10 3·06	68
" 30	240·0	302·4	240·0	10 3·21	73
July 7	240·0	306·4	240·0	10 3·15	72
" 14	240·0	327·1	240·0	10 2·90	63
" 21	240·0	335·4	240·0	10 2·78	60
" 28	240·0	340·8	240·0	10 2·72	58
Aug. 4	250·0	375·7	250·0	10 2·81	64
" 11	240·0	304·8	4·—	10 3 32	73

On August 11th applications for 91 day bills to be paid from August 14th to August 18th were accepted dated Monday to Saturday, as to about 75 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million are being offered for August 18th. For the week ending August 19th the banks are asked for Treasury deposits to a maximum of £350 million at 182 days.

NATIONAL SAVINGS

(£ thousand)

	Week Ended Aug. 6, 1949	Week Ended Aug. 5, 1950	Total, Apr. 1 to Aug. 5, 1950
Savings Certificates:—			
Receipts	1,200	1,600	30,650
Repayments	2,050	2,800	47,400
Net Savings	*Dr.* 850	*Dr.*1,200	*Dr.*16,750
Defence Bonds:—			
Receipts	375	525	6,325
Repayments	805	1,070	19,294
Net Savings	*Dr.* 430	*Dr.* 745	*Dr.*12,969
P.O. and Trustee Savings Banks:—			
Receipts	12,424	13,203	226,321
Repayments	14,298	16,210	249,325
Net Savings	*Dr.*1,874	*Dr.*3,007	*Dr.*22,804
Total Net Savings	*Dr.*3,154	*Dr.*4,952	*Dr.*52,523
Interest on certificates repaid	417	622	10,282
Interest accrued	2,349	2,422	43,171
Change in total remaining invested	*Dr.*1,217	*Dr.*3,152	*Dr.*19,614

BANK OF ENGLAND RETURNS

AUGUST 16, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1319,569,090	Other Govt. Securities	1337,677,159
In Banking Department	30,787,733	Other Secs.	797,292
		Coin (other than gold)	510,449
		Amt. of Fid. Issue	1350,000,000
		Gold Coin and Bullion (at 248s. 9d. per oz. fine)	356,823
	1350,356,823		1350,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	591,486,441
Rest	3,851,929	Other Secs.	59,673,585
Public Deps.:—	259,540,405	*Discounts and Advances*	14,250,515
*Public Accts.**	13,021,875	*Securities*	25,422,868
H.M. Treas. Special Acct.	246,518,530		
Other Deps.:—	390,328,870		
Bankers	292,508,094	Notes	30,787,733
Other Accts.	97,820,776	Coin	6,326,647
	668,274,204		668,274,204

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1949	1950		
	Aug. 17	Aug. 2	Aug. 9	Aug. 16
Issue Dept.:—				
Notes in circulation	1291·0	1328·9	1329·3	1319·6
Notes in banking department	59·2	21·5	21·0	30·8
Government debt and securities*	1349·2	1349·3	1349·0	1348·7
Other securities	0·7	0·7	0·7	0·8
Gold	0·2	0·4	0·4	0·5
Valued at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	12·6	11·2	15·8	13·0
Treasury Special Account	71·7	246·5	246·5	246·5
Bankers	287·9	293·1	285·7	292·5
Others	89·4	98·6	97·9	97·8
Total	461·6	649·4	645·9	649·8
Securities:—				
Government	349·2	596·1	600·3	591·5
Discounts, etc.	10·7	14·8	11·1	14·2
Other	26·0	28·6	25·4	25·4
Total	386·0	639·5	636·8	631·1
Banking dept. res.	64·2	28·2	27·5	37·1
	%	%	%	%
"Proportion"	14·8	4·3	4·2	5·7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,300 million to £1,350 million on June 27, 1950.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Aug. 10	63¾	72½	179 12	114 3
" 11	63¾	72½	179 14	114 6
" 12	Markets	Closed	178 7	114 3
" 14	"	72½	179 2	114 0
" 15	63¾	72½	Market	Closed
" 16	63¾	72½	178 14	114 3

New Trade Connections

Assistance in arranging desirable trade connections in Canada is readily available through the Royal Bank. Address inquiries to the Foreign Business Department at either of our London Offices.

London Offices—
6 Lothbury, E.C.2. — B. Strath, Mgr.
2-4 Cockspur Street, S.W.1. — L. R. Newman, Mgr.

THE ROYAL BANK OF CANADA

Head Office, Montreal
Offices in New York & Paris

Over 750 branches in Canada, the West Indies, Central & South America

Incorporated in Canada in 1869 with Limited Liability.

REFUGE ASSURANCE COMPANY LTD.
Chief Office: OXFORD STREET, MANCHESTER 1.

ANNUAL INCOME EXCEEDS £18,000,000
ASSETS EXCEED £112,000,000
CLAIMS PAID EXCEED £207,000,000
(1949 Accounts.

NATIONAL BANK OF INDIA LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books of the Bank will be closed from August 23rd to September 5th, both days inclusive.

By Order of the Board,
T. T. K. ALLAN, General Manager.
25, Bishopsgate, London, E.C.2. August 15, 1950.

CITY OF JOHANNESBURG

FIVE PER CENT INSCRIBED STOCK, 1950-60.

NOTICE IS HEREBY GIVEN that in order to prepare the warrants for the final interest payment due October 1st next, the balances of the several accounts in the above-mentioned stock will be struck on September 2nd, when the books will be finally closed, and all interest on the stock will cease.

For Barclays Bank (Dominion, Colonial and Overseas),
(London Registrars of the above Stock).
G. A. D. HARRISON, Acting Manager.
Circus Place, London Wall, E.C.2. August 14, 1950.

GOVERNMENT OF SOUTHERN RHODESIA

FOUR AND A HALF PER CENT INSCRIBED STOCK, 1958-68.

NOTICE IS HEREBY GIVEN that in order to prepare the Warrants for Interest due October 1st next the BALANCES of the several Accounts in the above-mentioned stock will be struck on the night of September 1st, and that on and after September 2nd the stock will be transferable ex dividend.

For Barclays Bank (Dominion, Colonial and Overseas),
(London Registrars of the above Stock).
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Shaping the Schuman Plan

FROM the moment of its first announcement, the Schuman Plan has been treated as a political rather than an economic initiative. This is partly due to the controversy on the highly political question of national sovereignty which at once arose between London and Paris. But it is not due to this alone; the authors of the Plan themselves presented it as a means of contributing to the solution of an eminently political problem, the long-standing and mutual fear between the French and German peoples. It is thus only natural that it is on the political aspects of the negotiations that have been going on in Paris between the six participating countries (France, western Germany, Italy, Holland, Belgium and Luxembourg) that public curiosity has mainly concentrated. Everyone has wanted to know to what extent the French delegation has been able to maintain its original proposal for a definite surrender of national sovereignty. As matters stood when the Paris negotiations were adjourned for the delegates to report home, the answer would be that there has been some retreat from the simplicity of the original proposal for a High Authority independent of political control, but not nearly as much retreat as would be necessary to appease the original critics of that proposal, especially the British Government. On one issue there has been dogged resistance—no one Government is to have a veto over what the High Authority can do within its territory. The effort to retain this principle, and yet to recognise that the High Authority cannot be utterly uncontrolled, has led to the devising of a constitution complex enough to do credit to the abbé Siéyès. There are to be no less than four main organisations: the High Authority itself, of 6 to 9 members named collectively by all the governments on a basis of individual qualities without national representation; a Common Assembly of delegates from the national parliaments, whose main duty will be to consider the annual report of the High Authority, with power to impeach the whole Authority but not to interfere with its decisions; a Council of Ministers, with no powers of general control over the High Authority, but with powers (as yet ill-defined) to make recommendations on certain specific issues; and finally a Court of Justice, whose duty, in principle, will be to see that the High Authority conforms to the letter of the treaty, but which may well find itself straying from defined legalities into the more disputable ground of economic expediency and commercial judgment.

To picture how such a structure would actually work in practice would strain the most versatile imagination. So much depends on definitions and personalities. One is tempted to make the criticism that the famous principle of the pooling of sovereignty has been turned into a negative rather than a positive thing; that there has been more anxiety to take their present powers away from governments than to convey them intact to anyone else; and that the checks and balances provided are rather ominously reminiscent of the doctrine of the separation of powers, which so easily becomes the frustration of

powers. But the initiative remains clearly with the High Authority, and, after all, the First Consul made even Siéyès's constitution work. If the High Authority can proceed with a Bonapartean mixture of firmness and moderation—rather than with Napoleonic arbitrariness—the system will work. But the same qualities might equally make an inter-governmental scheme work.

Theory of the Single Market

But what does "working" mean? When the powers have been settled, what is the Schuman Plan to do? Its original merits may be political, but it will redeem itself, or not, by its economic performance. The whole business will be a sad disappointment unless, in the end, something is done to the coal and steel industries of western Europe that can be counted as a benefit to the public interest. It is astonishing how little public discussion there has been of this central issue. Most of it has consisted of simple assertions that the replacement of six or more small national markets for the products of heavy industry by one large market must conduce to higher efficiency, lower costs of production and lower selling prices. This argument is very strongly held by many influential Americans, particularly in the Economic Co-operation Administration. It is indeed natural for Americans to point to the undeniable fact that much of their own matchless industrial productivity is due to the development of a virgin land as one market.

It does not follow quite so simply that what was done in one continent in one century would have the same results in another continent in another century. A great part of the success of the American experiment lay precisely in the fact that it was a virgin country; Europe already has its national industries. If a larger market has virtues in comparison with a smaller, it must be because it permits of larger units of production and a greater degree of specialisation and division of labour. If Europe had no heavy industries and they were developed on these lines from the start, they would doubtless be more efficient than what does in fact now exist. But since the existing plants are there, it would be bad economics, as well as most unpopular politics, to scrap them and start again. It follows, not that there are no virtues in having a large market, but that they would only emerge in Europe slowly, as new construction was located in the most economic places and designed in the most economic forms that large-scale production permitted.

There is a second qualification that must be made to the theory of the single market. A large market will not bring about the economic location of industry or concentration on the most efficient producer if it is cartellised or controlled. The essential characteristic of the American market—certainly in its formative years and to a large extent still today—is not only that it is large, but that it is so strongly competitive. It may or may not be possible to create a large market in Europe; but is it possible to create conditions of real competition, in which the most efficient producer is allowed to expand, and the high-cost producer, and his employees, go to the wall? It is, to say the least, highly doubtful. What is certain is that competitive conditions cannot be created simply by sweeping away national customs barriers. It may have been true in the nineteenth century that import duties were the chief obstruction to the fluidity of demand and supply; it is certainly not true of Western Europe today. Nor is it the result of the wickedness or stupidity of governments. It is in the main a response to the basic desire of the ordinary man for security in his job, or at least in his trade and locality. It may be true that he could produce more if he would move to another trade and a strange place. But he does not want to move; and he uses his vote to ensure, so far as he can, that he does not have to. This is not a national passion, which could be exorcised by making all peoples one; it operates within every economy, national or international. Nor is it an aspect of Socialism; it was a Conservative government which induced Messrs Richard Thomas to build their strip mill at Ebbw Vale rather than in the most economic location. The theory of the single market, if it is to be valid, must be re-phrased in terms of the single competitive market, and the addition of that word makes it a very much more difficult thing to accomplish. Any plan whose merits repose upon the creation of a single market must be judged not only—not even mainly—by the progress it would make in sweeping away barriers to international trade, but chiefly by the proposals it makes for restoring competition within its single market.

Abolition of Tariffs

This analysis is strikingly borne out by the results that have so far been achieved in the Schuman negotiations. The conference divided itself into five committees, of which the first concerned itself with the "institutional" questions, which have already been discussed. The fourth and fifth, concerned with wages and social questions and with the definition of exactly what is meant by such terms as coal and steel, have not yet reached any conclusions of which details are available. The two main economic committees were the second, on commercial and tariff policy; and the third, on prices, production and investment. The fact that, in the time available, the second committee has been able to reach reasonably precise conclusions, while the third is still apparently at an early stage of its labours, is a reflection of the fact that it is the questions of prices and production—in short, of the degree of competition—that are the really difficult and important ones.

This does not mean that the decisions on commercial policy are insignificant. They are, in fact, much more far-reaching than might have been expected. It has been decided—subject to what the six governments may have to say—that all import duties and quota restrictions on coal and steel, as between the six participating countries, shall be suppressed at one blow instead of progressively. In this sense, the "single market" is to become a reality within a few months after the treaty, now in the course of drafting, is ratified—though one of the undecided questions is whether the single market shall extend to the overseas possessions of members. There is also to be, in due course, a common tariff on coal and steel products round the six countries; it is apparently the intention that there shall be no imports of steel into the area and that imported coal shall not have a competitive advantage anywhere in the area over coal produced within it.

The abolition of duties will, of course, raise questions of the most-favoured-nation treatment guaranteed by existing commercial treaties, both the network of bilateral treaties and also multilateral engagements such as the General Agreement on Tariffs and Trade (GATT). Perhaps the negotiators are over-confident that, by presenting a common front, they will be able to get over these hurdles. Non-participating countries—specifically Great Britain—will hardly be anxious to abandon their most-favoured-nation rights, nor can they be compelled to do so, unless a "common front" by the Schuman nations means, as it hardly can do, a willingness by all of them to denounce their existing commercial treaties with Great Britain. Nor has anything emerged about the effect that such behaviour would have on their exports to the world at large—indeed, the whole subject of exports appears to have been somewhat neglected.

There may, therefore, be rocks ahead on the path to the single market. But it is a considerable achievement to have secured the agreement of the six countries to the suppression of tariffs and quotas as among themselves. Its effects—if it comes about—should not be underrated. But though it is an essential preliminary to the creation of a single competitive market, it is not in itself decisive. After all, the most restrictive and anti-social cartel could also afford to dispense with customs duties and import quotas, since it would make its own arrangements for the division of the market.

Price Policy

The core of the whole scheme, in fact, lies in what will eventually emerge from the third committee. There is much here that is still very vague. But it must be said to the credit of the negotiators that, under French leadership, they are making a genuine effort to stick to the ideal of a single price for each product to all purchasers and complete freedom for each purchaser to buy from whom he will. It is, of course, recognised that these conditions cannot be created at once and that there must be a period of transition. But so far as intentions can secure the result, the transition will be a short one.

Everything, of course, turns on the prices that will be fixed. It is clearly the intention that prices will be fixed well below the costs of the least efficient producers, for provision is made for a number of equalisation funds (*caisses de péréquation*) out of which subsidies will be paid to those producers who cannot exist on the prices fixed. There is to be a separate fund for each country, fed in equal proportions by a levy on production and by government grant. In the first year, these subsidies are to cover 90 per cent of producers' needs, but thereafter the proportion is to diminish rapidly. If a producer cannot adjust itself sufficiently quickly to the common price, then assistance is to be provided either for re-equipment or else for a complete change of activity, including the re-training of the workers and their maintenance during the transition. This help would be provided by the High Authority out of the proceeds either of levies on sales or out of the loans that it should be able to raise on favourable terms.

The theory is thus of a price fixed to cover the costs of the more efficient producers plus a loading to cover the costs of either re-equipping or sterilising the less efficient producers. It is, in theory, a genuine attempt to reproduce within the planned economy the pressures that *laisser faire* exerts towards the expansion of the efficient and the removal of the inefficient. It is an attempt to secure the virtues of competition without its cruelties. As such it is a great improvement on the enforced stabilisation of the *status quo* that has too often been the fruit of the planned economy.

Nevertheless, one cannot help feeling doubtful about the degree of success that such an estimable theory would have in practice. The doubts fall under three heads. First, would the High Authority in fact be free to pursue the policy as, in theory, it should be pursued? Everything depends upon fixing a relatively low price and rapidly reducing the rate of subsidy. But the fact that the governments will have to contribute half the cost of the subsidies will ensure heavy pressures for fixing a relatively high price. And it does not require much imagination to foresee the special reasons that will be adduced for postponing the annual reductions in the rate of subsidy. The whole scheme, without great courage on the part of the High Authority, could rapidly degenerate into a guarantee fund for inefficient producers, and if the consumer got his steel any cheaper, it would only be because he was called upon to pay more in taxes.

Secondly, although a scheme of this sort would be difficult to administer within any one country, it would be much more difficult internationally. There is to be a separate equalisation fund in each country, and no provision seems yet to have been made for equalisation between countries. This is, at once, a serious derogation from the theory. Moreover, equalisation as between countries brings up the whole question of differing wage levels, which has been found so delicate that no summaries of the fourth committee's work are being issued for the present. And if the working of the single market looked like bringing about a marked transfer of production from one country to another, the government of the losing country would be almost certain to intervene on grounds of national safety. There is, in fact, provision for special levies to prevent just such transfers, which is certainly necessary on political grounds, but is hardly in accordance with the theory of the free market.

Thirdly, a scheme such as this can be imagined to work satisfactorily only in "normal" conditions, when productive capacity is in excess, but not largely in excess, of demand. In a period, such as rearmament looks like bringing back, of chronic shortages, there is no question of closing down inefficient producers, or of bringing pressure to bear on them to do anything but go on producing, at almost any cost. And contrariwise in a period of slump, the working of a scheme such as this would require the loading on top of the "economic" price of quite impossibly heavy levies if every existing labour force was either to be maintained or transferred to non-existent other jobs. This is, indeed, a basic criticism of any attempt, national or international, to plan a particular industry, especially a highly cyclical one, without reference to the general economic climate. Whether or not that climate can be controlled by any human agency, it will certainly not be susceptible to control by the High Authority of the Schuman Plan.

On all these questions there is, therefore, a great deal more thinking to be done. The scheme, as it is taking shape, is a very French conception, with an eloquent statement of admirable general principles, but increasingly vague the nearer it approaches practical application. Perhaps the only judgment that can usefully be pronounced at this stage is to express satisfaction at the total absence from the documents thus far emerging of any of those restrictive proposals that were expected by those who thought the Schuman Plan would be "just another cartel." The intention to cheapen and expand is beyond question. The Schuman Plan's heart is in the right place; what is not yet clear is whether its feet are on the ground.

Watch on the Elbe

AT last all the talk about what the Germans of the west might be allowed—or asked—to do towards defending themselves is coming out into the open. As has happened so often in Germany, events have overtaken and passed policy. While the occupation powers cautiously dotted the i's and crossed the t's of a pronouncement which would give the Federal Republic a less modest police force, the Council of Europe heard Mr Churchill asking for a European army in which there would be German contingents, and German representatives protesting that they want no independent army, but might contribute to a European one. While Mr Shinwell has been reaffirming the Goverment's opposition to German rearmament, the Deputies of the North Atlantic Council have been adding up the number of divisions needed to prevent Germany being overrun, and have found that they are much more than what is being offered. The Chancellor of Western Germany has asked to be given the counterpart of the "people's police" in Eastern Germany. Clearly self-defence for democratic Germany is no longer ruled off the agenda. That is a good thing; for the question lies heavy on the minds of most thinking people in Europe, and it causes fear as well as argument.

The important thing to decide now is what precisely Western Germany is to be defended against. If it is assumed that the threat is of an aggressive attack by 100 Soviet divisions in the near future, then the problems of defending Germany and of defending Western Europe merge into one. Against any military attack of this kind the main burden of immediate defence rests—and will continue to rest for four or five years—on the Americans and the British. But the self-interest of the Soviet Government, hard economic facts and logic—even the logic of the Kremlin—suggest that Stalin would regard such a method of winning Germany as dangerous, crude and extravagant. The more practical question is: could Western Germany be attacked and won by proxy, without a platoon of the Red Army moving, either by the Korean method or by some other method which Communist ingenuity might devise? The answer clearly is Yes. It is not only possible—indeed probable; the Communist leaders of Eastern Germany are avowedly preparing to do it. Backed by the famous telegram of last October, in which Stalin assured them that the German and Soviet peoples "possess the greatest potentials in Europe for accomplishing great actions of world importance," they are appealing to the Western Germans to join in a movement of "national resistance" against the occupying powers in the west. The National Front (the latest activities of which are described on page 416 of this issue) is to be the setting for a joint effort by the Socialist Unity (Communist) Party of the East and all "patriotic" Germans who wish to "liberate" their country. There is clear evidence that strikes, sabotage and active resistance to the occupation troops—the Americans are singled out—will be attempted. Grotewohl has publicly declared that there will be a resistance movement and that an explosion must come. When he says that, he knows that Germans in the West hear him and think of the 50,000 fully trained and equipped guard troops that he has behind him, the *Bereitschaften*.

Thus notice of what is coming has been served on the occupying powers. There is no sign that the Western Germans will take the National Front seriously unless it looks like succeeding. They realise that a straight imitation by Grotewohl of the tactics of the North Koreans is unlikely; because it would run headfirst into superior allied forces of highly trained troops and air forces. But they cannot feel certain—indeed, nobody can—that joint action by the East Germans and by well-organised supporters in Western Germany could not take a form in which the occupying forces would be at a disadvantage—not to say at a loss. Korea has shown the great difficulty of distinguishing friend from foe in an occupied country. Five years of occupation have shown the impossibility of controlling movements across the border between Western and Eastern Germany. The future may see forces now dormant in Western Germany turning against the occupation because their idea of the equality of status to which they are entitled may not be that of the Americans, the British and the French. If—as is not impossible—there is some withdrawal of Soviet troops from the eastern zone, Communist propaganda could make great play against the Americans with the demand "Ami, go home." The stage would be set for what is regarded in the Communist doctrine as a "war of liberation," which means civil war with help from Moscow.

*

If this is the real threat—and there is no lack of evidence that it is—then the approach to the problem of letting Western Germany play some part in its own defence takes on a special form. Action by the East Germans could, of course, be part of a general Soviet offensive as well as something quite separate from it. If the Russians hoped to overrun Germany they would find the *Bereitschaften* very useful for infiltration. They would have the political sense to know that German police—even if they are a red imitation of Himmler's Black Guards—would be less distasteful to the Germans of the west than the MVD. If the "war of liberation" were conducted by Germans only, the Americans and British armies of occupation might be forced into measures which would play the Communist game, as the Americans on occasions are forced to play the Communist game by controlling, searching and otherwise interfering with South Koreans. An army that fears spies and saboteurs on its line of communications will not be gentle in its search for suspects. In short, the occupation forces, which are more and more becoming frontline formations for the defence of Europe, might find themselves faced with a resistance movement and carrying out security duties of a kind which play havoc with an army's dispositions and organisation.

Here, then, is an aspect of the German problem which is seldom mentioned in discussions about rearmament. Yet it is one of the most serious of all because it is quite clearly one that the western governments and forces cannot solve on their own. That they are aware of it—or at least of the need to give the Bonn Government the power to keep order—is shown by the preparations now being made to allow the eleven western *Laender* to increase their police forces. What is to be the scale of that increase and what kind of security forces will it produce? There is to be an increase of about 10,000 men, which would bring the total police force in western Germany up to about 95,000. They would be allowed small arms but no heavy equipment. They would be at the disposal of the central government only in case of serious trouble. This proposal, which has caused dismay in Bonn, has to be compared with the fact of over 200,000 armed police in the Soviet zone, under the direct control of a Communist Minister of the Interior. They include the *Bereitschaften* already referred to, which are known to have military transport, tanks and artillery, and to control airfields.

The comparison is disturbing to anyone who is aware of the mistakes in such estimates made in the past—for instance, the complete miscalculation by the Americans of the strength of the North Korean army. East German strength may be considerably larger; if it is not, it could certainly become larger. The young material for it has paraded in Berlin at Whitsun, bearing banners showing its readiness for such tasks as "liberation." It is hard to believe that a police force split up among eleven states, denied adequate military training and arms, could cope with the emergency which it is the Communist intention to create.

It seems, in fact, only too probable that the occupying powers are once again months behind the time. There is no immediate question of creating in western Germany an army, capable of taking part in real war. That may come in time, but two facts prevent it now—the fact that the French will not agree to it, and the fact that the arms for equipping it could only come out of somebody else's quota. What is now needed is not an army to fight in a total war, but a civil guard or armed gendarmerie sufficiently strong to make it clear to the German Communists and their Soviet masters that it would not pay to start a civil war. There are obvious advantages in keeping the west German force slightly smaller than the eastern force, but not with odds of one to three. It should be publicly explained to the Soviet Government—which has not replied to Notes of protest about the *Bereitschaften*—that the strength of this force will be directly related to that of the eastern force and will increase if that increases.

Such measures, to many people in the western countries, will seem bold, even rash; and it is the measure of the gravity of the western defence problem that what is barely adequate should seem bold and onerous. But they are not so bold as the kind of measures that would be needed to execute the ideas that have been aired at Strasbourg: the idea, for instance, that German contingents should be integrated with western forces under one command. If such ideas are to come to anything in time to be useful, the Atlantic Council will have to clarify a great deal its conception of collective balanced forces; and the American, British and French Foreign Ministers will have to make much clearer, both to themselves and to the Germans, precisely how the people of the free German Republic are to be convinced that they want to be, and can be, integrated with a western partnership that is strong enough to protect them. For the working out of these ideas, time is still needed—though not much can be spared. The urgent thing is to prevent the present nucleus of a democratic Germany from disappearing under the eyes of the powers that occupy it.

Democracy in the Works

INDUSTRIAL democracy has been one of the most effective slogans of the social revolution of our times. To a greater extent than is often appreciated, it has been realised. Like political democracy, of course, it does not, in practice, bear much resemblance to the rosy pictures that the prophets drew. But at least there has been an enormous change in the atmosphere and practices of industry in the past generation or so. Cartoonists may still depict the old struggle between capital and labour in the old terms; propagandists, for their own purposes, may choose to pretend that industrial relations are still the old master-and-servant business; but in fact the conduct of the human side of industry is now everywhere and in every aspect a matter of consultation. There are very few major undertakings indeed which do not consult with trade unions or which have not set up the machinery of joint consultation. Works councils, production councils and, on a national scale, joint consultative councils of employers' federations and trade union leaders exist in profusion. Progress in these respects has been particularly rapid in the past ten years.

There are several reasons for the change. First, whether he wants to be or not, the employer today is in no position to be a dictator. The power of the trade unions, the scarcity of labour, the moral force of an almost universal liberal conscience, all prevent him from being the unscrupulous ogre which figures so prominently in socialist mythology. Second, the workers themselves show few signs of striving for the dictatorship of the proletariat. Very few indeed—and those few are Communists—are seeking power for the sake of power; the great majority want security, some say in affairs in which they are directly concerned and what they regard as a fair share of the material comforts available. There is no general desire among the rank and file to assume responsibility for running the businesses in which they work; most of them, indeed, dislike bosses who have been promoted from among their ranks. In short, the motives of managements and workers alike are neither so wicked nor so Marxist as has been presumed.

Yet the results are disappointing. It is not that there are many open disputes—outside one or two well-known trouble spots—the record of days lost is outstandingly good. It is not that there is any fundamental conflict between workers and managers, inherent in the different positions they occupy. On the contrary, the reconciliation of the direct interests of the two parties is, on the whole, carried out amicably enough—perhaps too amicably, since there is a distinct tendency to believe that both sides can get what they want at the expense of the ultimate consumer, who can be kept in his place by the devices of combination or state protection. If there are two opposing sides in industry today, it is much more a case of management and workers *versus* the consumer rather than one of Capital *versus* Labour. Six years of war and five years of Labour government have served to show both employers and workers what they stand to gain if they work together. The result has been an almost headlong rush to establish industrial democracy—perhaps not quite in the sense envisaged by the Webbs, but none the less deserving of the name.

The sense of disappointment comes from the fact that

industrial democracy, at least as practised in Britain, seems to be such a negative affair. It goes a long way to ensure that nobody's direct interests are hurt, and that nobody is pushed around against his will. The worker gets a sense of security and of immunity from disagreeable surprises ; the employer gets some immunity from "labour trouble." But, save in a few outstanding exceptional cases, industrial democracy of this sort has the reverse of an inspiring effect on industry itself. It contributes to, rather than clears away, the slightly soporific, suet-puddingy, vaguely complacent air that hangs over far too much of British industry. For all the consultation, there seems to be far too little genuine enthusiasm for industry as such. The negative questions revolving round who gets what out of the proceeds are managed fairly smoothly ; what is lacking is the active belief that what comes out of the process is directly related to what is put in ; there is too much comfortable assurance (on both sides) that some mysterious "They" will pay for the benefits that managers and workers derive from industry. Industrial democracy is certainly a good thing for the workers, and, perhaps, even better for the managers ; what is not yet established is whether it is a good thing for industry.

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The solvent of these doubts does not, of course, lie in trying to build up an attitude of hostility towards industrial democracy, but rather of breathing into the practice of it some of that urgent concern for the dynamic efficiency of industry which is now lacking. The spread of consultation has eaten away much of the harsh discipline that made industry effective in the past, but it has not so far provided a substitute. "Discipline," in any case, is a dangerous analogy to use in an industrial context, since it inevitably suggests something unpleasant. It would be more accurate to speak of the nerve system, by which industry's decisions of policy get transmitted to where they are carried out on the floor of the plant, or of the steering mechanism by which the course set by the man at the wheel is transmitted to the rudder that actually steers the ship. By whatever name it is called, labour discipline today is poor. The condition of overfull employment has removed the fear of the consequences of dismissal. Most factories are short of men, and a worker who is dismissed from one, whatever the reason, can find employment immediately in another. Moreover, the feeling of equality on the part of workers with managements—which is a byproduct of joint consultation—also militates against simple, unquestioning obedience to orders. Nor, as Socialists hoped, have full employment and joint consultation yet engendered a greater sense of responsibility. Private ends, but this time more on the part of individual workers, still prevail to the detriment of the public good. But, in spite of appearances, the change is not necessarily for the worse. Blind obedience has no place in normal civilian relationships, and the sooner it disappeared the better. Unfortunately, the attitude of willing, intelligent obedience—one might almost say co-operation—which should have taken its place, so far exists in only a few firms.

The average management is by no means free of blame for this state of affairs. For all the care which employers have lavished on the machinery of joint consultation and on strengthening the new alliance with their workers, they have failed to ensure that the new type of leadership which is required is available at the place where it is wanted—the workshop floor, not the board room. However progressive the directors of a firm may be, they can achieve nothing unless their foremen and supervisors are competent to carry out their wishes. The foreman, alone of the management side, is in constant daily touch with the employees ; he is responsible for putting the policy of the management into practice ; he gives the orders and sees that they are carried out. And the point where orders are given is now very often the weakest link in the chain ; it is here that most of the unrest among workers has its roots.

It is difficult to blame foremen as a class. During the past fifteen years or so there has been a steady whittling away of their responsibilities and powers. Specialists have taken over a large number of their functions: the order of work is laid down by a planning department, piece-rates are determined by a rate-fixing department, processes are costed in a cost-office, and in some cases even the way of doing the job itself may be decided by a methods engineer. Furthermore, the foreman is no longer responsible for hiring or firing the men under him ; that is now the function of the personnel manager, who has also taken over welfare and trade union matters. In a large number of firms the foreman is left out of works councils and joint production councils, having no part in their decisions and usually only hearing about them at second-hand from one of the men under him. He is also hedged about by shop-stewards who, if they dislike him or if they wish to stir up trouble for their own ends, can make it almost impossible for him to do his work. His position is one of the least secure in industry, and changes in wage rates and in direct taxation have cut deep into the reward that he gets for his heavy responsibilities. The result is that the general standard of foremen is low, and few enterprising young men are now prepared to accept the position if it is offered to them. The wonder is not that discipline is poor, but that there is any discipline at all.

Promoted, in most cases, from the ranks because of his proficiency and seniority as a workman, the foreman may have little or no ability as a leader of men. His training for his new position is usually inadequate, and he often has no understanding of the larger organisation of the company into which he must fit. He is set apart by his position from the workers under him, but he is also too often bypassed by managements who are more and more inclined to deal directly with the men on the workshop floor—thus undermining his influence still further. Yet in the workers' eyes the foreman is associated with the management ; his faults are blamed—and rightly blamed—on the directors and factory managers, and there can be no hope of peaceful labour relations until those faults are corrected.

The remedy is self-evident. Foremen should be far more carefully selected—for their leadership rather than for their skill. Their training should be the best that their firms can afford to give them and should fit them for resuming some, at least, of the functions they have lost. Given such encouragement, and as much security as possible, the right sort of men may come forward for the job ; without the right sort of foremen, labour discipline, under present conditions, is bound to deteriorate still further. The first step towards improving labour relations and cementing the new alliance between managements and workers is to improve the standard of foremen.

NOTES OF THE WEEK

Principles or Scrapbook ?

It is difficult to see what purpose can be fulfilled by the publication of the statement called "Labour and the New Society" issued by the National Executive of the Labour party. It is called a statement of principles, but it is much more like a pleasant little scrapbook in which each of Labour's leaders has pasted his own pet illusions—and delusions. It was Mr Bevan, presumably, who revived the old fable of "big business men, aristocratic landowners, bankers and merchants" directing the economic life of the country and deciding whether there should be prosperity or slumps, work or unemployment. It was, on the other hand, probably Mr Morrison who insisted that Labour does not believe in dead-level equality. But even he has not prevented the inclusion of the paradox which declares that inefficiency in industry must be eliminated—if necessary by nationalisation—and at the same time attacks profits, the rewards of efficiency.

As a vote-catching document, the statement will be a complete failure. There is nothing in it to convince the doubtful that the Labour Government is as good an administrator as it was an ardent legislator. The one new proposal of any substance is for a "world plan for mutual aid" to succeed the Marshall Plan in 1952. But one's enthusiasm for this, which is indeed an admirable objective, is tempered by the grandiose phrases in which the proposal is couched. There is to be an all-out attack on poverty everywhere. Diseases are to be rooted out ; there is to be a revolution in primitive agriculture ; irrigation would make the deserts fruitful—and so on. The machinery of the plan, says the pamphlet, would have to be worked out by the countries taking part. It is quite clear that very little working out has so far taken place at Transport House.

But it is mainly to the faithful that the statement is addressed, since it is to be considered at the party conference in October. Doubtless these will be moved by the pictures of the ideal life that the scrapbook reveals, and will cheer heartily the asserted determination to continue with the nationalisation of iron and steel. But to the ordinary citizen the statement is a little alarming. There was always a suspicion that the Labour Government, once it had completed its main nationalisation schemes, would find itself wondering what on earth to do next. Today, when it is faced with the supremely difficult task of superimposing a big new defence programme on an economy painfully climbing back to normal, this poverty of practical and constructive ideas becomes more strikingly apparent.

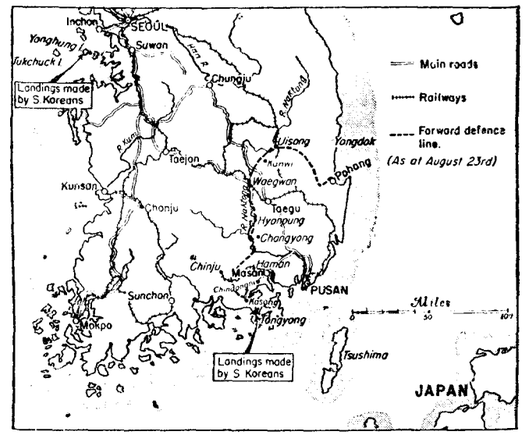
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More Even Odds in Korea

It is now two months since the North Korean government launched its attack. Only an incurable optimist could hope that it will take only another two months to drive the North Koreans back to the 38th parallel, for the physical difficulties in the way are great ; but it is at least reasonable to believe that the United Nations will not now be driven out of Korea altogether.

A week of Communist attacks and United Nations counter-attacks has caused very few changes in the ring of defences round Pusan. The crisis of August 18th, when there were real fears that the defences might collapse, has been overcome by the gallantry and determination of the South Korean and American forces. Since then a steady stream of reinforcements has begun to move. Two British battalions have sailed from Hongkong and an Australian battalion is about to sail from Japan. A Royal Marine Commando unit is being sent by air. Together with the troops which are being sent from America, these reinforcements must now bring the number of United Nations troops to nearly the same as the number of North Koreans, but it will certainly be some time yet before General MacArthur will be able to go properly over to the offensive.

Meanwhile, the news of United Nations landings far up the west coast, on islands opposite Inchon, is particularly welcome. It has been a puzzling feature of General MacArthur's strategy that he has hitherto failed to take



advantage of the immense superiority of sea power that he possesses. Major diversions on the coast far behind the enemy front would seem to be an obvious method of distracting the Communists and relieving some of the pressure on the ring round Pusan. Such a diversion has at last been made, and if General MacArthur can keep the enemy guessing about his next few moves, he may with luck oblige the Communists so to disperse their forces as to enable him to begin taking the initiative.

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What Should be the War Aims ?

As the military situation in Korea turns in favour of the forces of the free world some excited and puzzled discussion of "war aims" may be expected. So long as the issue is in doubt, it is necessary to insist that the primary aim is to win and to teach the aggressor a lesson ; when success is likely the question arises—what to do with the victory? The orthodox answer is, of course, that Korea should be united under an independent government, chosen in properly supervised and free elections, no easy matter to arrange in a war-torn country. This answer coincides with the declared policy of the United Nations and it is probably what the majority of Koreans on both sides want. Something of this kind should be said, with the authority of the United Nations behind it, before Soviet propaganda gets the political initiative by calling for an armistice and a settlement by conference.

Yet the more such a policy is examined the more perplexing are the problems it reveals. Are the Uno forces to stop at the 38th parallel when they get there, or is it a necessary part of their task that they should liberate North Korea from the regime that started the war ? If there are to be really free elections some non-Communist forces must be allowed sooner or later into North Korea. But it is difficult to imagine the Soviet and Chinese Governments agreeing—either in the Security Council or in negotiation outside—to allow forces that are predominantly American to come up to their frontiers with northern Korea. On the other hand, if the Uno

operations stopped at the 38th parallel everybody would be back where they started. South Korea would need a force to protect it; if that force were composed of white men Moscow would go on telling Asia that South Korea is a bridgehead for western imperialism. The Korean situation would become almost identical with that in Germany: the country would be still divided with the Communists left as the champions of unity and nationalism.

The defeat of the invasion might, of course, so weaken the Communist regime that peaceful amalgamation of North and South might be possible—if the Russians would agree—and both would be eligible for the economic aid needed to repair the ravages of the war. Here, at any rate, are the makings of an effective war aims programme which, joined to the insistence on free elections, might persuade many North Koreans that they have bitten off more than they can chew. It is for the free nations to take over the Communist slogan of "liberation." And this is the kind of result that Mr Acheson presumably hopes to attain with his policy of creating situations of strength out of which agreements may grow.

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Scramble for Asia's Rice

It is not easy to share the relative optimism of the Food and Agriculture Organisation of the United Nations (FAO) expressed in a summary of the world rice position issued this week. Dealing with the effect of the war in Korea, FAO predicts that "there will be substantial needs of rice for the people of Korea when the fighting ends." FAO hopes that the impact of this additional demand from a war-damaged country, which in normal times used to export 40 per cent of its output to Japan, will not affect the world rice situation too adversely, "since there are indications that additional rice may be forthcoming within the next six to twelve months."

The supply and price of rice have great political significance. There is still a shortage of this basic food in the Far East and, even if supplies next year are slightly better than they have been this, an extra demand from Korea and Japan —which would otherwise have been partly supplied from Korea—is likely to have a considerable effect. For one thing, a falling off in available supplies may increase the difficulties of those who are fighting Communism in an area like Malaya, which has to import rice. For another it would tend to send prices up. The latest reports from Siam, for instance, indicate that rice covenanted for British areas under existing inter-governmental agreeements is still coming forward, but that there will be very little left over for private commerce; consequently, local merchants are already paying a premium, and this does not augur well for next year's inter-governmental price level.

Until the Korean war broke out there had been hopes that commercial trading might begin again next year. Provided exportable supplies were adequate, this would probably have suited the British well enough, since they might have been able to obtain more rice at a better price. Now, however, the picture has been entirely altered by the pressure of demand from Japan and by the need to ensure that supplies are not drained away to Communist China, leaving South East Asia short. Some form of international agreement is again necessary, and it should be drawn up at a conference attended by all the interested powers during the next month or two. Moreover, even before the Korean war, Japan was trying to increase its rice purchases in Siam and Burma. One of the most acute problems which therefore needs tackling, whether international control of rice is to be renewed or not, is the clash between Japanese and other rice buyers. If American-backed Japan tries to buy too much, the price will go up and shortages will occur in South-East Asia. This is surely the kind of serious political mistake that Washington and London can and should prevent by reaching at least a preliminary agreement before a conference is called.

The Colchester Court Martial

The secrecy which has surrounded the whole trial by court martial of three soldiers at Colchester is disturbing. Common sense, as well as security, demands that in any trial in any court no witness shall be required, or allowed, to repeat the offence with which a defendant is charged and make public information which is a security secret. But it is very difficult to see that security is helped by suppressing the very nature of the charge itself. Clearly justice is not. It could not happen in any other criminal court and some very good explanation is needed as to why it should be allowed to happen in a court martial.

In a recent volume "Current Legal Problems" (published by Stevens & Sons and edited on behalf of the Law Faculty at University College, London), Mr. Holland, a lecturer in law at the college, contributes a paper on the law of courts martial. He points out, with regret, that the High Court has recently, and in his view mistakenly, surrendered a great deal of the jurisdiction it once exercised over courts martial. The High Court has never let fall its right to examine the proceedings before an administrative tribunal, although equally it has never claimed the right to upset a decision unless some essential element of natural justice had been ignored. But, in two cases last year, Mr Holland suggests that the High Court was prepared to say, in effect, that what goes on in a court martial is not a matter for this Court. That is unfortunate. The search by service officials for water-tight security can, as experience in America has shown, too easily become a denial of elementary justice to the individual. The Colchester decisions reinforce the feeling that court martial practice and procedure will be made neither just nor efficient until responsibility for policy is laid on some civil authority, such as the Lord Chancellor.

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Marshall Aid for Malta

The grant of $2,300,000 to Malta from the special reserves set aside by the Economic Co-operation Administration for the development of overseas territories of countries participating in the Marshall plan should go some way towards helping the Maltese Government out of its acute financial difficulties. The grant is to be used to cover half of the cost of a new electric power station, a project which Sir George Schuster described in his interim report* on Malta's finances as "very urgent." Yet the Maltese Government was asking for the whole of the cost to be met by an allocation from ECA. As it is, Dr Boffa and his Ministers will have to find not only the balance of the cost of the plant, which will come to about £832,000, but also funds to cover the local expenditure on constructing it, which in Sir George Schuster's report was estimated at £438,500.

Sir George recommended that the cost of Malta's economic development projects, which it is not possible to estimate exactly but would amount to over £4 million, should be met by a loan except in so far as it would be covered by a grant from ECA funds and from the Colonial Development and Welfare Fund. But, in addition to expenditure on economic development, large expenditure is also contemplated on social welfare projects. The capital cost of these, which include hospitals, schools, sewers, and roads and bridges, was originally estimated by the Maltese Government at £4,418,000. Sir George Schuster recommended cuts under every head, with the result that in his report the cost of "social equipment projects" is put at £3,000,000, and he considered that even this reduced total should be carefully scrutinised with a view to lowering it further. To meet this £3,000,000, the resources of the Maltese Government are not expected to cover more than half, leaving £1,500,000, which Sir George recommended

* Colonial No. 260. HMSO. 3s. 6d.

should be met by a grant from the British Government—a grant which has in fact been made.

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Sir George Schuster's report has a much wider application than might be apparent. For, although Malta has special claims to assistance arising from its special sufferings in the war, and from its special strategic importance, its financial problems are typical of other colonies—particularly those which, like it, are achieving responsible government. How can their economies be made productive enough to support the social services that a modern government feels obliged to provide? In particular, how can this be done against a background of rapidly increasing populations? The outcome of Sir George's further discussions with the Maltese Government this autumn will be awaited with interest.

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Seretse and Tshekedi

The arrival of Seretse Khama with his wife and daughter in London this week to begin their five years' exile from Bechuanaland has drawn attention once more to Seretse's unhappy dispute with the Government. There have been, however, a number of developments during the five months since the Government's decision was made. The legal validity of the banishment order is being questioned before the court at Lobatsi; Seretse's law suit against his uncle, Tshekedi, appears to have been settled amicably; and, more important still, Seretse and Tshekedi have announced their willingness to try to reach an agreement about the Khama dynasty and about the present government of their people, the Bamangwato. This announcement is significant because the chief reason for the Government's order of banishment was the quarrel between Seretse and his uncle and the consequent danger of dynastic feuds.

Tshekedi's position in the affair is gradually becoming clearer. He is undoubtedly an outstanding African leader who will not easily be diverted from his self-imposed task of lifting the Bamangwato out of their present poverty and weakness. Up to the time of Seretse's marriage, his plans for the development of his country—mainly agricultural and irrigation schemes—had met with little positive encouragement from Whitehall, but his persistence and obstinacy were beginning to have effect. The Seretse case temporarily blew his hopes sky high. Apart from his own colour prejudice, he must have been dismayed, as the British Government was, at the prospect of trouble with South Africa at this stage in his country's development. Now that the turmoil has died down and Seretse's wife has given birth, not to a son, but to a daughter who cannot succeed to the chieftainship, Tshekedi seems to have had second thoughts. He has always regarded Seretse as his natural successor and as the man who would finish the work which he had begun; he should not find it too difficult to find some suitable solution to the problems raised by Seretse's marriage. Moreover, if Tshekedi is prepared to run the risk of an angry South Africa on his doorstep, the British Government can hardly refuse to support him. In any event the whole case should be reviewed, and for the sake of the Bamangwato, if for no other reason, an attempt should be made to speed the reconciliation between Seretse and his uncle.

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Minimum Wage in France

"Unless an adequate programme be put into effect to better the lot of the working class with the aid of the employers, the government and the Marshall Plan, the French people will not be strong enough to face a totalitarian aggression." This statement by American trade unionists who recently toured French industrial centres throws into perspective an extremely important event of this week—the new minimum wage scale that has been agreed by the French Government.

The figure has not been easily reached. It will be remembered that collective bargaining between worker and employer was re-introduced in February of this year, in response to the unions' complaint that freedom from price controls had returned but no corresponding freeing of wages had taken place. At the time, the National Assembly set up a Wages Commission to determine what wage should be the nation-wide legal *minimum vital*. This body could not agree, and handed the problem, unsolved, back to M. Bidault's government. The demands ranged from 19,000 francs per month (£19 8s. 0d.)—the Communist figure—to 12,500 francs, proposed by the employers. It proved impossible to fix an absolute nationwide figure on account of the difference between costs of living in Paris and in the provinces. The position of the present coalition government in the matter was complicated by the fact that M. Guy Mollet had made Socialist participation in it conditional upon a 16,000 franc minimum, whereas other ministers were more concerned with the effect on budget equilibrium of the new claims that it might stimulate among civil servants. The figures as finally settled are as follows:—

	Minimum Wage	
	New Wage francs	Old Wage francs
Paris	16,400	15,800
Group 2	14,820	13,600
Group 3	14,040	12,600
Group 4	13,260	11,800
Group 5	12,800	11,400

Will this new and higher minimum provide a satisfactory basis for all the collective bargaining that now impends? Will it produce moderation and contentment, or will it lead to a spate of claims from the whole hierarchy of more highly paid skilled workers—defending the "differentials"—that will swamp industry and start the familiar upward spiral? Had it been awarded three months ago, in a calmer international atmosphere and before the current rise in food prices started, it might have produced what M. Pleven lately called an "economy of security"—that is, a scale "adequate to allow the French workers of factory and field a well-being that would be worth defending if need be." Now, it is difficult to avoid the impression that too little has come too late. Much will depend on the course now taken by collective bargaining.

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Looking Back to Liberation

The organ of the MRP, *L'Aube*, says quite bluntly that a continued failure to give the French worker "a well-being worth defending" is "an invitation to Stalin." This is true in the sense that genuine economic grievances enable the Communists to carry on with their work of neutralising the strength of the French people in the cold war; but they also exploit discontent with the workings of parliamentary government which seeks political expression and distracts attention from French foreign policy. The average Frenchman is not emotionally interested in the various pacts and plans which are signed in his name. He quite often believes that the Third Force is *vendu* to the Americans. He may realise that the standard of living he has is largely due to American aid, but he suspects that it has done too much to bolster up an obsolete party-system of which he is heartily sick.

Today, six years after the liberation of Paris, the chief political emotion seems to be a yearning for the old Popular Front days and for a more spirited Republicanism. This sentiment, which is perfectly compatible with a deep interest in the life of the British Royal Family, finds no real political expression. If M. Schuman's dogged persistence in trying to make something of the European idea fails, it is difficult to see what else could succeed in disturbing political apathy. It is depressing for the mass of the population, after the radical dreams of the liberation, to see the old, drab Third Republican

types resurgent. For them the symbol of the well-to-do is still the middle-aged and mediocre businessman, with his Citroen 15, his broad-brimmed hat, his brief-case, girl friend and liver troubles. Behind him loom *les trusts*, real or imaginary, controlling everything from toothpaste to beetroot.

The way out of this depression is hard to see. Perhaps something will come out of the revival of the French army which is now under way. Certainly something is achieved with its recruits. A technically superb army, democratic in the way that only an army can be democratic, even if it were small, might give something French the stamp of personality. There is energy and talent in plenty ; and if one French organisation could achieve excellence by the highest modern standards there would be others to follow suit. This, at any rate, is how many Frenchmen think as they see themselves called on once again to resume the military leadership of the Continent with a deeply divided society behind them.

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Kashmir Unsettled

It is bad news that Sir Owen Dixon, the United Nations representative, has had to abandon his efforts to bring about a solution of the dispute between India and Pakistan over Kashmir. In a statement made in Karachi on Tuesday, just before leaving to report to the Security Council, he admitted that "it became futile to call further conferences." Sir Owen was charged primarily with trying to get the two governments to agree to hold a plebiscite—or several local plebiscites—in Kashmir. When this failed, he tried to secure agreement on a scheme for partition, possibly combined with a limited plebiscite in certain areas, notably the Valley of Kashmir. In this he found, however, that "Pakistan continued to stand upon the agreed United Nations resolutions specifying an overall plebiscite as a manner of settlement."

Fortunately, Sir Owen's departure is not necessarily the end of the matter. He declared finally: "I am unwilling to suppose that after all the examination which the problem has received the governments will be unable to resolve it by direct negotiation." Mr Nehru and Mr Liaquat Ali Khan are expected to meet again soon ; it is still hoped that this may be during the next few weeks. If so, their first duty to their people will be to begin where Sir Owen has had to leave off, and even at this eleventh hour to reach a successful conclusion. The main indictment against them revealed by Sir Owen was that they never produced proposals of their own ; all the initiative had to come from him.

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The "Altmark"

The Foreign Office has now published (Cmd. 8012) the correspondence that passed between the United Kingdom Government and the Norwegian Government in 1940 with regard to the *Altmark*. The *Altmark* was returning to Germany after the action off the River Plate with some 300 British prisoners on board. About February 14, 1940, she entered Norwegian territorial waters in the vicinity of Trondhjem. On February 16th she was in Jossingfjord where she was intercepted by H.M.S. *Cossack*, boarded, and the prisoners released. The Norwegian Government at once protested at what it claimed was a violation of its neutrality and the British Government delivered a long reply on March 15, 1940. The German invasion of Norway put an end to the correspondence, which is a pity, for the British Note of March 15th is so well written that it deserved an equally elegant rejoinder.

The *Altmark* case is, under international law, a debatable one and there has been much debate over it. It raises two questions ; was the Norwegian Government justified in allowing the *Altmark* to spend three days in Norwegian territorial waters, and use some 400 miles of them (600 miles by the time she completed her journey) for the sake of eluding interception by the British Navy ? (The fact that she had prisoners on board was largely irrelevant, save for the fact that the German captain lied about it when stopped by a Norwegian torpedo-boat.) Was the British Government justified in ordering H.M.S. *Cossack* to enter Norwegian territorial waters to board the *Altmark* and release the prisoners in her holds ? The answer to both those questions is probably "No." The British Government's contention was that the right given by Article 10 of the Hague Convention of 1907 was no more than the right for a ship to follow a normal navigational course from one spot to another even though that course did involve passing through the territorial waters of a neutral. Clearly, the *Altmark* was not on any normal course back to Germany. But it is also true that, if there were any breach of neutrality by the *Altmark*, it was for the Norwegian Government to put a stop to it, not for the British Government to do so. That is a point from which the British reply slides gracefully away.

The correspondence emphasises one of the failings of international law, the fact that it depends for its force on the conviction by all countries that every other country will abide by the rules. It is obvious that the Norwegian Government did not exercise its full rights over the *Altmark* during those three days because Hitler would have bitten the carpet very furiously if, in 1940, a small neutral country had so insulted his Reich as to ask it to observe the rules of war. If any one country shows by its conduct that it does not regard any rules which interfere with its ends as binding, then the rules themselves are dead, for their enforcement is not automatic ; it becomes a matter of policy. Perhaps that, too, is the moral to be drawn from the fact that the correspondence is published for the first time in full in August, 1950.

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Parliament and the Professors

Whether Parliament should have a tighter control over the universities' expenditure is a question raised in the latest report of the Committee of Public Accounts* which comments on the freedom allowed to the universities in spending their Exchequer grants. The committee raised the same question last year, and Sir Edward Bridges, Permanent Secretary of the Treasury, sought to allay the committee's anxiety and to defend the financial autonomy of the universities. His efforts appear to have been in vain; the committee has now returned to the charge.

The estimated Exchequer grant to the universities for the year 1950-51 is £23 million, compared with a little over £2 million in 1938-39. This tenfold increase in grant now provides for many universities the bulk of their income, and even Oxford and Cambridge are dependent on public money for nearly 50 per cent. of their expenditure. Yet in spite of this financial dependence on the state the universities have not become subject to any detailed financial control and would most bitterly oppose any attempt to enforce it. The Public Accounts Committee, while it expresses its unwillingness to subject the universities to the usual procedure of Treasury control, has now felt itself bound to investigate further "any means of assuring Parliament that the taxpayer's money is not wasted." The Treasury has, therefore, been asked to discuss with the University Grants Committee and the universities themselves what further information could be made available in order to provide such an assurance.

It may be that, since the time is approaching when the Treasury is in any case due to review the universities' expenditure as a basis for the next quinquennial grant which starts in 1952, the matter will be shelved for the time being. Nevertheless it raises one of the big dilemmas of the modern state —how to combine financial accountability, when public money seeps into almost every corner of national life, with liberty. Independence is vital to the universities. Make them answerable to bureaucracy for every penny of government grant, and originality and creative thought will be endangered. Logically the taxpayer has a right to know what happens to his money, and if more information can be provided in the annual reports of the University Grants Committee, particularly about the results of earmarked grants for new developments, so much the better. For the rest it is far better that the taxpayer should lose one or two million pounds by inefficiency than waste far more through misplaced curiosity.

*Fourth Report. Session 1950. HMSO 9d.

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Illiberal Greek Liberals

The present Greek political crisis is unnecessary, and the action that caused it unwise and irresponsible. The coalition government under General Plastiras, which was forced to resign after the secession of its Liberal members last week, enjoyed a wider measure of popular support than most of its immediate predecessors. In its four months in office it had begun to tackle the appalling legacy of problems left by the civil war with energy and initiative. General Plastiras, moreover, realised the importance to Greece's security of resuming friendly relations with the Jugoslavs. Although his first attempt at a *rapprochement* failed at the last minute, there have been signs recently that Marshal Tito was willing to try again—with General Plastiras. He is most unlikely to wish to negotiate with anyone as far to the Right as Mr Venizelos.

The ostensible cause of the Liberal defection was disagreement over the degree of clemency to be granted to the former guerrillas and their sympathisers. General Plastiras believed in a more lenient policy towards them than did his Liberal colleagues ; although he modified his Leniency Emergency Law to meet their objections, they still were not satisfied. This is, of course, no trivial matter ; it is a problem in which the passions aroused by the civil war are deeply involved ; and it is impossible to reach any agreed solution without a great deal of give-and-take by all parties. In the present state of international tension, with the "Free Greece" radio pouring out an endless stream of suggestive propaganda about the "war preparations" of the Anglo-American imperialists in Greece, it would be folly not to maintain adequate security precautions. But it is obvious that the pacification of the country and the successful reconstruction of its economy require also a certain measure of leniency. In fact, the law passed at the beginning of this month seems to have been a pretty fair compromise.

Mr Venizelos's action appears to have been dictated not so much by fear for the security of the country as by his dislike of the present coalition government, which was set up after the failure of his own attempt to form an acceptable government after the elections last March. He has never taken his place in the coalition under General Plastiras of which his party was an integral part. For weeks past the stability of the government has been impaired by speculations about his intentions and by rumours of the impending defection of the Liberals. He has now announced his intention of widening the basis of the present all-Liberal government which, with Populist support, he has formed. All the same it looks as if Mr Venizelos is more interested in furthering his own ambitions than in the welfare of his country. Such behaviour discredits parliamentary government.

* * *

Indonesian Unreason

Recent developments in Indonesia have provided cause for disquiet among those who hoped that the new state would settle down to peaceful reconstruction and avoid

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unnecessary excitements. President Soekarno's continual harping on the subject of New Guinea, and the tendency to thrust this issue into the forefront of Indonesian politics, unfortunately seem to show that he may be one of those politicians who believe that the manufacture of a national grievance against a foreign power is the best method of maintaining national unity in support of a precariously established government.

President Soekarno's latest pronouncement on New Guinea —or Irian, as the western, Dutch half of the island is now called—coincides with the transformation of the United States of Indonesia, the federation set up by agreement with the Netherlands, into a unitary Republic of Indonesia with control centralised in Java. The political realist may consider that this development has been inevitable, and that it was foolish of the Dutch negotiators to expect that a federal structure could be maintained against the Javanese political preponderance after Dutch troops had been finally withdrawn. Nevertheless, it now seems that the Indonesian Republican leaders never intended to carry out the terms of their agreement with the Dutch, and it is not a good omen for the future of a newly independent state that it should start its career with such an act of bad faith.

*

The concentration of power at the centre in Indonesia renders even less valid than before the Indonesian claim to western New Guinea, for it excludes any idea of autonomy within a loose federation. The primitive negroid inhabitants of New Guinea have nothing in common in language, religion or culture with the people of Java or even with those dominant elements of East Indonesia who may reasonably be called Indonesian ; the claim of Jogjakarta to New Guinea is based solely on the fact that it was annexed by the Dutch and formerly administered as part of their East Indian colonial empire. On any rational estimate of capacity for self-government, the people of New Guinea are at a stage of development in which they must remain for a period under some kind of colonial administration.

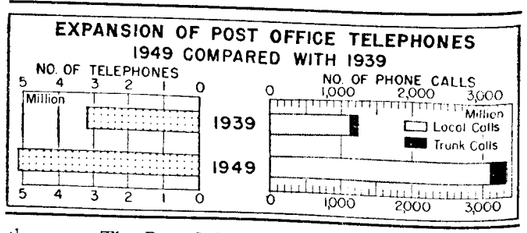
The only question is whether this should be carried on from Java or the Netherlands. When it is taken into consideration that Indonesia is itself badly in need of foreign economic and technical aid, and is desperately short of officials competent to staff its own administrative services, there can be no question which regime in New Guinea would be for the greater benefit of the inhabitants. Nor is it only with the Dutch that the loudly voiced Indonesian claim produces dangerous friction. Australia has been greatly alarmed by the agitation, for if Indonesia can make good its claim that the New Guinea natives are Indonesians, it can demand the eastern, Australian half of the island no less than the Dutch half. The Australian Government has now made it known in no uncertain terms that it is vitally interested in the future of New Guinea and will resist any Indonesian attempt to force the Dutch out of Irian.

* * *

Waiting Lists for Telephones

Of all the matters dealt with in the report of the Select Committee on Estimates on the Post Office it is telephones that will arouse the most interest. The Post Office has come in for much criticism from an exasperated public for its slowness in expanding and improving the telephone service, and it is useful to have the facts set out. The whole service is half as large again as it was before the war, but in spite of this the net annual demand for new subscribers to be connected is 63 per cent above the prewar average, and a waiting list of over half a million has piled up in the last two years—excluding the "concealed" demand of those who do not, in these circumstances, even bother to apply.

But in spite of the public's eagerness to be "on the 'phone" the rate of provision of exchange and other equipment has actually fallen, and fallen heavily, since before



the war. The Post Office is not to blame ; all its capital expenditure is obliged by Act of Parliament to be incurred on the basis of loans sanctioned by the Treasury, and is therefore subject to the full weight of the Government's capital investment policy. While the Treasury keeps a tight hand on the purse strings it is impossible to expand permanent equipment at more than a snail's pace, or to overload the existing equipment with fresh subscribers, and the plea that more subscribers mean more revenue is irrelevant to the motives behind the Government's policy.

There are two observations to be made on the present situation. The first, made by the committee, is that the industry supplying telephone and cable equipment is almost entirely dependent on the Post Office for its home market, and since export orders are now falling off heavily it looks to an increase in Post Office investment to maintain full employment. If skilled workers have to be laid off this may well appear to the present Government to constitute a special case for the release of more capital.

The second—which does not concern this committee—is that at present there are a great many private subscribers enjoying "squatters' rights" who would relinquish them without great hardship if the price were relatively as high as before the war, while many of the half million people on the waiting list are only in the queue to have a telephone in their homes because at three shillings a week it is cheap at the price. The whole "rule of thumb" structure of the telephone tariff and the price differential between business and private use might very well repay thorough investigation.

* * *

Moscow in Islamic Clothing

From time to time since the war, appeals from Moscow to Islam, uttered through mouthpieces in the Moslem Soviet Socialist Republics, have been used to some effect. Towards the middle of this month, the tap from which they pour was turned on to publicise the Stockholm peace pledge. "Offering prayers to Allah for the peaceful co-existence of nations," runs the broadcast address of the chief Mufti of the Moslem republics of the USSR, "I call upon you to join the movement of the Moslems of central Asia and Kazakhstan for the defence of world peace." Caucasian leaders—Azerbaijani and Kurdish—have also been called into service, "I appeal to all Moslem believers in Iraq and Iran to join this great movement for peace and put their signatures to the Stockholm appeal." From these beginnings it is scarcely a step to the announcement that the peace appeal "has made greatest progress in Syria and Libya, countries which rid themselves of the French and British occupiers four years ago." One step further leads to the news that "the Korean people's struggle represents part of the general struggle in Asia and Africa for national liberation."

The western world is apt, with a shrug, to write off all such matter as too contrary to fact to be effective. To do so is to underrate its potency. Even when the United Nations wins in Korea, the Americans will remain, in the eyes of Asians, intruders on their continent. However oppressively Asiatic Russians may behave, it is to the westerner that the epithets "unwanted" and "imperialist" are still most readily applied.

There is further evidence of this fact in a warning uttered this week by Abd-el-Krim, the ex-leader of the Moroccan Riff who is now a guest-exile in Cairo. He proclaimed that South Korea, the Indo-China of Bao Dai and the situation in French North Africa are all manifestations of the same phenomenon—western imperialism. Abd-el-Krim is not an important figure; he is a spent warrior, surrounded by exiles who feed him with talks that France is finished ; the weight his word carries is not great. But the same message is on other Moslem lips. One of the biggest and most difficult tasks before western propagandists is to prove that the imperialism of today bears a Russian trade mark.

Shorter Notes

British emigrants benefit from three useful, if minor, amendments to exchange control regulations that have been announced this week. In future they may draw up to £50 each year from their sterling accounts for payments in this country without restriction ; payments into their accounts will be subject to no greater restriction than those into the accounts of other residents in their new country ; and, subject to official approval in each individual case, assets in their accounts can now serve as collateral for loans or overdrafts.

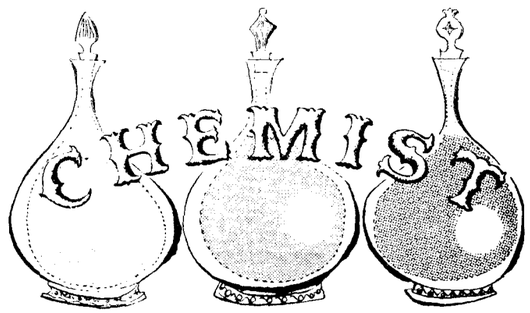
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A recent article in the American *Oil and Gas Journal* discloses that the Saudi Arabian oilfield of Aboaio is now producing at the rate of 450,000 barrels a day—a rate equivalent to an annual output of 22 million tons, and the highest output of any single field in the world. The output comes from only 45 wells, out of a total of no more than 65 so far completed, in an area 30 miles long and about three miles in average width. The field, exploited by American interests, was discovered in 1941.

Marriage and Prosperity

The increase of marriages amongst the labouring classes . . . implies a proportionate increase of the capital of the country directed to provide for the future supply of that labour which is the source of all wealth. Its prospective advantages are very great, as well as its immediate advantages. So many more new and, in the great majority of cases, comfortable homes are established ; so many more young people are settled and the means provided for their fulfilling duties as parents ; so many more bonds are given for good behaviour and for an attachment to order ; in so many more instances are the restraints of married life with its enjoyments imposed on youthful passions, and they are directed to their most appropriate and most beneficial end. To the very opulent, who have the means of amusement at their command, whose houses have in them every comfort, provided by servants, marriage is of comparatively little importance ; but to the working classes—as establishing homes for them, and finding mutual and mete helps, without which they could scarcely continue their labour, must want their meals or have them inefficiently provided, and must want a place for rest and ordinary recreation—marriage is essential to comfort and almost to existence. It is not generally amongst the labouring classes, but amongst the classes that hang on the skirts of gentility and aspire, without success, to be enfolded in its robes, that we find the most celibacy. Marriage, whatever cares it may bring, provides for the welfare of the labouring classes as well as the future supply of labour ; and every increase in the average number of marriages which must, as the rule, be marriages amongst them, is a sure sign of their prosperity.

The Economist
August 24, 1850



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Letters to the Editor

School Leaving Age

Sir,—Mr Molson's suggestion for increasing productivity in the armaments drive is to reduce the school leaving age. It is difficult to believe the suggestion is seriously made, for there are others besides the Government responsible who regard the raising of the age as one of the worthwhile reforms of the postwar years. There is an element almost of panic in the proposal. The teachers who have had to deal with the "extra year" (including myself) will agree that, despite the difficulties and the shortages, it has been worth while. To take the suggested step backward would imply either that we are not really interested in the children's welfare or that we are not prepared to make a long-term investment in them.

It is not desirable or necessary to follow Mr Molson's argument point by point: but one must take note of his claim that the easiest way to increase production is to increase the labour force. Has, then, the principle of diminishing returns suddenly become obsolete? And is it not tacitly admitted in the Government's statement that there is still a gap between actual and potential production of the existing labour force? Again, Mr Molson's proposal, he claims, would cause a minimum of social inconvenience; it is disturbing to hear one of our responsible legislators speaking thus of a group of people not adult enough to wield any influence such as a vote might give.

Mr Molson does not specify whether he would apply his suggestion to all children. It is difficult to believe he intends to compel public, independent, and grammar schools to restrict their terms by one year, with disastrous results on examinations and university entry. It is to be presumed therefore that he has the "modern" school pupils in mind. The bulk of these children belong to the lower-income class; were the suggestion adopted, therefore, it could easily be interpreted as legislation aimed at one class; political reverberations would undoubtedly follow.

In my view it would be deplorable if this major educational reform became a political football. I suggest Mr Molson's proposal should be turned down—and firmly.—Yours faithfully, A. Gooch

46 *Westwood Ave., Timperley*

Estate Duty on Private Companies

Sir,—In your article on "Income Tax Reform" you mention the tax and estate duty difficulties of private companies, and state the problem:

> To find a way of strengthening the contribution of small businesses to the nation's output without opening the door to tax avoidance.

I write to call attention to an estate duty situation which must impair not only the contribution of small businesses, but their prospects of survival, in cases where the element of avoidance of duty is wholly absent.

The attack on "private companies" (using the expression, as you have done, in a fiscal sense) originated in Section 21 of the Finance Act, 1922, the declared object of which was to prevent the avoidance of payment of super-tax (as it then was) through the withholding from distribution of the income of such companies (as therein defined). Some regard to the question of tax avoidance has continued to be paid in that legislation as it has evolved; e.g., it did not at first apply to any such company unless it appeared that there had been a failure to distribute "a reasonable part" of the company's income, and it was open to a company on appeal to show business reasons for non-distribution, and later, when it was made more drastic, a distinction was made between investment companies and trading companies and the provisions as to automatic apportionment of income, for example, applied (and apply) only to the former.

The Section 21 concept of a fiscal "private company" was "lifted" for estate duty purposes by Part IV of the Finance Act, 1940, polished up to make it more far-reaching, and harsh new estate duty provisions were applied to such companies, but without the slightest regard to whether or not there was any element of avoidance of duty. By Section 55 (as extended), if the deceased had "control" (widely defined) of such a company at any time in the five years ending with his death his shares must be valued by reference to the value of the company's assets. The normal "market value" basis of valuation, laid down in 1894, is thus swept aside and no regard is paid to the type of company, the saleability of the shares, or whether any element of avoidance of duty arises. This provision is being applied strictly to the everyday case of family business incorporated, purely for reasons of family or commercial convenience, as a private company.

Section 46 of the same Act deals with transfers of property by the deceased to private companies and contains serpentine provisions for deeming the company's property (in defined proportions) to be the property of the deceased passing on his death. So Draconian are these provisions that official assurances have been given that they will be applied "reasonably." Thus we have statutory provisions so oppressive that the executive admits (at least by implication) that their general application would be "unreasonable"—the executive being the judge of what is "reasonable."

These provisions, and their effect, deserve close scrutiny in the light of the test laid down in your article. If those questions fall outside the scope of the Royal Commission, as appears likely, it is to be hoped that they will be made the subject of a separate inquiry.—Yours faithfully, Tax Counsel

Temple, E.C.4

The Soviet Budget

Sir,—In your article in your issue for August 12th, the budget figures, given in astronomical numbers of Russian roubles, would be difficult to comprehend unless they could be reduced to a medium with which we are all acquainted. Your correspondent does this by informing us that 11.2 roubles equals £1. But, if this rate of exchange is applied to the budget figures, the Russian budget revenue is about £39,000 million or ten times the budget revenue of Great Britain. If we assume that the population of Russia is nearly five times as large as this country's, and that the Soviet budget is somewhere around 60 per cent of Russia's national income, we must still conclude that the national income of Russia per head of population is greater than in this country. Thus, the average Russian citizen must enjoy a higher standard of living than his counterpart over here. Are we, therefore, to believe that all assumptions that we were relatively economically better off than the regimented masses of Russia have been false?

A rough and ready measuring rule for the economic strength of the modern industrial state is its steel production, as steel is the cardinal raw material in modern industrial development. Working on this basis we find that, as the United States' steel production is about six and a half times the United Kingdom's, the former's national product should be as proportionally large, which in actual fact is approximately true. Thus, if we take Russia to have a modern industrial economy, which the Communists would be the last to deny, and that her steel production is 26 million tons per year, her national product would be about one and two thirds that of the United Kingdom's. Although this comparison almost certainly errs on the small side, it is vastly removed from the result obtained if the rouble is taken at its fictitious exchange value of 11.2 roubles to the £1.—Yours faithfully,

K. R. H. Allen

Ringley Road, Whitefield

[We agree with Mr Allen that the exchange rate of 11.20 roubles to £1 is completely fictitious. Any worthwhile comparison between the budget expenditure of the Soviet Union and that of any other country must be carried out in relation to their respective national incomes. Unfortunately the national income of the Soviet Union is always given in 1926-27 "constant" prices and it is extremely difficult to establish a satisfactory conversion rate between 1926-27 and current prices. The difficulty of making international comparisons of national output is shown in the case of the United Kingdom as against the United States. At pre-devaluation rates, the national product of the United States in terms of sterling is about 5½ times as high as that of the United Kingdom; devaluation alters the ratio to 8 to 1.—Editor.]

Books and Publications

The Wealth of Nations

Le Grand Espoir du XXme Siècle. By J. Fourastié. *Presses Universitaires de France.* 220 pages. 320 francs.

M. Fourastié, in his closing paragraph, modestly describes his book as a "rough essay," and invites criticism. It is indeed a vulnerable piece of work, with at least as many holes in its argument as Malthus's "Essay on the Principle of Population"; but in its stimulating and illuminating quality, in its historic sweep, in its power to link apparently disparate social phenomena in the light of a few guiding principles, it shares with the "Essay" other characteristics besides those of a cockshy. Very broadly, M. Fourastié's thesis is as follows. The chief expansive and shaping force in the modern economy is technological progress, the growth in physical yields per man hour. That progress is highly uneven; significant in primary economic activity, enormous in manufacturing, virtually absent in tertiary or service activity. At the same time as the production pattern changes in accordance with this powerful but uneven influence, the consumption pattern changes in accordance with the uneven satiability of different categories of the human want; as total wealth increases, a rapidly falling proportion of the gain is taken out in foodstuffs, a rapidly rising proportion first in manufactured goods and then in services. From the difficulty in adjusting these two patterns, thus constantly and inevitably tending to diverge, arise the strains, the growing pains, which afflict the economy the more severely the more rapid the tempo of progress.

This state of affairs, however, is a transitory historical phenomenon. Prior to the Industrial Revolution, the pace of technical progress was slow enough for necessary adaptations to take place without acute social and economic malaise; crises were crises of nature or of politics rather than of maladjustment between production and consumption patterns. And in the not far distant future the pace must inevitably slow again, since even were primary production to have progressed to the land of Cockaigne and secondary production to a press-button Utopia, tertiary production would constitute the irreducible hard core of necessary labour and its products would be insatiably demanded.

From this general outline of economic morphology M. Fourastié, armed with a formidable statistical apparatus (his regard for Mr Colin Clark is only very little this side of idolatry), deduces explanations of the nature of depressions and crises, of the course of international trade, of the structure of industry, of the plight of postwar Europe, and particularly of France and Great Britain, of the relations of classes, indeed of virtually every major problem engaging the attention of economists. On none does he fail to throw a new and stimulating light; chapter by chapter there emerges the outline of nothing less than a new economic interpretation of history.

If one could only leave it there. But M. Fourastié's weaknesses are as striking as his strength. It is not only that, despite disclaimers, he is as confident in his projection of existing trends as Malthus himself—or that he surprisingly ignores the at least possibly menacing Malthusian problem of today; nor that, having departed from general usage by applying the terms primary, secondary and tertiary not to extractive, manufacturing and service activities as such but according to the comparative pace of technical progress, he slips disconcertingly to and fro between the old definition and the new. It is that his economic theory in the usual sense, his grasp of the processes of value equilibrium, is naïve and amateurish almost beyond belief.

He may be forgiven easily enough for not having the very latest, the post-Keynesian, developments of trade cycle theory at his fingertips; less easily for dismissing in a paragraph, as entirely secondary, the whole question of adequate or inadequate monetary demand. His view of international trade takes no account whatever of comparative costs within each of the three sectors. One is constantly being pulled up short by evidence of such gaps in his intellectual armoury.

When all is said, however, it remains true that "Le Grand Espoir du XXme Siècle" is more worth reading and more worth thinking about than many more impeccable works. Economists who dismiss M. Fourastié because, not to put too fine a point on it, he not infrequently makes a fool of himself, may well find eventually that the laugh is on them.

Revenus Nationaux et Paix Mondiale. By J. R. Boudeville. *Librairie du Recueil Sirey.* 162 pages.

M. Boudeville's book is a plea for an approach not only to economic but also to political problems from the angle of National Income. Only such an approach, he argues, can enable statesmen and planners (whether in the "planned society" or otherwise), to pursue realistic and internally and externally harmonious policies. The plea goes a good deal further than a mere emphasis on the collective economics, the "macro-economics" as it is often called, of Keynes as compared with the economics of individual transactions analysed by the "orthodox" economists; it is based on the belief that the most important facts about any nation, the facts determining its role in the world, are those concerning its national income—absolute size, amount per head, rate of growth, distribution. He should not on that account be accused of a narrowly materialistic interpretation of history; on the contrary, he shows himself acutely conscious of the social and psychological forces that influence those economic changes in which he is primarily interested. (His admiration for those British characteristics which have made possible the Crippsian puritanism of the last three years is touching, and one would like to be certain that it was entirely justified.)

Perhaps the most valuable single fruit of the study of national incomes is the sense of possibilities—and politics has been defined as the art of the possible. It is the national income figures, for states and for groups of states, which demonstrate most incontrovertibly the impossibility of getting quarts out of pint pots, which establish the quantitative limits of policy, which isolate incom-

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patibilities; and as M. Boadeville demonstrates (notably in his discussion of French fiscal policy) fallacies can be detected from this angle which are hard to pin down from any other. He is less convincing when he argues or appears to argue, that the spiritual malaise of the west could be dispelled if only the peoples concerned could be brought, through study of the National Income, to understand the economic evolution through which they are passing; and it is frankly distressing to find him maintaining, in his concluding chapter, that the economically intermediate regimes of western Socialism, midway between the Russian and American models, correspond in some almost mystic sense to a political Third Force. This is not the hard-headed objectivity which he has elsewhere demanded of economists and politicians, but the grossest and most wishful argument by analogy.

The Scope of the Assembly

A Commentary on the Charter of the United Nations. By N. Bentwich and A. Martin. *Routledge and Kegan Paul.* 239 pages. 18s.

Kelsen's recently published "Law of the United Nations" is a work of mammoth size; even Goodrich and Hambro's well-known commentary now runs to 551 pages. Professor Bentwich and Dr Martin have provided a more manageable commentary primarily to assist laymen to understand the impact of the Charter on current events.

A surprising amount of helpful information and comment is pressed into the 192 pages which suffice to cover—both text and commentary—the preamble and 111 Articles of the Charter. Naturally, discussion of controversial issues has had to be limited. In general, the authors simply give their own opinion without citing authority but with a caution that the point is controversial. The object and scope of the book being what they are, such recourse to dogmatism is inevitable and legitimate. A commentary article by article cannot always give a clear picture of structure and general principles, but the non-specialist will find this book a useful guide to an understanding of the United Nations.

The comment on page 46 concerning the legal effect of recommendations of the General Assembly for the "peaceful adjustment of a situation" seems to require qualification. Recommendations addressed direct to member governments, it is there said, are not binding, but those addressed to organs of the United Nations must be complied with; even the Security Council is expected to act upon a recommendation of the Assembly provided that it does not invade the Council's special sphere of security. A footnote states that, although the United Kingdom was opposed to the partition plan for Palestine, the *duty* of the Council to carry out the part assigned to it was not challenged. But in the Palestine issue more than one member of the Council, including the United States, insisted that the Assembly's recommendations carried moral, not legal, force. The point is a big one because the governmental powers of the Assembly would be enormously enlarged if it could impose obligations on members by the simple expedient of addressing its recommendations to a relevant organ of the United Nations. The consequences in the fields covered by the Trusteeship or Economic and Social Councils would indeed be startling.

The authors stress the illusory character of the collective security provided by the Charter in view of the fact that the military obligations of individual states have not crystallised into the special military agreements which the Security Council was intended to negotiate with each member. During the transitional period, before a sufficient number of these agreements have been concluded to enable the Council to assume responsibility for military enforcement action, the Charter gives to the five Permanent Members a Mandate to consult together with a view to joint action on behalf of the organisation. The Charter simply does not envisage a situation like the present one when no special agreements exist to clothe the Council with authority and there is no possibility of fruitful consultation between the five Powers. The assistance given by individual members to Southern Korea has its own justification as collective self-defence; but some members at least appear to regard the voluntary *ad hoc* provision of military forces by individual States as a sufficient basis for the assumption of responsibility by the Council for military enforcement action.

Logic and Insight

A Scientific Autobiography and other Papers. By Max Planck. Translated from German by Frank Gaynor. *Williams and Norgate.* 192 pages. 8s. 6d.

The publication by Planck of his quantum theory of radiation in 1900 is universally recognised as the turning point of modern physical science; its consequences were revolutionary and profound to a degree with which no other single event of the era can compare. Yet Planck was so typical a "classical" physicist that the suspicion persists that he was not fully aware of the implications of his hypothesis. The matter has been settled by the decisive evidence of his son, but it remains true to say that Planck strove for the remainder of his life to reconcile "classical" physics with the new physics he had called into being, as though in penance for his iconoclasm. Unfortunately, the title essay of this small collection is rather too slight to give much insight into Planck's attitude to the later developments of quantum theory, and serves more to emphasise the character of the author as the very epitome of the nineteenth century German school of physicists—uncompromisingly rigorous, single-minded and persistent. His epoch-making discovery owed far more to iron logic than to mercurial insight, and he repeatedly emphasises his impatience at the slow recognition of his "conclusive theoretical proofs," in a way rather surprising in one of such established reputation in his revered old age. Perhaps a slightly bitter note is inevitable when one can distinguish true from false as clearly as Planck did.

The other essays in this book discuss, in various ways, the nature of the truths and the limitations of exact science. Planck was a true believer in the "real" world, and the quest to discover its laws appeared to him as the most sublime pursuit. But the rigour of his methods made it all the more necessary for him to be sure of their range of application, and the true meaning of their conclusions, because he would not be willing to claim "conclusive" proof of anything beyond that. In effect, while being quite certain that he can see beyond the end of his own nose, he is trying to prove it to his own satisfaction; but the reader, also quite certain, may not find the proof quite satisfying, though the fault will probably be his own.

Aboriginal Economics

Economic Structure and the Ceremonial Exchange Cycle in Arnhem Land. By Donald F. Thomson. *Macmillan.* 106 pages. 12s. 6d.

Dr Thomson's monograph is tantalisingly short. It reports the discovery, among the most inaccessible of surviving Australian aborigines who still live in the manner of their ancestors, of an institution that has long intrigued students of primitive economic life. Commonly called "gift exchange," it was first described in detail by Malinowski, who observed it in Melanesia. It is the answer to the question: how do goods produced in one part of a large area occupied by numerous small, mutually hostile tribes circulate over the whole area in the absence of organised markets and a medium of exchange? The goods travel by means of ceremonial exchange of gifts between members of different tribes who are usually linked as life-long partners for this purpose. Most significant is the fact that the articles of fundamental importance in these exchanges are not of utilitarian value but only of display and prestige value and that they must not be permanently retained by any one person. Tools, weapons, foodstuffs are exchanged by gift under cover of the magically sanctioned exchange of the valuables. Such a system involves not only regional specialisation of production but also a premium on the skills used in making the valuables and strong incentives for producing and acquiring them.

The occurrence of this system of exchange among a race at so low a level of economic life as the Australian aborigines is noteworthy. Dr Thomson performs a valuable service in emphasising the high degree of practical knowledge and craftsmanship as well as the sustained labour displayed by the aborigines in keeping the system going. But his account is disappointingly sketchy. It is to be hoped that he will follow it up with a comprehensive study of the subject.

AMERICAN SURVEY

Paying for Korea

Washington, D.C.

THE economy of the United States is so strong that the new programmes of military expansion need cause no serious trouble unless Congress and the public between them make trouble inevitable. If the public chooses to show a little self-control, other controls will be unnecessary. The domestic market will not be short of consumer goods, there will be enough to satisfy all normal demands and, except in a few cases, even the swollen demands of any boom less exigent than that of the last few months. But the public did not begin by showing self-control. It began by buying up all the types of goods which memories of 1942 suggested that it would be hard to get in an emergency. Sugar is the supremely ridiculous example.

Department store sales, which had, for the week before the Korean war began, been only 1 per cent above the same week of last year, were, for the next week, 10 per cent higher. Two weeks later they had increased to 25 per cent over 1949 and by July 22nd to 46 per cent. Since then the pace has slackened a little. Part of this increase was due to influences under way before the Korean invasion, but at the same time prices started to go up to a level much higher than could be justified by anything but popular hysteria. The index of 28 spot commodity prices rose by 16½ per cent in seven weeks—from 264 before the war began to 307.6. Even food prices went from 329.7 to 371.6, nearly 13 per cent, in five weeks, before dropping back a few points, although for months the chief preoccupation of the Department of Agriculture has been the problem of storing vast surpluses.

It was these artificially induced shortages and price increases which led to the astonishing spectacle of Congress trying to thrust on the President more and greater powers than he had asked or wanted. "America," Mr Alfred Friendly said in the *Washington Post*, "has been watching a temperance society trying to make a man take another drink." It was, on the part of the Republicans at least, a not very subtle political manœuvre. If prices continued to go up and they had given the President no powers to control them, they could be blamed by the electorate for what had happened. If, on the other hand, they gave him an embarrassment of power, which he could not—lacking any organisation in being—possibly use before November, he could be called a muddler for not having kept prices down.

But no Congressman would ever have thought of such a political manœuvre if the Pied Piper which leads him to so many decisions, letters from constituents, had not suggested it. The public, having itself brought about artificial shortages and a rise in prices, was demanding that something should be done about them. The something, thanks to the testimony of Mr Bernard Baruch before the Senate Banking and Currency Committee, was rationing and price and wage controls. At one time there was an idea of forcing all these on the President, but the Bill as finally passed did no more than give him the power to impose them at his discretion.

It is the opinion of most economists that nothing of the kind is needed. The increase in the military budget, large as the figure may sound, is not one which should cause shortages so intense that rationing is the only solution. At present, including foreign aid, between $16 and $17 billion of new money have been asked for and the total will probably reach $20 billion in the end. It is likely that about $13 billion will go for stockpiling of raw materials or in orders to industry, though it will be some time before the effect of any large proportion of the orders will show in the retail market.

The General Motors Corporation estimated ten days ago that production of motor-cars and trucks would be reduced by 10 per cent only in 1951, which would still leave it higher than ever before. And additional military consumption of steel will be about four million tons—less than 6 per cent of last year's production. Where the "local" shortages, which can have an effect which is by no means localised, will be felt first is in such metals as copper, manganese and platinum. Aluminium, which was so troublesome in the last war, is unlikely to be such a headache this time; at present productive capacity is well ahead of demand.

★

Any comparison with 1942 and the succeeding years is merely misleading and would remain so even in the event of other small wars. Nothing less than another world war would bring such shortages again and even another world war would find the United States in a much better position. As the President pointed out in his midyear economic report, steel production in 1939 was 55 million tons; today it is at an annual rate of 100 million. Aluminium was 164,000 tons; today it is 743,000. Electric power output has risen from 128 billion kilowatt hours to 317 billion, that of crude petroleum from 1¼ billion barrels to nearly 2 billion and the index of food production from 106 to 139. And, in Mr Truman's words,

> an economy which is employing 61½ million civilian workers, with less than 3½ million unemployed, is stronger than if it were employing only 58 million workers and had about 7 million unemployed. It is easier to divert the production of skilled workers to new purposes or even to put them on new jobs, than it would be to train millions of workers whose skills had been lost through years of enforced idleness.

Any comparison with 1942 is also misleading because the increase in military spending, in terms of percentage of gross national product, is infinitely smaller. In 1939 1½ per cent of the gross national product went into the budgets of the army and navy; by 1945 it was 37 per cent. In 1949 the armed services accounted for 6½ per cent; next year they will want about 11 per cent. The difference between these ratios of increase is so vast that it ceases to be a difference of degree and becomes a difference of kind.

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

It is clear that all that is needed is a method of rationing money and controlling credit, but these are sometimes politically the hardest controls to adopt. The President asked Congress for about $5 billion in new taxes and he seems likely to get it. Between $2.5 and $3 billion will come from increased income taxes (there is a disagreement between Executive and Legislature as to how much the new rates will produce), another $1.5 billion from larger corporation taxes and the last half billion chiefly from the elimination of loopholes in existing methods of taxation. Since he is getting what he wanted, Mr Truman cannot complain.

But there are many who think that a greater proportion of the additional military expenditure should come out of current revenue. Since at least $10 billion of the expenditure appears likely to recur annually for many years to come, there is good cause for aiming to collect at least as much from additional taxes. There are some forms of indirect taxation which have never been tapped. Petrol, for example, has always been left as a source of revenue for state and local authorities. A Federal tax of 10 cents a gallon would have many advantages beyond the raising of a considerable sum for budget purposes. It would cut down the mileage driven each year, thereby saving petrol, steel and rubber, all materials on which a large military budget makes substantial calls. It would allow the postponement of many road-building projects and divert some goods traffic to the indigent railways.

There is another school, however, which is not concerned with mopping up excess buying power, but rather with keeping it in storage until the time when, or if, military demand has died down and delayed consumer demand is needed. Professor Sumner Slichter is concerned because the Korean crisis

> is causing individuals and business concerns to accumulate goods in excess of their immediate needs—in other words, it is causing an accumulation of supplies instead of an accumulation of demand.

It was the demand that accumulated between 1942 and 1945 which at the end of the war took the place of government spending and allowed the economy to adjust itself. To encourage the postponement of demand, Professor Slichter suggested in the *New York Times* that the Treasury should offer savings bonds repayable at maturity in terms of the purchasing power of June 1950 dollars.

The Federal Reserve System, having regained control over the terms of consumer credit, will be able to go part of the way with Professor Slichter. It will not be able to deny anyone the right to spend his income, but it will be able considerably to curtail his ability to anticipate it. Something like $12 billion a year is now outstanding on hire-purchase agreements, excluding mortgages, and, if this total were drastically reduced, it would go a long way towards releasing to the Government the additional supplies of crucial materials it needs, since the greater part of all instalment buying is applied to motor cars, television sets, refrigerators, washing machines and such durable goods.

One thing, at least, is clear by now. An increase in military spending, which, in absolute terms, would bankrupt any other country, need have very little effect on the United States. What effect it does have will be caused partly by the timidity of Congress and the Administration, neither of whom will contemplate paying the whole bill out of current earnings, and partly by a deeply ingrained inflationary philosophy. This philosophy, which can be summed up as a belief that it is less important to balance the budget each, or, indeed, any, year than it is to leave the taxpayer enough to allow him to save, invest and expand, sends shivers down the spine of Senator Byrd and other financial Puritans. But the retribution they prophesy has so far failed to materialise.

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American Notes

Controls at a Price

Just over a month has elapsed since the President asked for the speedy passage of a simple Bill authorising him to expand defence production and suppress the resulting inflation through the use of loans, allocations, priorities, credit controls, and requisitioning. Two days might have been saved if the Senate had not been unwilling to force Senator Lucas to forgo a lightning trip to bolster his somewhat shaky candidacy in Illinois, and if Senator Neely, a Democrat held in somewhat slighter esteem by his colleagues, had not insisted that a party rally in his native State, and his presence at it, were more urgent than any other consideration. The final vote, however, brought to an end the luxury of a free economy by an overwhelming majority of 84 to 3; it gave the President most of what he wanted—and a great deal more besides. Fortunately, the Senate draft does not carry as a rider the Mundt-Ferguson Communist Registration Bill, but this restraint was ensured only by the promise that a similar measure, which the Administration would have preferred to choke off, will be debated before Congress adjourns.

The two casualties, in both the House and Senate versions, are the controls over margin requirements on the commodity exchanges, which the Administration was seeking long before the Korean crisis, and over credit on existing houses. In the President's view, the stand-by price, wage and rationing powers thrust upon him represent a poor exchange. This is particularly true since in the Senate version the President loses the right to apply price controls by themselves, and must either freeze wages with prices over the whole economy, or hold his hand altogether. Suspicion of the way controls might be administered was also apparent in the vote to confer the allocation and priority powers exclusively upon the Secretary of Commerce. The present Secretary, Mr Sawyer, can be relied on to turn a sympathetic ear to complaints from business. The Administration had already decided, tentatively, that Mr Sawyer should exercise these controls, but if the provision survives the conference between the House and the Senate, it would prevent the President from altering the arrangement with changing circumstances.

It was in the debate on price controls, however, that the special interests showed their hand. Most of the sixty amendments offered, and the thirty accepted, tried in some way to protect privileged groups against the rigours of the powers for which the President never asked. For example, the meat packers, in the Senate version, are guaranteed a reasonable profit, ostensibly to prevent black marketeering. Farm prices are protected against the effects of a short crop. Ceiling prices on agricultural commodities must be based on parity or prices received during the period May to June—whichever is higher. The first of these amendments may not survive in the agreed version, but the last has the support of both House and Senate. It is little wonder that the Congress of Industrial Organisations is complaining that the price provisions are designed to stabilise profits, not prices. Fortunately, this rather shabby gift-horse is likely to remain in its stable unless a greater emergency arises.

* * *

Green Light for Republicans

When the Republican members of the Senate Foreign Relations Committee declared last week that the Administration's Far Eastern policy gave the Kremlin "a green light to grab whatever it could," they themselves gave a green light to all Republicans to grab whatever political advantage they could out of the evident public disquiet over the Far Eastern situation. Senator Wherry promptly built a bonfire for the Administration and put Mr Acheson on top of it. Not even detailed accounts of the $495 million worth of American aid sent to Korea since 1946 will damp the flames of Mr Wherry's assertion that only $200 worth of wire was received; nor will the President's severe condemnation—"a contemptible statement and beneath comment"—take the heat out of Mr Wherry's remark that "the blood of our boys in Korea" is on Mr Acheson's shoulders.

Senator Lodge can hardly have been surprised that his less responsible colleagues took literally the permission to fight with no holds barred, but he hastened to point out that the Republican statement was not nearly so uncompromising as the Democrats seemed to think. Certainly it begins and ends with impressive tributes to the desirability of national and international unity, but the filling of the sandwich, a detailed account of the "ineptitude" of the Administration's foreign policy, past and future, will poison bi-partisanship for a long time to come. Senator Lodge insists that the statement was intended to be constructive, but a Republican victory is more likely to be built out of it than is a new foreign policy.

The story is that the Republicans on the Foreign Relations Committee issued their statement to forestall a much more violent one from the Republican National Committee, and that it represented the best that the internationalist half of the Republican representation on the Senate Committee (Mr Lodge and Mr Smith) could do in face of the isolationism of Senators Hickenlooper and Wiley. This may be true, but the statement is far more damaging than anything the Republican National Committee might have produced, just because it comes from a normally non-partisan source and especially because Senator Vandenberg, still absent through illness, expressed general agreement with its viewpoint. It was always inevitable that unscrupulous and isolationist Republicans would exploit the country's obvious unpreparedness for the Korean war during the coming election campaign. But now reputable and internationalist members of the party have joined in a pincer movement against the Democrats' whole foreign policy. This may be clever political tactics, but it can hardly fail to weaken America's international strategy.

Uneasy Money

The importance of the increase in its discount rate by the New York Federal Reserve Bank, from 1½ to 1¾ per cent, lies not in the increase itself, even though it is being extended to other Federal Reserve districts, but in the evidence it offers that the Federal Reserve Board intends to do something, as well as to talk, about the need for general controls on credit, in addition to the specific controls on consumer and housing credit contained in the Defence Production Bill. The importance of the Treasury's announcement on the refinancing of $13,570 million of government securities falling due in the next few weeks lies not so much in the terms of the new bonds—two 13-month issues at 1¼ per cent, the rate now being paid for similar issues—as in the evidence it offers that the Treasury still thinks the immediate advantages of "easy money" outweigh the long-term benefits of tight credit. However, the Treasury held out a very small olive branch to the Federal Reserve Board, by raising from $100,000 to $1,100,000 the amount of certain saving bonds that institutional investors will be permitted to buy during the current year.

The Treasury wants easy money because it makes it cheaper to carry the government debt, which is bound to increase during the coming months. The FRB wants dearer money as a restraint on the expansion of bank credit, and because it believes high interest rates have an essential part to play in relieving inflationary pressures. It had already urged banks and other lending agencies to refuse loans which, although sound, would have inflationary effects, for example, loans for purposes of speculation or inventory accumulation. Now it has declared that it is prepared to use all means at its command to restrain any further expansion of bank credit to ask Congress for additional authority should this prove necessary.

The members of the Joint Committee on the Economic Report should be sympathetic to the FRB view, for one of the sub-committees proposed last January that the freedom of the FRB to raise interest rates should be restored for the sake of general stabilisation, even if it meant an increase in the cost of servicing the Federal debt. The Treasury cannot keep that cost down without the help of the FRB, which has until now been given, although often unwillingly. The raising of the discount rate seems to be a warning to the Treasury that it can no longer count on FRB support for government securities at current prices, and that the FRB is digging in its toes for the final round of the long tug-of-war on credit policy. The Treasury has now replied with a warning of its own which, in effect, tells the FRB that it is expected to do its duty by the new issue.

* * *

Long Haul on the Railways

The endemic labour troubles of the railways flared up again this week, with a token five-day strike of yardmen in Louisville, Cleveland, and Minneapolis which spread a day later to Chicago and Pittsburgh and threatens to spread to the whole country next week. The two operating Brotherhoods involved are determined that their yardmen shall share the 40-hour week, with 48 hours' pay, that the non-operating unions won last year, but which a fact-finding board approved only in part. The dispute is of eighteen months' standing, and the unions are convinced that only by courting Federal seizure can they obtain better terms. This the President is reluctant to authorize, yet, if the strike spreads and steel production is cut, he may have no choice.

Any concessions beyond those recommended would make the task of subsequent fact-finding boards even more thankless than it is now; they would also be unwelcome additions to the railways' costs at a time when they are contesting Government suits for a return of $2 billion "overcharged" in the last war and when, at last, they are taking seriously

the need for new equipment. The sudden demands put on the railroads' supply of freight cars by the Korean crisis has shown that the president of the Association of American Railroads was sadly mistaken when he assured Congress a few months ago that the railroads were better prepared than ever to meet a national emergency. Today, before the new arms programme has even begun, the railways are being asked daily for 31,000 more cars than they can supply and the shortage is likely to grow worse before it grows better. The optimism of Mr Faricy, the president of the AAR, may have been stimulated by a desire to block a proposal that the government should buy, and stockpile against an emergency, another 200,000 freight cars. That figure hardly seems grotesque today; on July 31st the railways possessed 1,727,000 freight cars, fewer than at the end of the war, and although their capacity is greater, the spread of the five-day week and less rigid controls have reduced the use that can be made of them. By the end of July, the AAR itself was urging the industry to buy an additional 122,000 cars. Some 40,000 of these are already on order and another 25,000 are being built, leaving new orders of about 56,000. Government observers doubt whether even this belated repentance is adequate, since the railways have been scrapping about 96,000 over-age cars a year.

The present target may well be not only too little, but belated, since it will require 2 million tons of scarce steel. But it could hardly be undertaken at all, without government aid, if the large insurance companies, many of them with heavy investments in railway securities, had not embarked upon schemes of purchasing freight cars and leasing them to the railways. The pioneer was the Equitable Life Assurance Company, which has added diesel locomotives to its lending list; the Prudential Life Insurance Company more recently announced a similar plan of providing the railways with a new type of freight car that, thanks to shock-absorbing snubbers and under-frames, is expected to avoid damage to the cargo and to make heavier and speedier loading possible.

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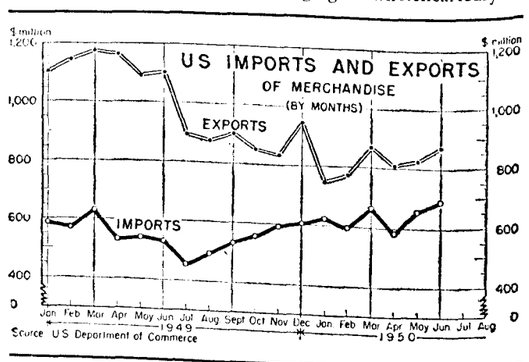
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Waterfront Diplomacy

In theory longshoremen and stevedores should certainly not step in where diplomats fear to tread and veto foreign trade arrangements by refusing to unload imports from the Soviet Union. But in practice this declaration of economic war was taken very lightly as long as the only shipments affected were crabmeat consigned to a British government agency for resale. When it became a question of furs consigned to a private American firm and already paid for in dollars, the matter became more serious. It can hardly be ignored now that the longshoremen, with the encouragement of their union leaders, have threatened to refuse to unload even the manganese which the American steel industry needs so badly. However, it may turn out that the longshoremen have only been quicker in the uptake than the diplomats, for it is being suggested that, in present circumstances, an official ban on imports from Russia might be imposed in order to keep American dollars out of Soviet pockets.

Except perhaps for this reason, no controls on imports are expected at present. The recent tightening in export licensing regulations is also a form of economic warfare, one which some European countries, in the opinion of their American competitors, are not waging as wholeheartedly as



they might be. It may not, however, be long before export controls are needed to safeguard domestic supplies of scarce materials. The dollar gap has been narrowed during the past year more by a decline in American exports than by a rise in imports, but the two have been climbing hand in hand this summer. What happens to exports in future will depend on the net effect of shortages at home combined with increased shipments of defence materials to America's allies. It is certain that the United States will need to import more raw materials from abroad, probably in sufficient quantities to bridge the dollar gap entirely for the time being. Such imports do not compete seriously with American products and, in any case, the present boom has given American businessmen more profitable things to do than protest.

Indeed, it is rather surprising that the Administration should have chosen this moment to denounce the Swiss trade agreement of 1936 for the sake of American watch-makers. If the treaty lapses, as it will do if the Swiss refuse to include the escape clause that is obligatory in more recent agreements, the quotas under which the Swiss buy most of such necessities as grain and automobile tyres from America will lapse too, and numerous American interests will have been butchered to make a watchmen's holiday. This threat to an important part of the dollar earnings of one of the few countries which has never begged for dollars is an inauspicious prelude to the Torquay conference on tariff reductions. The United States, by announcing that it will negotiate there with an additional country, Cuba, and publishing a further list of commodities on which it is prepared to lower duties, has dashed the hopes of the wishful thinkers who had been suggesting that the uncertainties of the foreign trade situation made a postponement of the conference desirable.

THE WORLD OVERSEAS

British Colonialism and Uno

(By a Correspondent recently at Lake Success)

THE Trusteeship Division of the United Nations is an impressive affair. Dozens of officials, of all races and creeds, analyse reports covering about 60 dependent territories with a population of 200 million souls—a tenth of the inhabitants of the world—and prepare documents for the detailed discussion of the administration of these lands. But the British visitor to this Division at Lake Success is in for an uncomfortable time. No matter to whom he speaks, the question is shot at him. "Why is the United Kingdom always opposed to everything?" "But we have had a magnificent record in colonial policy during these last years"—says the visitor, his patriotic feathers ruffled. "That may be," reply the critics, "but you make a pretty poor showing."

It is only too true. Britain is in the position of the problem child, its hand against everyone (except one or two other problem children) and everyone's hand against it. The tragedy is that the British are right in what they are doing—from the technical and legal point of view. In a court of law they could make out an unassailable case in self-defence. But morally, they appear hopelessly in the wrong. They oppose resolutions for proscribing prostitution, for eradicating illiteracy in the colonies, for inquiring into slavery. They refuse to transmit information on certain points. They vote against the most beneficial-sounding recommendations, and if they do not actually vote against, they abstain in injured dudgeon. The Polish delegate, with a side-glance at the United Kingdom representative, fulminates against "those Powers who, in a revolutionary age of social change, are trying to uphold the heritage of the Dark Ages of colonial exploitation." "The United Kingdom's experience and record," replies the British representative, "as an architect of the institution of self-government, is unrivalled—and I make no apology for my immodesty." But—at least in this instance—the majority sympathy rests with the Pole.

Vagueness of the Charter

How has this sorry state of affairs come about? It stems primarily from the vagueness of the UN Charter. Chapter Eleven of that Charter deals with all non-self-governing territories apart from the Trust territories for whom special arrangements are made. It lays an obligation on the administering powers to transmit information on the social, economic and educational conditions in their territories, to the Secretary-General of the United Nations. It deliberately excludes "political" information; and it provides no machinery by which the information transmitted shall be discussed. In fact, the principle of international supervision over these colonies is nowhere established. On this legal position the British stand pat. But the whole history of colonial discussion by the United Nations, ever since its creation, has been to breathe life—albeit an unruly life—into the bare bones of Chapter Eleven. At first a Special Committee was set up—against the British will—to consider the information transmitted. It was set up for one year. When it came to renewing its term, the British opposed; this happened three times in three successive years. Each time the British were defeated. There have been many proposals to make the Committee a permanency; Britain will have none of it. Last year the permanency proposal would have gone through had it not been for American support for a three-years-life compromise. The British opposed that also, but the proposal achieved its majority. Britain acquiesced with sulky hauteur. It now appears, however, that the British have made up their minds to make the best of the Committee. Mr Fletcher-Cooke announced at Lake Success last week that the British Government was prepared to co-operate with the Committee as fully as possible—although it still maintained its view that the Charter did not give the United Nations any right to supervise the administration of colonial—*as distinct from trust*—territories.

Then there has been the battle over the transmission of political information. Basing its arguments rigidly on the Charter, Britain refuses to lay this information before the Special Committee, whose very existence it abhors. The information is all there, it claims, in dozens of reports in the library; there is no shred of secrecy. But the Committee has no right to have this information on the table, and Britain will not supply it direct. Year after year this argument has gone on. Resolutions have been passed over Britain's head that political information should be voluntarily transmitted. Other nations agree to do so, but Britain will not. The discussion then centres not on the content of the information produced by the others but on all the sinister reasons for Britain's refusal.

Honesty or Policy?

Last December, at the General Assembly, the matter reached something of a climax. Ten resolutions had come forward from the Special Committee; Britain voted against, or abstained, on every one of them. They were quiet innocent-sounding resolutions, on the whole, even though the first two dealt with the delicate questions of the three-years-life of the Special Committee and the voluntary transmission of political data. Three dealt with educational matters, one with international collaboration for the betterment of colonial conditions, one was a proposal to define a non-self-governing territory, and so on. Britain rejected all on grounds of principle. They were based, said the British representative, on "the completely invalid assumption that, in subscribing to the Declaration in Chapter Eleven, member-states which have responsibility for the administration of non-self-governing territories, have accepted the principle of international supervision over the administration of these territories." The British emphatically disagree that there is anything in the Charter which obliges them to account to world opinion in this way.

There is another difficulty that the British find themselves up against—the simple issue of honesty. It is easy enough to vote for resolutions which sound well, but what if they really have not the power or the possibility of carrying them out? Do they then vote for them regardless, earn popular commendation, and take no effective action? To avoid this, the British have tried to amend certain international conventions by introducing the "colonial application" clause. This means that the convention is accepted, subject to the colonies themselves agreeing to apply it. A typical example of this occurred last December, when a draft convention for the suppression of traffic in women and children came before the General Assembly. Some colonies, the British representative argued, are all but self-governing in internal affairs;

they must be allowed to take decisions for themselves. "My government," said the British spokesman, "stands firmly by the principle that each colonial government shall itself decide whether it wishes to accept the terms of this convention, and my government will not use pressure or force to influence such a decision. . . I should like to point out that if this amendment is rejected, the General Assembly will not be depriving the Government of the United Kingdom of certain rights; it will be depriving the governments of the non-self-governing territories of *their* right. . . . And even if the rest of this convention is unreservedly acceptable to my government, my delegation will not hesitate to recognise its clear obligation to vote against the convention."

This attitude, so reasonable to the British, was received with the utmost condemnation by others. Said the Ukrainian delegate, "The representatives of the colonial powers quite obviously do not intend to fight this social evil. . . . They would tend not to stop but to promote the exploitation of man by man, the traffic in persons and the exploitation of the prostitution of others." In contrast to this wickedness, the Ukraine was a paradise of justice. "Such a disgraceful social evil as traffic in women and children and the exploitation of the prostitution of others has long since been abolished in the Ukrainian Socialist Soviet Republic, together with the disappearance of the exploitation of man by man, national discrimination and all other forms of discrimination." Most delegates simply would not admit that a colonial territory which was still a colony could be anything but completely subject to the imperial power. In the end, two nations—Britain and France—voted against adopting the Convention. Is it surprising that the newspapers should declare to the world—"Britain votes against the suppression of traffic in persons?"

But behind all this there is something more than mere British obtuseness. There is a sharp resentment at the way international discussions on colonial affairs have been turned into baiting-grounds of the administering powers. An arena has been provided for bitter and unjust allegations, made for political reasons, by nations who refuse any investigation into their own affairs. When it suits these opponents to extend the Charter, they bring the battery of public opinion into operation to gain their ends—but they object violently to any stretching of the Charter in their own disfavour. It is fast becoming obvious that trouble is positively invited the moment colonies are dealt with in a separate category—yet, as long as colonies are not themselves represented at Uno, how is this to be avoided?

In the meantime, Britain, with the best colonial record of any power, finds itself in a thoroughly untenable position. It feels it all the more keenly, simply because its record is so good. If the critics keep up their attitude and the "neutral" powers continue to condone the badgering, the British Government will be faced with some very painful alternatives. The "neutrals," of which the United States is the chief, might well ask themselves whether it is in their interest to force an open split among the free nations.

New Broom in the Czech Army

[FROM OUR VIENNA CORRESPONDENT]

WITH the proverbial zeal of the new broom, Dr Alexei Čepička, who succeeded General Svoboda as Czechoslovak Minister of Defence last April, has recently been setting about the task of Sovietising the Czechoslovak army. As General Svoboda was in good standing with the Communist Party when he was kicked upstairs to the post of Vice-Premier, Dr Čepička has been in the—for him—unaccustomed position of having to sweep with some degree of tact. He has based the inevitable purge among the officers, not on the timeworn accusation of political unreliability, but on their having failed to take sufficient care of the common soldier.

The first to go was the head of the Army Supply Department, Major-General Bruno Zapletal, who was summarily dismissed on a charge of not having spent all the money allocated to him to provide the rank and file with rations, uniforms and other necessities. Seeing that goods of all kinds in Czechoslovakia have been, and still are, in short supply and that the rank and file consisted mostly of anti-Communists, to whom it was not thought desirable to give priority, the charge can safely be described both as verbally correct and factually monstrous. If General Zapletal had not been a "Londoner" it would never have been made. As it is, he can consider himself lucky to have been merely dismissed without a trial. Two other officers, Colonel Antonin Poštulka and Lieutenant Josef Šimane, were soon afterwards sentenced to nine and four years' rigorous imprisonment respectively for having allegedly misappropriated rations. A third, Lieutenant Jaroslav Filip, was overheard publicly criticising these sentences. A commission therefore went to his rooms and found army property to the extent of half a litre of oil and some medical instruments. He is now serving a sentence of seven and a half years' rigorous imprisonment, deprivation of rank, confiscation of property, loss of citizenship rights for 10 years and a fine of Kcs. 10,000 on charges of mutiny, sabotage and theft of army property.

In constituting himself the champion of the poor, bewildered Czech and Slovak infantryman, Dr Čepička may be backing a winner. Not being politically reliable, the army has hitherto been deliberately neglected by the Communists. Its equipment is mostly a hotch-potch of British, American, Russian and even German cast-offs; the only up-to-date arms in the country belong to the Security Police, which has at least one mechanised division with modern Russian guns and tanks. Dr Čepička has declared, however, that henceforward the Army is to have "only the best" because "only the best is good enough for the defenders of socialism."

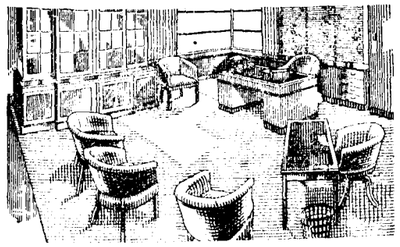
Comrade Colonels

Meanwhile, the whole framework of the Army is being remodelled so that when the next batch of conscripts are called up on October 1st they will be trained entirely on Russian lines. The "servile western title of Sir" has been abolished and the soldier will in future address all officers and NCOs as "Comrade" followed by the rank. Off duty he may use the familiar "thou" when speaking to an officer. On duty, however, he must say "you." So must the officer.

In one of his first Orders of the Day, Dr Čepička said that discipline is "the indivisible responsibility" of the military officer, and he called upon Army political education officers to help the military officer to enforce it. Dr Čepička has also warned the common soldier that he has not only the right but the duty to report all "inadequacies" on the part of his superiors to the local branch of the Communist Party. Dr Čepička went on to complain that the occasions on which the common soldier had carried out this duty were so far "disturbingly few." Unless the rank and file reported all the inadequacies of their officers, he declared, the latter would be unable to appreciate the need for "self-criticism," and until they had mastered this essential element of their training they could never be efficient officers in a People's Democratic army.

The army will in future be under the new criminal code in respect of some major breaches of discipline and for all treasonable offences. In purely military matters, however, soldiers will still be accountable to the military machine. There is also a new type of disciplinary court, called the

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Honour Jury, which will deal with any charge brought by one officer against another and will be entitled to impose very severe penalties including reduction to the ranks. A further significant change, noted for the first time when a batch of officer cadets graduated from the Hradnice military academy in July, is that, henceforward, allegiance is sworn not to the President only but also to the Government.

How this attempt to rehabilitate the Czechoslovak Army in its own eyes and make it an efficient addition to the Soviet fighting machine will work out is a matter for surmise. Taken in conjunction with the parallel efforts in Poland and Hungary, it is a clear indication that the Soviet Government means to take as few chances as possible in the event of a war. But it is quite certain that, militarily speaking, the Czechoslovak army of today, far from being all right, is completely useless, and it will take at least a year, perhaps three or four, to get it into fighting trim. And it is anybody's guess whose side it will then want to fight on.

Plan for the Fourth Reich

Moscow's determined effort to extend its domination over the whole of Germany by political means is receiving a new impetus this week-end from the holding of the National Front Congress in Berlin. This is being attended not only by delegates elected by the National Front Committees throughout eastern Germany but also by a large number—according to one estimate 1,500—of delegates from western Germany who have succeeded in overcoming the "obstructionist tactics" of the Bonn Government.

The National Front movement has come a long way since it was first launched by the third People's Congress in May, 1949. The driving force behind it is the Communist-directed Socialist Unity Party (SED); but, unlike most Communist-inspired movements, the appeal of this one is directed to people of all classes, all beliefs, and all professions—to everyone, in short, "who has Germany's interests at heart." Grotewohl, the east German Premier, has said that the essential qualification for those seeking admission to the movement is their

> present attitude in the great struggle for the liberation of the German people . . . Those demanding additional qualifications, such as anti-fascism or genuine democracy, dangerously narrowed the platform of the National Front, and deprived the movement of its all-embracing mass character.

This is the classic Communist technique of getting all sorts into one ship in order to drop all undesirables overboard later. Grotewohl has also stressed how necessary it is to draw all other parties and organisations into the movement.



It is hoped that the contacts which the remnants of the east German "bourgeois" parties still have with their counterparts in the Federal Republic will provide valuable channels through which the National Front propaganda can spread in western Germany. It is therefore especially important that the east German Liberals and Christian Democrats should be persuaded to give their enthusiastic support.

The movement will now be used to get the stamp of popular approval for what is in fact a Communist dictatorship and to present the east German regime in the most favourable light to the people of west Germany. The election programme proclaimed by the National Front Congress this weekend will be supported by all candidates in the east German elections on October 15th. It is hoped that this joint programme—which in effect destroys the last vestiges of independence of the "bourgeois" parties—may gain a little more popularity than it has so far, if it is given a grand send-off by a mass national organisation. Grotewohl has shown how the National Front election programme is also designed to show the people of the west that the real enemy of Germany is not another political party but "foreign capitalism, which seeks to enslave and colonise Germany." It is true that there are no foreign capitalists in the German Democratic Republic, but "we care just as much about western Germany as we do about progress in our Republic. We are concerned not with one part of Germany but with the welfare of the whole German people." The joint election programme might be supposed to be applicable to the whole of Germany, since so many of the National Front Congress delegates are supposed to be coming from the west; and when the people of western Germany have observed its triumphant and enthusiastic acceptance in east Germany on October 15th, it is hoped that they will demand the holding of similar elections throughout the whole of Germany.

Aims of "National Resistance"

Meanwhile the National Front Congress must become a "beacon of resistance" in western Germany. The "legal" basis of this resistance has already been defined by Grotewohl in a speech to the SED Congress in July. It is claimed to derive from the failure of the western Allies to observe the Potsdam decisions. The spearhead of the resistance will be the west German Communist Party (KPD) which, it appears, has now once more been brought firmly under the control of the more efficient and more successful Socialist Unity Party. The general objectives of the "national resistance" are calculated to attract west Germans. They include the repeal of the Occupation and the Ruhr statutes; the abolition of the Allied High Commission; and the return of the Saar. Herr Ulbricht, the east German vice-premier, has now described some of the detailed acts of resistance which it is the duty of every patriotic German to carry out in order to achieve these general objectives. These include the prevention of all American imports of food and goods for which a German substitute can be found; the prevention of any further dismantling by "any available means"; the fostering of business relations with eastern Germany in spite of Allied restrictions; and resistance to "all kinds of Anglo-American influence on the German economy or on individual factories."

The people of western Germany are being incited to support this policy of national resistance by indignant diatribes against the American "imperialists" and "colonisers"; by high-sounding phrases about winning lasting peace and achieving once more the economic, political and cultural unity of Germany; and by the lure of vastly lucrative eastern markets stretching to China and beyond. But behind all this propaganda lies the scarcely-hidden warning that the west Germans had better hurry up and throw in their lot with the Russians before the attempts of the western Powers to rearm western Germany forces the Russians to forestall them by armed force.

THE BUSINESS WORLD

Free Markets under Exchange Control

THE problem of marrying free commodity markets with the inevitable restrictions of sterling exchange control has occupied the attention of the authorities in Britain for some time past. It will continue to exercise them as one commodity after another leaves the fold of state trading and returns to the greater flexibility—with all its advantages and dangers—of private trading. This problem, which is peculiar to Britain because of its old-established international commodity markets, was presented to the Authorities for a brief period in the very early months of the war. At that time the Liverpool Cotton Market remained open, so that measures had to be devised to fit its operations into the then prevailing structure of exchange control. The problem presented no great difficulty at the time because exchange control was still wearing its "phoney war" trappings; and up to mid-1940 a considerable volume of internationally used sterling was in fact free sterling. When free sterling disappeared after the tightening up of exchange control, the Liverpool Cotton Market was closed down.

Despite this prewar experience, it is only in the past two years, upon the reopening of the rubber, tin and coffee markets—and in coffee the market still operates only for international business—that this problem of devising machinery by which a free commodity market could function within the framework of exchange control has become really important. To solve it under present conditions of exchange control has required the setting up of rather elaborate machinery, but the authorities concerned—the Treasury and the Bank of England—seem to have steered successfully between the two conflicting difficulties. In the first place, they have striven to give individual operators in the reopened markets the utmost possible freedom of action. Secondly, they have succeeded in preventing the freedom given to these operators from leading to an export of capital or to undesirable speculation.

★

So long as exchange control is necessary, operations in these markets must be subject to *post-facto* supervision and control, and this control must be buttressed by sanctions against those who may abuse the freedom they are given. In order to satisfy these conditions some formal system of reporting transactions to the authorities has had to be devised and this in its turn has meant that the Bank of England, in operating the control on behalf of the Treasury, has had to deal with recognised market organisations and has delegated to these organisations some of the power of applying the necessary sanctions.

The decision to work the controls through a market organisation—for rubber, it is the Rubber Trade Association; for tin, the London Metal Exchange; for coffee, the Coffee Brokers' Association—has inevitably involved the danger of establishing "closed shops" in the trades concerned, and of giving these bodies official sanction and powers. The authorities seem to have been alive to this danger. In their dealings with these market organisations they have always emphasised that the associations must be open to anyone with a genuine claim to be a member of the market. The final decision upon eligibility is, however, left to the association itself—an arrangement obviously convenient for the authorities, but rather undesirable in principle. The executives of the associations have been enjoined by the authorities to equip themselves with the powers necessary to enforce decisions on the participating firms and to be responsible for using those powers in accordance with the arrangements agreed from time to time with the Bank of England.

The principle of delegation of authority applies not only to the established and recognised organisations of each market, but to the banks that keep the accounts of the participating firms. These banks are given a blanket authority by the Bank of England to pass transactions in the sterling accounts maintained by the participating firms. But these accounts are carefully segregated from transactions not falling within the ambit of the schemes. All payments and receipts directly concerned with each participant's purchases, sales, storage, movement, etc. of rubber, tin or coffee, must be centralised in a single account. This account thus includes payments and receipts for commodities, insurance, shipping, warehousing charges, but excludes items such as wages and salaries, London overhead expenses and so on. Every item entered in this account must be duly attested and documented by receipts.

The system of *post-facto* control at the Bank of England is based on the submission to it of two sets of monthly returns. Each market firm participating in the scheme furnishes full information on the very detailed form reproduced with this article. This is a confidential return, but every firm knows that the information contained in it, when aggregated by the Bank of England to show the position of the market as a whole, will be revealed to the executive of the market organisation. In addition, the banks holding the rubber, tin, or coffee scheme accounts submit monthly statements of these accounts to the Bank of England—again under the usual terms of secrecy and confidence. The banks' statements are compared with those submitted by the participating firms and each set should corroborate the other. The task of inspecting and checking these monthly returns, of looking for discrepancies and watching whether the market position is showing signs of undesirable speculative development falls to the commodity department of the Bank of England. This department has the right to inspect the books of the participants and it has in fact carried out a virtual audit of each firm concerned. The firms in question agree that it has performed this inevitably invidious task with tact and discretion.

There are two danger points upon which the authorities concentrate their scrutiny. The first danger

is that the freedom given to the participating firms might be abused in order to achieve an unauthorised export of capital. The second is the possibility that the freedom of the markets may lead to the emergence of unhealthy speculative positions. The freedom with which the participating firms may deal in their particular commodity is complete. They may buy and sell anywhere in the world, and therefore can at their own discretion pay sterling to any non-resident account. In consequence, in these operations the restrictions that normally apply to sterling payments to American or to bilateral accounts cannot apply. The transactions are reported monthly and are justified after the event, not before they take place. The risks involved are obvious. Warehouse warrants are negotiable documents. It would need very little ingenuity for a resident in Britain to purchase a warehouse warrant entitling him to tin or rubber and then to sell it to the United States and thus convert sterling capital into dollars. That risk has been run—and the authorities agree that no perceptible damage has resulted from it. Any serious use of this loophole would readily be detected in due course, but in the interval considerable flights of capital might have been made possible by the facilities provided under these commodity schemes. So far, however, no such flight has occurred.

Something must now be said about the steps that have been taken to prevent free markets from leading to unhealthy or undesirable speculation. The dangers of such developments under present conditions are obvious. A hard-currency commodity such as coffee would have offered a perfect medium for hedging against the devaluation of sterling. Similarly, in recent weeks rubber must have appeared a most promising war-hedge to the speculatively inclined. It is clear, however, that any development of such purely speculative positions would be quickly revealed by the monthly returns. As will be seen from the appended specimen, these are extremely searching. They show where payments are made and whence they are received and measure both the forward position and the stocks of each participating firm. As already noted, the totals of the aggregated returns are shown to the Executive Committee of each market organisation. If these totals suggest that unhealthy speculative positions are being built up, the Bank of England, acting for the Treasury, would inform the market that in the national interest members should show more discrimination in accepting buying or selling orders. If the succeeding batch of monthly returns showed that one or more firms had disregarded this hint and had further inflated the forward position, the Bank of England would then have the right to pass the name of the firm or firms in question to the market organisation with a request that it should take such action as it deemed necessary. This is the only occasion on which any information arising from these confidential monthly returns would be allowed to pass out of the Bank of England ; even then, although the name would be passed on, the relevant figures would not. On receipt of such information, the market organisation would apply its rules to deal with the " offender." The committee or the association would have the right to call for the figures of the firm in question and in the last resort to expel it from the market—and, incidentally, from all the benefits of the commodity scheme. It should be pointed out, however, that no such expulsion—indeed, no exercise of any of the sanctions involved in this particular control mechanism—has yet occurred.

The use of sterling in these international commodity market transactions is steadily expanding. The latest annual report of the Bank of England points out that in 1949 £37 million was transferred under the coffee and

MONTHLY RETURN

PARTICIPANT'S NAME.....

PART I.

	For month of		Cumulative From.....To.....	
	Tons	£	Tons	£
A. Stock on hand at beginning of month				
1. In United Kingdom			—	—
2. Elsewhere			—	—
B. Purchases during month				
1. In United Kingdom—				
(*a*) from participant producers				
(*b*) from participant brokers				
(*c*) from other participants				
(*d*) from non-participants				
2. In other sterling area				
3. In non-sterling area				
Total (A. + B.)				
C. Other Payments	—		—	
D. Creditors outstanding at end of month (on account of purchases under B. only)				
1. In United Kingdom	—		—	—
2. In other sterling area	—		—	—
3. In non-sterling area	—		—	—
Total Creditors	—		—	—

.....19.....

	For month of		Cumulative From.....To.....	
	Tons	£	Tons	£
E Sales during month				
1. In United Kingdom				
(*a*) to participant producers				
(*b*) to participant brokers				
(*c*) to other participants				
(*d*) to non-participants				
2. In other sterling area				
3. In non-sterling area				
F. Stock on hand at end of month				
1. In United Kingdom			—	—
2. Elsewhere			—	—
Total (E. + F.)				
G. Other Receipts	—		—	
H. Debtors outstanding at end of month (on account of sales under E. only)				
1. In United Kingdom	—		—	—
2. In other sterling area	—		—	—
3. In non-sterling area	—		—	—
Total Debtors			—	—

PART II. **POSITION**

	Tons	£
I. Stock on hand at end of month (as F above)		
J. Forward Purchases (outstanding at end of month)		
K. " Futures " Purchases (outstanding commitments at end of month)		
(*a*) London		
(*b*) New York		
(*c*) —		
(*d*) —		
TOTAL		

	Tons	£
L. Forward Sales (outstanding at end of month)		
M. " Futures " Sales (outstanding commitments at end of month)		
(*a*) London		
(*b*) New York		
(*c*) —		
(*d*) —		
N. Net " Long " or " Short " position (to be shown in black or red respectively)		
TOTAL		

I/We certify that the above return is a true and complete statement covering all business transacted by me/us in this trade during the relative period.

Date.....

(*Signed*).....

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rubber scheme and in merchanting transactions under the so-called FE 24 facilities (these are "third-country" trade payments under which purchases of commodities can be made in one country provided the goods are sold to a country with a currency at least equally hard). The tin scheme began to operate only towards the end of 1949. It will help to lift the 1950 turnover well above the totals attained in these commodity schemes last year.

The wider transferability of sterling achieved by the reopening of international commodity markets in Britain is a logical line of approach to the convertibility of sterling. By freeing commodity markets and devising mechanisms through which they can function unhampered by exchange control, some of the conditions in which sterling was a truly international currency are recreated. This free convertibility of sterling into commodities wherever they may be bought is a much surer approach to full convertibility and is much more firmly embedded in the historical tradition of sterling than was the attempt of 1947. The relaxation of exchange control that is required by this freeing of commodity markets creates certain loopholes, both for capital exports and for undesirable speculation. Those risks have so far been taken without damage. The British facility for reconciling incompatibles, for evolving a middle way in which free markets can operate within an overall framework of exchange control, has again found expression. The British tradition is seen, too, in the dependence of these arrangements so largely upon loyal co-operation between the markets and the authorities and so little on predetermined statutory formulæ and procedures.

The Cement Shortage

SUPPLIES of cement have become increasingly difficult in the past twelve months and are unlikely to get easier before next year. The shortage, which manifests itself in temporary local famines rather than in any national scarcity, runs contrary to the general improvement in supplies of construction materials. Imported softwoods are still scarce but the other materials, notably steel, bricks and coal, are in relatively free supply. The fact is that home and export demand for cement have together outstripped productive capacity by quite a wide margin. There has been a genuine increase in the market for cement and a succession of fine winters has produced further local shortages by preventing the seasonal accumulation of cement stocks which would usually take place when bad weather holds up building. Increases in demand have come from a number of quarters. While the rate of house building is lower than before the war, more cement is being used per house. The prewar average was about 4 tons for a council house. It is now nearer 8½ tons. This is cement in bags; the aggregate tonnage in all forms is probably nearer 10 tons a house. The housing schemes, including the necessary roads and sewers, are estimated to take about 37 per cent of all deliveries. Big projects like those for the Atomic Energy Research Establishment need large weekly deliveries. An average of 600 tons a week has been going to the plutonium plant at Sellafield during the past two years, and the plant going up at Capenhurst is taking about 400 tons a week. London Airport had used 330,000 tons by the beginning of August.

The growth in demand was not unexpected: by 1945 cement producers had prepared schemes which together would have increased productive capacity by 1,600,000 tons a year. Under normal conditions there would be an interval of eighteen months between the decision to erect new plant and its completion. But it has taken nearly five years to bring the first of these new plants into operation. Two more should be finished by the end of the year. They will together add 710,000 tons to the industry's annual capacity, but they are unlikely to contribute more than 300,000 to 400,000 tons to output this year. The balance of 1,600,000 tons of new capacity should be working by the end of next year; it is made up of extensions to existing plants. The resultant total capacity of more than 10,700,000 tons a year will probably be more than is needed to meet demand at that date and so some of the oldest plant can be retired.

Several factors delayed the installation of new plant. There has been some difficulty in getting deliveries of machinery although much of it was ordered in 1945. By an unlucky coincidence the Town and Country Planning Act came into operation when the firms were applying for permission to put up their plant and there appears to have been over-meticulous scrutiny of the applications in the interests of local amenities. It took three years and three public inquiries to get permission for one project. Formalities have become so slow, and their outcome so uncertain, that firms are thinking seriously of putting up new plants in their overseas markets rather than in this country.

*

Last year the industry raised its output nine per cent by reopening a number of old plants. Total production was 9,287,000 tons. Cement-making plant comes within the "stationary" category, which does not deteriorate to the same extent as other types of capital equipment. Comparatively small replacements will bring it back into working condition. In the ordinary way some surplus capacity is kept in reserve to meet increases in demand that cannot be met from stocks. This enables plant in service to be run to capacity, an essential condition for economic working. Because all available plant is now working, this device for ensuring smooth deliveries no longer exists.

Output this year is expected to be not less than 9,500,000 tons. The first of the new plants, built by the Tunnel Portland Cement Company in North Wales, came into full production in the spring and has a planned capacity of about 240,000 tons. The second new plant, consisting of a doubling of the Rugby Portland Cement Company's Rochester plant, is ready for its trial runs. It will add 120,000 tons to the industry's potential, but it cannot make any great contribution to supplies this year. The third and largest of the new plants, which the Associated Portland Cement Company has built at Shoreham, is rated to produce 350,000 tons a year. It will not be ready until the end of 1950.

Before the war the home market consumed a little less than 7,000,000 tons of cement a year, and about three-quarters of a million tons a year was exported. By 1949 exports had risen to nearly 2,000,000 tons a year and were limited to that figure only by shortage of supplies. The urgent needs of the home market have led to a deliberate limitation of exports this year; the industry

BRITISH CEMENT OUTPUT AND DELIVERIES
('000 Tons)

	Production	Deliveries to Home Market	Exports
1930-34 average	4,754·8	4,032·8	671·9
1935-39 "	7,157·0	6,493·6	686·9
1945	4,051·0	3,303·0	595·3
1946	6,574·0	5,479·0	1,162·5
1947	6,960·0	6,175·0	887·8
1948	8,521·0	6,929·0	1,551·0
1949	9,216·0	7,429·0	1,859·0
1950 (6 months)	4,644·0	3,964·0	887·0

plans to sell less than 2,000,000 tons abroad. The biggest deliveries go to East and West Africa. A good deal went to South Africa until last October when Associated Portland opened a plant capable of supplying all the Union's needs. Other British colonies are big consumers, and a fair tonnage has been going to western Europe. Some cement is being sent this year to Canada and the eastern United States.

The price of cement in London is 73s. a ton compared with 80s. 2d. in Brussels, 95s. in Sydney, 157s. 6d. in Buenos Aires and 175s. in New York. Thus in many markets British firms can cover the disproportionately high freight charges on their bulky product and make a substantial profit as well. They can, for example, deliver cement in Florida more cheaply than can the nearest American factory. The Rugby Portland Cement Company alone has deliveries now on their way to Florida, Virginia, Baltimore and Montreal and sales appear to be limited only by availability of shipping. British exports last year were valued at £8,079,514.

Small quantities have been imported into Britain in the past two years to meet local scarcities. The tonnage coming from Belgium this year is about a third of one week's output of the British industry. Such imports are subsidised by the Cement Makers' Federation; unsubsidised they would sell at £6 10s. a ton. An extensive programme of imports to relieve home shortages is, therefore, hardly feasible.

*

It is not certain for how long high export prices will continue. Last year they were not expected to outlast the winter, but they have still shown no tendency to fall. The reasons why British prices are so much lower than world prices are worth examining: at the beginning of the war the Cement Makers' Federation inaugurated a system of voluntary price control which still continues. It is administered in conjunction with the Ministry of Works. Prices are not uniform over the country. A base price is fixed for areas within a five mile radius of each works or coastwise importing centre. There is no great variation in these prices, but the variations outside these areas are considerable, depending on the distance from the nearest source of supply. In this way a series of circles is drawn round each supply centre, the price rising by 1s. a ton from zone to zone. Since the beginning of the war prices have risen by 58 per cent, the latest addition being a flat rate increase of 2s. 6d. a ton to meet higher transport costs. The price of building materials in general has risen 108 per cent.

In the same period, the price of coal to cement producers (the largest single item in their costs) has risen by 150 per cent and its thermal content has fallen by perhaps 8 per cent. Labour costs have risen by nearly 80 per cent per ton of cement produced, but are one of the less significant cost items. British selling prices probably cover direct production costs, leaving little or no margin for depreciation or capital replacement.

The industry started the war with its plant in good condition. Some 2,250,000 tons of new capacity had been put in since 1934 and the more obsolete plant had been scrapped. In view of the length of time for which this plant has been working to capacity, and the even longer time during which the much older plant has been in service, it seems unlikely that any great allowance has now to be made for its depreciation. At the same time, large profits are being earned on cement exports. Associated Portland Cement Manufacturers Ltd., the group that produces about 87 per cent of the industry's total output, last year earned only 19 per cent of its gross profits on cement sold at home, although home sales represented nearly 79 per cent of output by weight. (The group showed a gross trading profit of £6,130,000 before tax.) Besides profits earned on direct exports, the sale of special cement products such as paints gives a good return, although the tonnage is small in proportion to total sales. Some profits come from the sale of lime and whiting.

Such facts as these suggest that real production costs may be higher than prices would suggest. Today's situation arises largely because the industry is working with plant carrying only nominal depreciation charges and

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because it can earn abnormally high profits abroad. Capital costs have increased so much that any firm now entering the industry would need to sell at 22s. to 25s. a ton more than the prevailing prices. This would be more in line with world prices. Naturally the penalty is not so heavy for established producers, but even for them, as their new plants come in, their heavy capital costs must begin to be reflected in their apparent costs of production, and may therefore have repercussions on the price structure. It is estimated that depreciation has risen from £2 15s. a year per ton capacity on the most modern of the prewar plants to £8 per ton capacity on the plants now being built. Within limits, the extra cost of plant extensions can be spread over the whole plant, but in the case of the three biggest schemes, some price review seems unavoidable.

The Tunnel Portland Cement Company's new plant in North Wales supplies an area that has no other plants. Therefore, although it is believed to be producing at a cost of 7s. a ton more than the plant which previously served the district, local prices have fallen by 1s. to 4s. a ton. The difference is a saving on transport. The Rugby Portland Cement's plant at Rochester will probably be less costly to operate, being, in effect, an extension to one of the most modern of the prewar plants. A price review is not anticipated, but should it prove necessary, it will be complicated by the proximity of several other, older cement plants belonging to Associated Portland. The biggest decisions will have to be made when the Associated Portland Cement Company's Shoreham plant starts working. The company has a very old plant of 80,000 tons capacity now supplying the area; it will not, as originally planned, be taken out of service when the new one opens. Some increase of local prices seems inevitable, though its extent cannot be predicted until it is known what proportion of these higher costs can be spread over the output of the company's 28 other plants. Some members of the industry think that a price increase over the whole country will become inevitable during the next eighteen months. They have been driven to this conclusion by the ever-rising cost of the routine replacements needed to maintain a plant's technical efficiency—a factor for which little or no allowance is now made. Needless to say, the prospect is unwelcome to the Government, and it may be that the industry will find it politic to forbear to press its case.

Business Notes

Waiting for a Lead

Men and women in industry, looking for that resolute and skilful leadership that it is the privilege of governments to give in times of crisis, have been able to draw little light from the official and party pronouncements on industrial matters in the last week or so. What does the imminent rearmament programme require industry to do? Mr Gaitskell, the Minister of State for Economic Affairs, held a series of meetings last week with representatives of the British Employers' Confederation, the FBI, and the TUC. But the purpose seems to have been no more than a preliminary canter over the field of industrial problems that will arise from the rearmament programme. There seems to have been no suggestion of any great hurry. "Officials," said the Government statement, "were now carrying out an examination of the possible impact of the programme on the national economy," but there has been no hint that the impact might be sharp. Even the aim of policy was stated in a fundamentally ambiguous way:

> The aim must clearly be to secure the increased output of equipment as rapidly and efficiently as possible, while at the same time causing a minimum of interference with economic recovery.

No doubt: but what does "as rapidly as possible" mean? What is "a minimum" of interference? And, if the maximum of speed and the minimum of interference prove to be incompatible aims in practice, which aim will take second place? There are to be further meetings between representatives of specific industries and the production departments, and a committee of the National Production Advisory Council for Industry will meet the Minister again. But industry can hardly make a great united effort or indeed undertake any new departures at all unless it gets better guidance than this.

* * *

Labour's Intentions for Industry

The policy (new style) of the Labour movement on the nationalisation or regimentation of industry can hardly fail to be read in relation to the danger of war and the need for rearmament. Industry is to be required to work at more than capacity, producing the tools of war in greatly increased volume without (it appears) relaxing its efforts to supply the tools of peaceful economic progress. This is the only possible reading of the Government's production programme at the stage it has now reached. It is a programme that will require much united effort and the making of many plans looking some way ahead; this makes it all the more reasonable to ask for clarification of the Government's other intentions towards industry. Is nationalisation to be extended to new fields, or not?

Labour party and TUC pronouncements have not yet begun to relate the two questions. A "statement of policy and principles" by the party appeared on Monday under the title *Labour and the New Society*. This statement (discussed in its other aspects on page 399) reaffirmed the intention to put the Iron and Steel Act into effect. Because the only other specific project of nationalisation that it reaffirmed was the innocuous one of water, some readers assumed (not unreasonably) that the proposals to nationalise cement and sugar and "mutualise" industrial assurance had been dropped. But the party secretary, Mr Morgan Phillips, said at the press conference at which the new pamphlet was released that they had not been dropped at all; they were still in the programme, and it had merely been thought better not to pin the Government down to a timetable. Mr Phillips could hardly have done more to rob the pamphlet of its one notable virtue or neutralise the one piece of good that it might have done. The industries concerned have been alarmed once again, and Lord Lyle has once more been thundering his defiance against "the boys from Bloomsbury." The high entertainment value of Lord Lyle's utterances should not deflect attention from the fact that industry would seriously find it useful to know what treatment it has to expect.

The Government's expectation of life is uncertain, and no one knows what the character of its successor will be. But if the successor should be another Labour administration, what will be in the programme? Foreign exchange control and the control of investment are in the programme. As things stand at present, they can hardly be expected to disappear, though their desirability as permanent instruments of policy, which the Labour party now affirms, is

A sensible policy for process steam—No. 17

Steam pressures under control

BY SPIRAX

A common feature of the majority of process steam pressures is that they are higher then they need be.

They are high because the standard of heat transfer is lower than it ought to be.

The causes of poor heat transfer and the measures for improving it are described in earlier notes (Nos. 8 to 16). An improved rate of heat transfer will give a higher rate of plant output, or the same output at a lower steam pressure. Indeed *both* are possible, as is often the case.

A change to lower pressures reduces steam costs, yet makes available *a larger proportion of that heat in the steam which is most readily usable in process plant*; it eases the call upon boiler capacity and helps to reduce peak demands.

A sensible policy for process steam might well begin with an examination of all process steam pressures. Find out the theoretical *minimum* pressure at which process requirements and rate of output can be met, then so improve heat transfer conditions that the pressure can be reduced as nearly as possible to that minimum.

Correspondence to: **Spirax Manufacturing Co. Ltd.** (Economist Enquiries), Cheltenham, Glos.

NOTES ALREADY APPEARED: *Jan.* 14, "A sensible policy for process steam"; *Jan.* 28, "Who controls your steam stores?"; *Feb.* 11, "Do you get full value from your steam?"; *Feb.* 25, "What steam costing will tell you"; *March* 11, "Meter your steam to get the facts"; *March* 25, "Why have a boilerhouse?"; *April* 8, "Four pillars of process steam wisdom"; *April* 22, "Process heat transfer decides plant earnings"; *May* 6, "Resistant films v. process economy"; *May* 20, "The air film handicap on output"; *June* 3, "Removing the air film handicap"; *June* 17, "Water film against process output"; *July* 1, "Individual steam separation"; *July* 15, "How are your steam traps chosen?"; *July* 29, "Better steam trapping, better output economy." *Aug.* 12, "The steam circulation system." **STILL TO APPEAR:** *Sept.* 9, "Thermostatic control simplified"; *Sept.* 23, "Intelligent use of 'waste' heat from steam"; *Oct.* 7, "Flash steam on the agenda"; *Oct.* 21, "Better condensate return systems"; *Nov.* 4, "A place for the automatic pump"; *Nov.* 18, "Heat transfer summing up"; *Dec.* 2, "The more you know about process steam"; *Dec.* 16, "Two instructional courses for steam executives"; *Dec.* 30, "For advice on process steam problems."

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BRITISH IRON AND STEEL FEDERATION

60

another matter. But on the intention of promoting further measures of nationalisation or not, it cannot really be said that any light has been shed at all.

* * *

TUC on Public Ownership

In sudden contrast, the general council of the TUC has produced for submission to the Brighton congress a report on the public control of industry in which there is some plain speaking. This report examines briefly the working of nationalisation in the industries to which it has been applied, and while it speaks kindly of the efforts that have been made, it refuses to pronounce a verdict or draw any general conclusion that might be held to justify any new adventures in nationalisation at present. It defends the Coal Board against charges of unreasonable price increases. Nationalisation of electricity is given credit for having "made it possible to begin a planned expansion of generating plant and services." Public ownership of civil aviation has permitted the building up of air services at a time when "they were inevitably uneconomic." These are not lavish praises, and on nationalised gas and transport the report refuses to pronounce any opinion at all. In general it is held to be too early yet to judge the results with any confidence, and in any case they provide "little basis for judgment on the likely results of nationalisation in more competitive industries." Finally, there is a plain hint to the draftsmen of political programmes:

> It is certain that there is a great deal still to be done to Improve the structure and operation of the publicly owned industries and common sense indicates that at the present time efforts should be concentrated on making such improvements.

The report shows a rather more positive interest in the possibility of using other forms of public control to achieve the industrial purposes of the Labour movement—purposes that it takes to be "economic stability" (or full employment), better wages and conditions, the greater equalisation of incomes, and "industrial democracy." It gives guarded approval to the idea of "selective" and "competitive" public ownership—but declares with emphasis that if the State is to venture into industry in competition with private firms, then the competition must be genuine, with no concealed subsidies. It recognises raw material controls, licensing, and price controls as emergency devices that can be fully effective only in conditions of war or shortage; "an ordered relaxation" may be all that is possible now. It looks at the Monopolies Commission and finds it depressing. With some penetration it picks out the structural weakness of the Development Council—

> the apparent contradiction in the statutory character of a body set up to promote voluntary action by an industry to reorganise itself

—and recognises the fear of employers that development councils may prove to be a step to public ownership.

The biggest surprise in the document is its selection of the statutory Board of Control as "an alternative method of public control over private industry which deserves further consideration"; the Iron and Steel Board, now deceased, is bravely quoted as an example. This would be an alternative to public ownership and to development councils alike. But, the report says, such boards would need one power that the Iron and Steel Board did not have—"the power to set up their own undertakings, either to promote development which would not otherwise take place or to act as a yardstick of efficiency for the rest of the industry." Can it be that the TUC and the British Iron and Steel Federation are not, after all, so far apart in their views?

* * *

Dollar Loan for Australia

Mr Menzies' recent mission to Washington has borne some early fruit. The International Bank for Reconstruction and Development has announced that a loan of $100 million is to be made to the Australian Government so that the Dominion can buy certain capital goods and equipment needed for public and private development projects over the next two years. The loan is for a term of 25 years and will carry interest at 3¼ per cent plus the usual World Bank commission charge of 1 per cent per annum. This seems to be the largest single loan made by the World Bank since its pre-Marshall Aid loans to France and the Netherlands in 1947.

It is certain that the Bank has made no loan with less misgivings or fuss. Australia, with some £400 million of accumulated sterling funds, with a large (though dwindling) active balance on current account, and with an undisputed right of recourse to the sterling area's rising dollar reserves, is clearly a very good credit risk. Whether the development programme that this loan will assist is wisely timed from Australia's own point of view is more open to doubt. In a recent article in the *Financial Times*, Sir Douglas Copland, the doyen of Australian economists, declared that "Australia has not yet solved the problem of limiting the level of government expenditure in boom periods" since the "Australian temperament is not altogether well suited to deflation." If this means that the Dominion is temperamentally obliged to buy capital equipment at the very moment when the price of that equipment is likely to be soaring to a peak, then hopes that a sound economic basis will be laid to the development of its under-populated areas are likely to be disappointed. Mr Menzies reveals this week that plans for their development are very far-flung indeed; when the present World Bank loan is exhausted another of $150 million is apparently in prospect.

* * *

Confusion in Base Metals

Confusion has been the dominant note in the base metal market this week. On Monday the tin market recovered some of its poise after the setback of the previous week; the London spot price jumped by nearly £50 to £820 a ton, against £768 on Thursday last week. Wednesday saw another relapse—the price slumped by £30, but recovered nearly half this loss on the following day. The market is, of course, operating under completely artificial conditions and it is bound to be erratic. Much will depend on whether the United States will once more restrict the industrial use of tin, or whether it will refuse to purchase for the stockpile at above a certain price. Arrangements are being made for the tin conference, which is to discuss the proposed commodity scheme in Geneva towards the end of October. In present circumstances this conference must seem somewhat unrealistic and the American Government is more likely to press for the resuscitation of the Combined Tin Committee than for a scheme to guarantee profitable prices to producers.

At the beginning of the week, the official New York price for copper at last started to rise. American copper consumers have been paying a premium of anything between 2 and 5 cents a lb. above the official price of 22½ cents a lb. (£180 a ton) for some weeks. On Monday a small smelter raised its selling price to 24½ cents a lb. (£196); some other producers followed this lead, though the big concerns kept their official selling price at 22½ cents a lb. The Ministry of Supply, raised its selling price by £16 to £202 a ton. By Wednesday, however, the fear that the higher price might induce President Truman to impose price control caused the smelters to cut their price back to 22½ cents a lb., and the Ministry of Supply had no option but to reverse engines and its price to £186 a ton.

Lead also became dearer this week. Its price in New York rose 1 cent to 14 cents a lb. (£112 a ton) and the Ministry raised its selling price correspondingly by £8 to £112 a ton. Zinc has so far remained unchanged but many consumers have to pay anything up to 3 cents above the official price of 15 cents a lb. (£129 a ton).

Copper Price Quandary

The higher copper price put the Rhodesian producers in a dilemma—a dilemma happily resolved two days later when the price returned to its former level. But the principle involved was an interesting one. Six weeks ago when the American import duty of 2 cents a lb. was re-imposed on copper, the producers agreed "not to take advantage in their pricing arrangements with the Ministry of any increase in the American price due to imposition of the U.S. import duty." The question was whether the recent rise in price was a reflection of the recently re-imposed import duty. Most American consumers have been paying more than 24½ cents a lb. for copper irrespective of the import duty. American base metal market, dominated by integrated concerns which are interested both in producing and consuming the metals, has found it politic to hold the price at a lower level than would have obtained in a more highly organised market. On this basis, Rhodesian producers tend to receive a lower price than they might otherwise get. But that is no argument for passing on to them the benefit of an American import duty. The British purchase price clearly should be equivalent to that which the Rhodesian producers could earn by selling their copper in the American market. Such difficulties as these would not arise if dealings in copper were permitted on the London market.

COPPER RESULTS
YEARS TO JUNE 30TH

	Roan Antelope		Mufulira	
	1949 £000's	1950 £000's	1949 £000's	1950 £000's
Revenue from sales	6,581	7,895	8,618	8,761
Operating expenditure	3,990	4,553	3,790	4,149
Stock differences	+ 188	+ 98	− 43	+ 345
Operating surplus (estimated)	2,779	3,440	4,785	4,957
London expenditure and interest (net)	116	108	92	72
Provision for replacement and obsolescence	700	700	500	500
Estimated profit before taxation	1,963	2,632	4,193	4,385
Sales of blister copper (long tons)	54,662	62,059	70,966	69,350
Production of blister copper (long tons)	56,162	63,557	70,966	76,848

This situation helps to explain why prices of Rhodesian copper shares have been slow to reflect the possibility of such an increase in the price of the commodity as occurred this week. Nchanga has been an exception, with a rise from 62s. 6d. to 82s. 6d. since the Korean war started; this is explained by the company's decision to raise its annual milling capacity to 108,000 tons from the recently attained level of 64,000 tons a year. Nor did the publication this week of satisfactory results of Roan Antelope and Mufulira for the full year up to June 30th (summarised in the accompanying table) give the remainder of the share market the fillip it has been looking for, though some advance has been made. The most hopeful aspect of these results is the expansion in production, most marked in the case of Roan Antelope—which also succeeded in increasing its profit, before taxation, from £1,963,000 to £2,632,000. The modest rise in profit of Mufulira is due to the small increase in sales; but since its output increased from 70,966 long tons to 76,848 long tons of blister copper, a bigger profit is possible in future periods. Rising production on the Rhodesian copper belt, most marked in the latest quarterly results, is a reassuring sign that the shortage of fuel which has dogged the efforts of the producers in recent years, has been eased.

* * *

Legerdemain in France

It is at first sight peculiar, and really remains so even upon closer scrutiny, that to secure command of francs the French Treasury should have to borrow dollars in the United States. Yet that seems to be the reason for the $225 million of loans that the French Treasury arranged last week with a syndicate of twenty-five American banks headed by the Chase National Bank and J. P. Morgan and Co. The first loan is for $200 million in three portions—$50 million for three years, $50 million for four years, and $100 million for five years. The shortest portion carries 2¼ per cent, and the others are at 2½ per cent. The second loan of $25 million is also at 2½ per cent, and is by way of unsecured 90-day bills renewable three times.

The curious explanation of these borrowings is that the Banque de France cannot lend any more francs to the French Treasury without specific approval from the Assembly, but it can lend more to the French Stabilisation Fund as and if the latter's foreign exchange reserves increase. The Treasury has, therfore, resorted to borrowing dollars in the United States. It will sell these dollars to the Stabilisation Fund, which will invest them in United States Treasury bills or certificates of indebtedness; it seems in fact to be a condition of the $200 million loan that such bills or certificates should be bought and deposited with the lending banks as collateral. The Stabilisation Fund will pay the Treasury for these dollars by borrowing French francs from the central bank on the strength of the increase in its foreign exchange holdings. All this is apparently being done in the name of orthodox finance—in fact, of course, the inflationary significance of the real outlay to be "financed" in this way will not be decreased by the paraphernalia of this borrowing in New York. The French Government, however, is faced by the fact that public response to a bond issue would certainly be poor and that the commercial banks are unwilling to increase their holdings of Government paper. So long as the level of "real" savings out of current income (whether lent for active use or hoarded in idle cash) permits the Government to step up its real investment programme, some way to break through the legal and psychological shackles on its borrowing powers must be found.

* * *

Auction or Allocation for Wool?

Wool prices during the 1950-51 season are expected to reach new high levels. The war-time stocks held by the Joint Organisation had by the end of June been reduced to under 500,000 bales, so that almost 10 million bales have been sold within five years. The remaining stock consists largely of inferior types, and in the first half of the current season only 250,000 bales of it will be offered against 550,000 bales in the first half of last season. If world wool production in-

STOCKS OF WOOL HELD BY THE JOINT ORGANISATION
JUNE 30, 1950
(Thousand Bales)

	Greasy			Scoured	Carbonised* and Sliped†	Native, Karakul, etc.	Total
	60 & over	56's & 58's	Under 56's (a)				
Countries of origin:							
Australia	184·3	66·8	18·6	98·6	10·8*	...	379·1
					24·2†	...	103·8
New Zealand	0·6	3·3	74·3	1·4	...	1·5	1·5
South Africa	...	...	...	...	...		
TOTAL	184·9	70·1	92·9	100·0	35·0	1·5	484·4
Located in:							
United Kingdom(b)	61·3	30·9	14·7	48·5	10·8*	...	166·2
Australia	0·6	2·7	45·2	1·4	22·5†	...	72·4
New Zealand	...	...	...	...	...	0·3	0·3
South Africa	...	...	...	...	...		
TOTAL	61·9	33·6	59·9	49·9	33·3	0·3	238·9
Australia	123·0	35·9	3·9	50·1	...	...	212·9
New Zealand	...	0·6	29·1	...	1·7†	...	31·4
South Africa	...	...	...	...	...	1·2	1·2
TOTAL	184·9	70·1	92·9	100·0	35·0	1·5	484·4

(a) Includes small quantities of greasy 56's. (b) Includes in transit to UK.
Source: UK-Dominion Wool Disposals Ltd.

creases by three per cent as expected, available supplies would still be a million bales less than the actual rate of consumption in 1949-50. Hence if no allocation scheme is introduced for raw wool, prices will tend to rise until effective demand is curtailed to this reduced level of available supplies. But demand during the current season is likely to expand—first, because a high level of incomes is being maintained in the United States and Europe; secondly, because demand for service uniforms will almost certainly increase; thirdly, because America—if not other countries too—wishes to accumulate a strategic reserve.

If the reduced supplies of wool are to be channelled to cover military requirements, then one of three things must take place. The price of wool at the auctions could be bid to such a height as to make its use unprofitable for certain civilian purposes. The auction system could be replaced by an international allocation scheme. Or countries such as the United States that desire to increase their demand for wool for strategic purposes could at the same time limit their commercial demand for wool by restricting domestic production of certain civilian manufactures. The American Government is known not to favour the maintenance of a free market under present conditions, if only because it would permit other merchants to outbid American buyers in the hope of later reselling the wool to the United States at even higher prices.

* * *

America and the Wool Market

The American Government suggested to Mr E. McCarthy (the Australian Deputy High Commissioner in London), during his recent visit to Washington, that some method should be instituted to enable purchases for strategic purposes to be made outside the market and at fixed prices. Mr McCarthy actually went to the United States to get American backing for the Commonwealth scheme to "stabilize" wool prices. This scheme is virtually the same as that operated by the Joint Organisation: it would guarantee a minimum price to the wool grower without providing any ceiling for the consumer. The American Government was not very sympathetic, since wool prices are likely to remain at a very profitable level for wool growers for some time to come: it was more concerned with securing an adequate supply at reasonable prices.

As a method of allocating scarce supplies during a phase of urgent rearmament, the unfettered price mechanism may have its disadvantages. But it is very questionable whether they outweigh those of the only alternative methods. A system of "planned" allocations might prevent prices from rising sharply, but on what basis would a country's legitimate needs be assessed? None of the postwar years can be regarded as normal, and the pattern of trade prewar was vastly different. The political difficulties inherent in any international allocation scheme would be almost insurmountable. During the recent war allocation was successful because Britain and America were the only large wool consumers and their aggregate demand was much smaller than available supplies. Indeed, by the end of the war Britain had accumulated a stock of 10.4 million bales of wool—a stock that the Joint Organisation has now almost liquidated.

* * *

Malaya Earns More Dollars

In the six months ending June, 1950, Malaya has recorded a favourable trade balance for the first time since the war. Imports were valued at £129 million and exports at £140 million, giving a surplus of £11 million compared with a deficit of £17 million in the corresponding period of 1949. Malaya has in fact gained from the higher price of rubber, particularly in the second quarter of the year. Rubber exports amounted to 458,000 tons and were valued at £68 million, while tin exports (38,300 tons) yielded £22 million. These two commodities alone accounted for 70 per cent of Malaya's total exports during the period.

Malaya has fully maintained its position as the Commonwealth's largest dollar earner. Exports of rubber to the United States (167,085 tons) were valued at £24 million and shipments of tin (27,034 tons) at £15 million. As imports from America amounted to only £4 million, Malaya's net dollar earnings totalled over £35 million or U.S. $103 million at the present rate of exchange. Thus despite the devaluation of sterling, Malaya earned approximately U.S. $38 million more than in the first half of 1949. Judging from present trends in both the rubber and tin markets, it is likely to make an even more substantial contribution to the dollar earnings of the sterling area during the second half of the year.

Although the United States is Malaya's largest market, Britain is its largest trading partner. In the first six months of this year, Britain took £20 million of its exports, of which £14 million was rubber. On the other hand Britain provided £27 million worth of its imports consisting mainly of consumer goods and metal manufactures. Indonesia is Malaya's third largest trading partner. During the period Malaya received £27 million worth of goods from this source, mainly in the form of primary products for transhipment from Singapore. Malaya's exports to Indonesia totalled £11 million. Britain, the United States and Indonesia together accounted for almost half of Malaya's total trade.

* * *

Export Volume in 1950

The detailed trade figures for July add little to the impression gleaned from the provisional data that were discussed in a note on page 382 of last week's issue. The volume of exports for the month has been estimated at 163 per cent of the 1947 level compared with 153 per cent in the second quarter and 157 per cent in the first quarter. Exports of the three categories food, drink and tobacco, chemicals, drugs and dyes and non-ferrous metals and manufactures each reached record proportions. The main item in the non-ferrous group was the shipment of 3,092 tons of tin—the largest quantity for about four years—most of which went to the United States. Exports of motor cars declined somewhat owing to a sharp fall in shipments to Australia. But exports to Canada continued to increase and Canada became Britain's chief market for new cars and chassis for the first time in history. Among textiles, exports of wool manufactures continued to expand—particularly to the United States and Canada—while exports of cotton goods continued to decline.

The buoyancy of the export drive can be seen from the accompanying table, which shows the volume of exports based on the Board of Trade's index numbers. In the second quarter of this year, the volume of exports declined slightly but it was appreciably higher than twelve months ago. The full force of the export drive is perhaps better appreciated when it is realised that the volume of exports in 1947, the base year for the index numbers, was approximately the same as that in 1938. In other words, the quantity of goods shipped abroad this year has been some 50 per cent larger than in the prewar year. That is indeed an achievement. Most of the rise in the value of exports has in fact been due to the larger quantity. The volume of exports in the first half of this year was 11 per cent more than in the corresponding period of 1949, while prices of exports during the period rose on average by between 4 and 5 per cent.

The much larger volume of raw materials exported is due almost entirely to increased shipments of coal and home grown wool; exports of both of these commodities were very small in 1947. During the past three years, manufactures have increased by 55 per cent. Vehicle exports have expanded rapidly during the past nine months. Machinery has also

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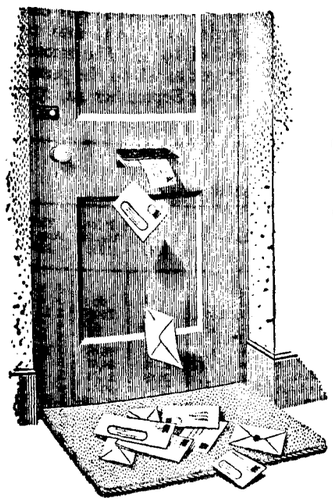
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increased but not so sharply, while exports of iron and steel have been rising steadily since the end of the war and now occupy third place in value. The volume of cotton goods exported was much smaller than in the first half of 1949, but exports of wool manufactures were larger. Other textiles were also above their 1949 level, though exports of apparel were less. Cutlery and electrical goods were smaller than last year, but pottery exports have been increasing steadily during the past six months.

VOLUME OF BRITAIN'S TRADE
(Board of Trade Index Numbers)

	Retained Imports				Exports			
	Food, Drink, Tobacco	Raw Materials	Manufactures	Total	Food, Drink, Tobacco	Raw Materials	Manufactures	Total
1947	100	100	100	*100*	100	100	100	*100*
1948	102	104	111	*105*	138	152	125	*127*
1949 —								
1st Qtr.	101	105	115	*106*	114	140	145	*111*
2nd ,,	109	120	126	*115*	128	153	155	*135*
3rd ,,	112	125	125	*118*	129	164	152	*132*
4th ,,	118	117	112	*116*	172	237	142	*147*
Year ..	119	117	120	*114*	145	184	159	*139*
1950 —								
1st Qtr.	110	111	117	*111*	167	256	156	*157*
2nd ,,	112	138	130	*123*	140	213	154	*153*

The volume of imports in the first half of this year was some 7 per cent higher than in 1949 while import prices have risen by about 10 per cent. Larger quantities of food (in particular grain and dairy produce) have been received, but the main increase has occurred in raw materials. Exceptionally large quantities of rubber have been imported during the first six months and of oilseeds and paper-making materials during the second quarter. Imports of raw wool and iron ore and scrap have also been larger than a year ago. On the other hand receipts of raw cotton, timber and non-ferrous metals have been smaller.

Shorter Notes

The Austin Motor Company has confirmed the receipt in the last few days of an order for "some thousands of British light four-wheel drive vehicles exclusive of engines" to be made to the specifications of the fighting vehicles division of the Ministry of Supply. The order for the engines has not yet been placed. The company states that production to this order will be additional to the normal work of the Longbridge factory and "will not affect home and export markets."

*

Another electric power contract at Seattle, the second this year, has been awarded to an American firm in preference to a British firm which had submitted a much lower tender. The (American) General Electric Company's tender to supply two transformers at a price of $370,000 has been accepted; the British competitor, Ferranti, Ltd., had quoted $232,000, but it has been stated in Seattle that the British firm was not able to meet the delivery date requirements.

*

Plant for the manufacture of silicones is to be installed in Britain by Albright and Wilson Limited. For the past four years the firm has been acting as British distributor for the American Dow Corning Corporation which developed the silicones and is the largest producer in the United States. Silicones are used in a number of forms, including varnishes, rubbers, greases, fluids. Their most remarkable and most valuable characteristic is the wide range of temperatures within which they maintain their properties. Silicone rubber remains flexible over the entire temperature range between *minus* 110 deg. F. and 500 deg. F.

*

In the face of opposition from a group representing 35 per cent of both classes of preference shareholders the Tunnel Portland Cement scheme for segregating the group's overseas assets has been abandoned.

*

Offers of 10 year convertible notes are shortly to be made to shareholders of Freddies North Lease Area and Freddies South Lease Area to finance the increased cost of bringing the mines to the production stage. The notes will carry interest at 5 per cent and the right to convert into 10s. ordinary shares at par up to the end of 1952. The amounts of the issues will depend on the extent to which the present options to take up 10s. shares at par by September 12, 1950, are exercised.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement.

Prices, Year 1950 Jan. 1 to Aug. 23 High	Prices, Year 1950 Jan. 1 to Aug. 23 Low	Name of Security	Price, Aug. 16, 1950	Price, Aug. 23, 1950 (n)	Net Yield, Aug. 23, 1950 £ s. d.	Gross Yield, Aug. 23, 1950 £ s. d.
		British Funds				
101$\frac{3}{32}$	100$\frac{1}{8}$	War Bonds 2½% Aug. 1, 1949-51	100$\frac{1}{8}$	100$\frac{1}{8}$	0 7 1	1 11 0
100$\frac{7}{8}$	98$\frac{1}{8}$	War Bonds 2½% Assented	99$\frac{1}{8}$	99$\frac{1}{8}$	1 9 3	2 12 0
102	101$\frac{1}{8}$	War Bonds 2½% Mar. 1, 1951-53	101$\frac{1}{8}$	101$\frac{1}{8}$	0 14 8	1 16 10
102$\frac{13}{16}$	100$\frac{13}{16}$	War Bonds 2½% Mar. 1, 1952-54	102$\frac{1}{8}$	102$\frac{1}{8}$	0 15 5	1 17 6
101$\frac{15}{16}$	100	Exch. Stk. 2½% Feb. 15, 1955..	101$\frac{1}{8}$	101$\frac{1}{8}$	0 19 2	1 19 5
103$\frac{1}{8}$	100$\frac{1}{8}$	War Bonds 2½% Aug. 15, 1954-56	102	102$\frac{1}{8}$	1 0 6	2 2 10
102$\frac{5}{8}$	101$\frac{1}{8}$	Funding 2½% June 15, 1952-57.	102$\frac{1}{8}$	102$\frac{1}{8}$	1 3 6	2 8 8
104$\frac{1}{16}$	102	Nat. Def. 3½% July 15, 1954-58.	102$\frac{1}{8}$	103$\frac{1}{8}$	1 5 0	2 11 11
104$\frac{13}{16}$	101$\frac{1}{8}$	War Loan 3½% Oct. 15, 1955-59.	103$\frac{1}{8}$	104$\frac{1}{8}$	1 4 10	2 12 5
101$\frac{15}{16}$	96$\frac{1}{8}$	Sav. Bonds 3% Aug. 15, 1955-65	99$\frac{1}{8}$	100$\frac{1}{8}$	1 12 4	2 19 3
100$\frac{1}{8}$	97$\frac{1}{8}$	Funding 2½% April 15, 1956-61.	99$\frac{1}{8}$	99$\frac{1}{8}$	1 8 9	2 12 3
99$\frac{1}{8}$	98$\frac{1}{8}$	Funding2½%April15,1956-61'A'	99$\frac{1}{8}$	99$\frac{1}{8}$	1 8 9	2 11 10
99$\frac{7}{8}$	95	Funding 3% April 15, 1959-69..	98$\frac{1}{8}$	98$\frac{1}{8}$	1 15 2	3 3 2
108$\frac{3}{8}$	104$\frac{7}{8}$	Funding 4% May 1, 1960-90....	108$\frac{1}{8}$	108$\frac{7}{8}$	1 6 7	3 2 5
98$\frac{3}{8}$	94$\frac{1}{8}$	Sav. Bonds 3% Sept. 1, 1960-70	96$\frac{1}{8}$xd	97$\frac{1}{8}$xd	1 16 0	3 3 4
95$\frac{1}{8}$	91$\frac{1}{8}$	Sav. Bonds 2½% May 1, 1964-67	94$\frac{1}{8}$	95	1 15 0	2 18 10
110$\frac{7}{8}$	106$\frac{1}{8}$	Treas. Bonds 4% Sept. 1, 1920-76	108$\frac{1}{8}$xd	108$\frac{1}{8}$xd	1 10 7	3 4 5
96$\frac{1}{8}$	91$\frac{1}{8}$	Sav. Bonds 3% Aug. 15, 1965-75	94$\frac{1}{8}$	95$\frac{1}{8}$	1 17 5	3 5 3
105$\frac{1}{8}$	100	Consols 4% (after Feb. 1, 1957).	103$\frac{1}{8}$	104$\frac{1}{8}$	2 2 4	3 17 0
97	91$\frac{1}{8}$	Conv. 3½% (after Apr. 1, 1961).	95$\frac{1}{8}$	96$\frac{1}{8}$	2 0 1	3 13 4
72$\frac{1}{8}$	66$\frac{1}{8}$	Treas.Stk.2½%(after Apr.1,1975)	70$\frac{1}{8}$	72$\frac{1}{8}$	1 18 4	3 10 2
84$\frac{7}{8}$	79$\frac{1}{8}$	Treas.Stk.3%(afterApr.5,1966).	83$\frac{1}{8}$	84$\frac{1}{8}$	1 19 3	3 11 9
103$\frac{1}{4}$	99	Treas. Stk. 3½% June 15,1977-80	101$\frac{1}{8}$	103	1 16 3	3 7 6
91$\frac{1}{8}$	86$\frac{1}{8}$	Redemp. Stk. 3% Oct. 1, 1986-96	90$\frac{1}{8}$	91$\frac{1}{8}$	1 19 1	3 8 5
95$\frac{1}{8}$	90	War Loan 3½% (after Dec. 1, 1952)	94$\frac{7}{8}$	95$\frac{1}{8}$	2 0 7	3 14 2
72$\frac{1}{8}$	68$\frac{1}{8}$	Consols 2½%	70$\frac{1}{8}$	72$\frac{1}{8}$	1 18 3	3 9 8
97	92$\frac{1}{8}$	Brit. El. 3% Gd. Apr. 1, 1968-73.	96$\frac{1}{8}$	96$\frac{7}{8}$	1 17 1	3 5 5
95$\frac{1}{8}$	91$\frac{1}{8}$	Brit. El. 3% Gd. Mar. 15, 1974-77	94$\frac{1}{8}$xd	94$\frac{1}{8}$xd	1 17 9	3 5 7
102$\frac{1}{8}$	99	Brit.El.3½% Gd.Nov.15, 1976-79	100$\frac{1}{8}$	102$\frac{1}{8}$	1 16 11	3 8 3
92$\frac{1}{8}$	86$\frac{1}{8}$	Brit. Tpt. 3% Gd. July 1, 1978-88	90$\frac{1}{8}$	92$\frac{1}{8}$	1 19 1	3 7 10
96$\frac{7}{8}$	92$\frac{1}{8}$	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	96$\frac{1}{8}$	93$\frac{1}{8}$	1 17 3	3 5 7
91$\frac{1}{8}$	85$\frac{1}{8}$	Brit. Gas Gd. 3% May 1, 1990-95	90$\frac{1}{8}$	91$\frac{1}{8}$	1 19 2	3 8 5

Prices, Year 1950 Jan. 1 to Aug. 23 High	Prices, Year 1950 Jan. 1 to Aug. 23 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Aug. 16, 1950	Price, Aug. 23, 1950	Yield, Aug. 23, 1950 £ s. d.
					Other Securities			
100$\frac{3}{8}$	95$\frac{1}{8}$	% (d)		% (d)	Australia 3½% 1965-69.....	97$\frac{1}{8}$	99	3 6 5
101$\frac{1}{8}$	99$\frac{3}{8}$	(d)		(d)	Birmingham 2½% 1955-57..	100$\frac{1}{8}$	100$\frac{1}{8}$	2 13 0
8$\frac{1}{8}$	6$\frac{1}{8}$	50	*c*	60 *c*	Anglo-American Corp.. 10/-	6$\frac{13}{16}$	6$\frac{1}{8}$	4 7 3
7$\frac{1}{8}$	5$\frac{1}{8}$	5	*a*	25 *b*	Anglo-Iranian Oil, £1.....	5$\frac{1}{8}$	5$\frac{1}{8}$	5 4 3
78/3	67/9	5	*a*	10 *b*	Assoc. Electrical, Ord. £1..	76/6	76/6	3 18 5
87/-	71/6	7$\frac{1}{2}$	*a*	15 *b*	Assoc. Port. Cem., Ord. Stk. £1	83/6	84/6	5 6 6
25/7$\frac{1}{2}$	17/9$\frac{1}{2}$	40	*c*	40 *c*	Austin Motor, Ord. Stk. 5/-..	24/9	24/9	3 7 9m
70/7$\frac{1}{2}$	66/-	7	*b*	7 *a*	Barclays Bank, Ord. 'B' £1..	68/-	69/-	4 1 2
145/-	129/-	†19	*b*	†5 *a*	Bass Ratcliff, Ord. £1.....	135/7$\frac{1}{2}$	136/10$\frac{1}{2}$	3 10 0†
98/-	87/4$\frac{1}{2}$	8	*a*	12 *b*	British Oxygen, Ord. £1.....	95/-	95/6	4 3 9
39/3	32/1$\frac{1}{2}$	2$\frac{1}{2}$	*a*	5 *b*	Courtaulds, Ord. £1.....	37/3	37/6	4 0 0
19/5$\frac{1}{2}$	16/6	5	*a*	15 *b*	Distillers Co., Ord. 4/-.....	18/6	19/3xd	4 3 1
32/9$\frac{1}{2}$	28/9	8	*c*	8 *c*	Dorman Long, Ord. £1.....	31/9	32/3	4 19 3
63/6	59/-	15	*c*	15 *c*	Dunlop Rubber, Ord. £1.....	60/9	61/3	4 17 11
44/3	39/6	3	*a*	7 *b*	Imp. Chem. Ind., Ord. Stk. £1	42/1$\frac{1}{2}$	43/6	4 11 11
109/4$\frac{1}{2}$	95/-	18$\frac{1}{2}$	*b*	13$\frac{1}{2}$ *a*	Imperial Tobacco, £1.....	99/4$\frac{1}{2}$	100/7$\frac{1}{2}$	6 7 2
37/3	29/7$\frac{1}{2}$	10	*c*	5 *a*	Lancs. Cotton, Ord. Stk. £1.	36/9	36/9	5 8 10
44/6	38/1$\frac{1}{2}$	10	*c*	10 *c*	Lever & Unilever, Ord. £1..	38/9	40/-	5 0 0
63/-	51/9	15	*c*	15 *c*	London Brick, Ord. Stk. £1.	53/9xr	53/9	5 11 7
82/9	69/6	15	*a*	45 *b*	Marks & Spencer ("A").. 5/-	76/-	75/9	3 19 3
43/9	33/3	7$\frac{1}{2}$	*a*	17$\frac{1}{2}$ *b*	Pchin Tyson, Ord. Stk. 10/-	38/-	40/-	6 5 0
48/9	41/-	8	*a*	4 *b*	P. & O., Def. Stk. £1.....	47/6	47/6	5 1 1
33$\frac{1}{8}$	27$\frac{1}{2}$	†77$\frac{1}{2}$	*c*	†77$\frac{1}{2}$ *c*	Prudential 'A' £1.....	31	31	2 9 9†
56/7$\frac{1}{2}$	50/-	12$\frac{1}{2}$	*c*	12$\frac{1}{2}$ *c*	Stewarts & Lloyds, Def. £1.	56/-	56/-	4 9 3
70/2$\frac{1}{2}$	59/3	†12$\frac{1}{2}$	*a*	†5 *b*	"Shell" Transpt., Ord. Stk. £1	62/6	63/9	2 7 1†
6$\frac{1}{16}$	5$\frac{1}{8}$	12$\frac{1}{2}$	*b*	12$\frac{1}{2}$ *a*	Tube Invst., Ord. Stk. £1..	6$\frac{1}{8}$	6$\frac{1}{8}$	4 0 9
85/3	73/3	3$\frac{1}{2}$	*a*	11$\frac{1}{2}$ *b*	Turner & Newall, Ord. Stk. £1	80/-	80/-	3 15 0
33/6	27/-	8	*c*	8 *c*	Union Castle Ord. Stk £1...	32/6	32/6	4 18 6
48/4$\frac{1}{2}$	41/9	27$\frac{1}{2}$	*b*	15 *a*	Woolworth (F. W.) Ord. 5/-	45/6	45/-	3 17 9m

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (*n*) Net yields are calculated after allowing for tax at 9s. in £. (*f*) Flat yield. • Assumed average life 14 years 3 months.

(*a*) Interim. (*b*) Final. (*c*) Whole year. (*d*) Int. paid half-yearly. (*f*) To latest redemption date. † Free of tax. (*m*) Yield basis 35%. (*n*) Yield basis 26⅔% after capital bonus.

COMPANY MEETINGS

BLEACHERS' ASSOCIATION, LIMITED

JUBILEE YEAR

TAXATION UNDERMINING EFFICIENCY AND PROGRESS

SIR WILLIAM CLARE LEES' REVIEW

The fifty-first annual general meeting of Bleachers' Association, Limited, was held on August 18th in the Assembly Room, Blackfriars House, Parsonage, Manchester.

Sir William Clare Lees, Bt. (the chairman), presided.

In proposing the adoption of the report and accounts, Sir William said:

Ladies and gentlemen,—May I take it that the report and accounts, which have been circulated, be taken as read?

Since we last met we have suffered the loss of our chairman, Sir Alan Sykes. Sir Alan was the last of the original directors of the company and had been chairman for 34 years. He was greatly looking forward to presiding at this jubilee meeting but, to our great regret, he died on May 21st. Your directors have done me the honour of appointing me to the chairmanship in his stead.

During the year Mr T. H. Cooke has been elected a director of your company. Mr Cooke has already been closely connected with us in his capacity of managing director of one of our associated companies. We are well assured from our knowledge of him and experience of his energy and ability that his appointment to our board will be of material advantage to the company. You will be asked at a later stage in the proceedings to confirm this appointment.

This is our jubilee year. I am glad that it happens to coincide with a year in which the trading results have not only maintained but have improved upon the increase recorded last year. As this is the second year in which the accounts have been presented in accordance with the requirements of the Companies Act, 1948 we are able to supply you with the comparable figures for last year, and these you will find printed in red on the balance sheet.

INCREASED RESERVES

The association's balance sheet, after the additions made during the year and the deductions in respect of sales of property and the provision for depreciation, shows a small reduction in the value of the fixed assets. Shares in subsidiary companies show an increase of about £75,000—reflecting the cost of an addition to one of our subsidiary groups—and the total of our investments appears at the fairly substantial figure of £1,473,700. Current assets are increased this year by nearly £325,000. There is an increase of £143,000 in advances to subsidiary companies representing the additional working capital required by our branches. Tax reserve certificates are increased by £100,000 and cash at the bank by £117,000.

On the other side of the balance sheet it will be seen that the reserves have again been strengthened—the general reserve by £100,000 and the contingencies fund also by a further £100,000. The need for this reserve is emphasised by the inadequate amount we are allowed to deduct for the depreciation of our assets before taxation. I shall have something more to say upon that subject a little later on. You will see that in the profit and loss account the total charge for income-tax and profits tax against the year's profits amounts to £418,223—an increase of more that £88,000 over the amount charged in the previous year.

In comparison with the large amount required for taxation, the balance of the profit and loss account, available for distribution and reserves is only £364,117—an increase of £67,000 over last year.

MODEST RETURN ON CAPITAL

There are no important changes in the consolidated accounts other than those recorded in the balance sheet of the association, and these, in the main, reflect the increased liquid resources of the company.

There is, however, one fact to which I should like to refer and which is best illustrated by reference to the consolidated accounts. If we add to the balance of the consolidated profit and loss account the amount paid in debenture interest and the amount transferred to the taxation allowances equalisation account, we arrive at a figure of £484,260, which represents the profit available to remunerate the whole of the capital employed in the group. In this capital I include the debenture stock, which is an essential part of the capital employed, as also are the capital and revenue reserves and the undistributed profits.

The amount of capital so employed in the business is nearly £8,500,000 and the profits available for its remuneration are equivalent to rather less than 6 per cent. on that amount. By no stretch of imagination can the profits of the business be termed excessive.

You will have observed from the report of the directors that we are proposing the payment of a dividend on the ordinary stock at the rate of 5 per cent., so repeating last year's payment. In addition to that it is recommended that a special jubilee bonus at the rate of 2½ per cent. shall be paid on the ordinary stock, and we have provided a sum of £25,000 for the payment of a bonus to the employees of the association in proportion to their length of service. I feel sure we can count on your approval of this proposal which enables our employees to join with the stockholders in celebrating the jubilee of the association.

CLOTH OUTPUT

We have had many ups and downs in our fortunes during the 50 years which have passed since the formation of the Association. For the first 12 years the output of the looms of Lancashire steadily increased until in 1912 the production reached the colossal total of 8,000 million yards. Of that production of cotton piece goods in the grey state 31 per cent. (roughly 2,500 million yards) was bleached, mainly for export, and we got our share of that very large volume of cloth. Over 1,000 million yards of that output was exported in the white state to the three main piece goods markets of the world at that time—India, China and South America. By 1937 the total output of the looms had dropped to 3,600 million yards, the proportion bleached having fallen to 25½ per cent. of that greatly reduced total. Since the end of the war the average annual output of grey cloth has been about 1,745 million yards, but latterly it has been at an increasing rate and in 1949 amounted to just over 2,000 million yards. When the figure giving the proportion bleached is published, it will probably be rather less than 500 million yards—barely one-fifth of the maximum attained in 1912. Little wonder that under these conditions it was found necessary to concentrate our output into a much smaller number of units. Had we not done so, we should not have been in the sound position in which we find ourselves today.

Over the last 20 years we have branched out into a number of activities of various kinds, and this has enabled us to open up some of the works which had been closed in addition to embarking upon other enterprises in different places.

During the year several of your directors and members of the staff have made journeys abroad in the interests of your company. The United States, Canada and several European countries have been visited, thus keeping us in touch with what is going on in other places.

PENAL TAXATION

The question of taxation, to which I referred a moment or two ago, is one of most serious moment not only for the shareholders of limited liability companies but, above and beyond that, it is undermining the efficiency and progress of all manufacturing industries. It is not primarily a political party question. Whichever party may be in power, great and fundamental changes must be demanded if the industrial fabric of the nation is to be modernised and maintained in an efficient condition.

There are two factors which are operating against industry at the present time—the first is the tax on profits, distributed or reserved, which is unsound in principle and discriminatory in its incidence. The penal tax of 30 per cent. on dividends paid to shareholders has no justification on the ground of checking inflation. On the contrary, it is a not unimportant contributory to the maintenance of the inflationary trend. In many instances it is extracting money which would have been retained in the business either for additional working capital required on account of higher prices or for extension or replacement of plant, thus maintaining and building up the capital structure of the nation. Instead of being directed to those objects the money so extracted is being dissipated through excessive Government expenditure, which is encouraging the country to live above its means. A standard of living in excess of that which is justified by the volume of national production is being maintained in part by distributing in benefits the working capital of industry and the funds it needs to maintain its fixed capital. That cannot go on indefinitely without serious consequences. The tax on undivided profits is even less defensible.

The other factor is the inadequacy of the amount allowed for depreciation in the computation of profits for assessment to taxation. In earlier times the present basis of allowing depreciation on the original cost did not work out too badly, the cost of machinery did not vary a great deal and so replacement was provided for more or less at the end of the life of a machine. But today, with the present cost of replacement, which is most unlikely ever to return to the original cost, the depreciation allowed before taxation is quite inadequate.

This dual attack on the financial structure of industry must in time undermine its stability and delay replacement which should be effected, thus lowering the whole efficiency of the country.

The total abolition of the profits tax, a lower differential rate of income tax on profits retained in business and a realistic revision of depreciation allowances in order to provide for replacement are urgently called for if this country is to maintain its competitive place in the markets of the world.

ECONOMIC DANGERS

Although inflationary pressure has not been halted, it has been held somewhat in check by the combined effect of increased

production, the slowing down of the demand for wage increases and the stabilisation of dividend distribution, though the Government has made no corresponding effort to reduce national expenditure. This salutary display of national self-discipline is now threatened by the abandonment by the T.U.C. of their firm advocacy of this policy during the past two or three years—a course of action clearly against their better judgment. Retail prices in the home market have only increased by 1 per cent. during the first six months of this year. Where, then, is the justification for the abandonment of a policy based upon the economic dangers in which the country is involved and a clear realisation of the safeguards needed if we are to come through those difficulties unscathed? The dangers of this weakness in leadership may be grave in consequences in the years to come. These tendencies, coupled with the strangulating effect of the discriminatory taxation levied on that part of the capital of the nation which is risk-bearing, must have a depressing effect upon those who heretofore have been the driving force of the industrial enterprise upon which this country has thrived in the past, and in the long run will tend to dry up those sources of revenue upon which the Exchequer relies to balance the Budget.

THE OUTLOOK

The volume of our own production has again been somewhat greater than in the preceding year, aided, as it has been, by a somewhat larger output from the weaving section, coupled with the importation of a considerable volume of foreign-made grey cloth brought in by our customers for finishing and re-export to those of their regular markets in which the demand could not be met by the output of British looms. It is upon the continuance of both these sources of supply that the fortunes not only of the export trade in cotton piece goods but also those of this Association depend. Should the volume of cloth available for bleaching and finishing be reduced, that would undoubtedly have a detrimental effect upon our results.

It is with these uncertainties in my mind that I find it even more difficult than usual to give any indication as to the prospects of the year we have now entered upon. So far the results are encouraging, but much may happen before March next year. One thing you can rely on; every one working in the Association will continue to put forward the whole of those energies which have in the past year yielded such satisfactory results and which will doubtless be equally successful, given an adequate supply of raw material to work upon. Without this, however hard we work we cannot produce results.

In conclusion, I wish to express, not only on my own behalf but also, as I am sure you would wish it, on yours, our thanks to the management board and their co-directors, to our branch and departmental managers, and to that large and loyal body in the administrative and operative fields, collectively and individually, for their work during the past twelve months

In moving this resolution, which I will ask Mr Reynolds to second, I should like to tell you that I have received several letters from stockholders criticising the smallness of the dividend and the provision for the bonus to the workpeople. One stockholder has suggested that an amendment should be moved reducing the amount set aside for the bonus for the workpeople and, alternatively, making a reserve for the ordinary stockholders.

I would remind you that it is not within the competence of this meeting to consider any resolution going outside the business of an annual general meeting as defined in the articles, nor can the accounts be amended—they can only be received or rejected. I would also remind you that under article 116 of the articles of association, no dividend shall exceed the amount recommended from time to time by the board. It is, however, competent to this annual general meeting to reduce the dividends recommended should they so desire.

With regard to the rate of dividend, the directors are not prepared to entirely disregard the Government's request for the limitation of dividends even if they were so disposed, although they have felt justified in recommending the Jubilee bonus distribution to stockholders. The need for retaining substantial sums to meet the heavy cost of replacements, the increased value of stocks and the normal requirements for the progressive development of the business would in itself compel us to restrict our dividend policy for the time being in the long-term interests of the stockholders.

With regard to the bonus to the workpeople, it should be borne in mind that during the period to which I have already referred, the workers suffered long years of hardship and loss of wages owing to short-time working and many lost their jobs, while we were losing some of the nominal value of our capital. We cannot do anything for those who permanently lost their employment, but we did feel it was only right that we should join those of our workpeople who had stood by us and weathered the storm with us in our Jubilee celebrations. I am confident that the vast majority of our stockholders will approve of our action.

Mr R. C. Reynolds seconded the resolution and the meeting approved the report and accounts.

The retiring directors were re-elected and the fees of the joint auditors, Messrs Jones Crewdson and Youatt and Messrs. P. and J. Kevan, were fixed.

A vote of thanks to Sir William Clare Lees, Bt., for presiding was moved by Mr E. R. Clark, J.P., and carried unanimously.

TELEPHONE RENTALS, LIMITED

SUCCESSFUL YEAR: HIGHER PROFITS

IMPORTANT SERVICES TO INDUSTRY

AUTHORISED CAPITAL INCREASED

MR FRED T. JACKSON ON THE OUTLOOK

The twenty-first annual general meeting of Telephone Rentals, Limited, was held on August 21st at Caxton Hall, Westminster, S.W., Mr Fred T. Jackson, O.B.E., Comp. I.E.E., chairman and joint managing director, presiding.

The secretary, Mr G. H. Field, read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement circulated with the report and accounts for the year to December 31, 1949:—

Your directors are very pleased to report a successful year, which has yielded a higher profit than the one reviewed ending December 31, 1948.

PROFIT AND LOSS ACCOUNT

The profit of the company for the year, before providing for taxation, is £366,475, as compared with £322,034 for the previous year. The various appropriations made from this profit are detailed in the profit and loss account and the income-tax charged, amounting to £113,390, includes a reserve based on the profits for the year now under review.

You will observe that we have debited against our profit the sum of £88,175, representing the writing off of the balance of our goodwill, after having reduced the total by the amount of our free capital reserves.

We have not considered it necessary this year to add to the appropriations of £50,000 which we made last year to a contingencies reserve, nor to the £10,000 reserve for supplemental pensions. I should, however, tell you that when the current year ends, that is 1950, we shall most probably pass a further sum to supplemental pensions reserve for the reasons stated in my address to you for the year ending December 31, 1948.

In the case of pensions, I would just mention in passing that we introduced a revised pension and life assurance scheme on July 1, 1950, which is more in keeping with the present-day conditions and adequately caters for those members of our staff who will be eligible to join.

We have transferred a further £20,000 to the general reserve, bringing it up to a total of £320,000. After making these appropriations, providing for the dividends on both the preference and the ordinary shares, and setting aside £34,740 for distribution to employees under the company's profits participation scheme, there remains an unappropriated balance of profit of £67,158 to be carried forward to the current year.

BALANCE SHEET

The value of our revenue producing installations has been increased during the year by £356,744, and the reserve for depreciation by £126,341, so that the net total value now stands at £1,803,897. The ratio of our rentals to the net total value of our installations represents approximately 1.75 years' rent.

We have decided to eliminate the figure of goodwill from our balance sheet, thereby fulfilling the intention expressed in my statement to you on June 29, 1948. In order to accomplish this purpose you will see from the balance sheet that we have utilised the whole of our capital reserve account, and our development reserve, which we consider is no longer required, and the balance required to liquidate the total of £196,926 has been charged against our profit and loss account.

Under the heading of subsidiary companies the only figure which has altered is the amounts due from subsidiary companies. The substantial increase in the debt due to the parent company is attributable to the appreciable expansion of our three main subsidiaries, Electro-Rentals. Limited, whose work lies in the refrigeration field and is a vital necessity in these days of food shortages, and our Irish and South African companies.

STOCKS

The only other figure which calls for comment on the assets side of the balance sheet is that of stock and work in progress, which shows a reduction of £64,207 from that of the previous year. It is our constant endeavour to reduce our stocks still further, for they have of necessity been large on account of the long delivery period required by our manufacturers. However, now that the delivery position is showing considerable improvement it should be possible gradually to reduce the amount of stock held and thus release some of our capital to help meet current commitments.

Referring now to the other side of the balance sheet, our issued capital was increased in March, 1949, by the issue of 400,000 4½ per cent. cumulative preference shares, details of which I gave you in my statement last year. As a result of this issue the share premium account shows an increase of £12,624, though our total capital reserves have been depleted to the extent of £108.751 by the transfer of the two items to goodwill already mentioned. The total of the company's capital, reserves and surplus is £2,223.866, as compared with £1,906,484 at the end of 1948.

Current liabilities are greatly reduced from the 1948 figure as a result of the abovementioned issue, and the nature of the items comprising the total of £473.041 shows that there is small scope for further reduction.

CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The consolidated balance sheet and consolidated profit and loss account follow a similar form to the accounts of the holding company, and this year include a full year's working of the South African subsidiaries.

It is not necessary for me to comment in detail on the consolidated accounts as the items are quite straightforward and can readily be followed.

Finally, the profit of the group before taxation is £388,286, and after making the various appropriations, the balance of unappropriated profits carried forward applicable to the holding company's shareholders amounts to £86,454.

CAPITAL

You will doubtless have noted that we propose to increase the authorised ordinary capital by the creation of 2,000.000 ordinary shares of 5s. each. We have no intention of issuing these immediately, but as the business grows it is essential that we should have these available as and when required.

Our reserves now reach a substantial figure, even though we have written off the item of goodwill. These reserves are not liquid but they are employed in the business and, subject to the consent of the Capital Issues Committee, we propose in due course to make a free bonus issue to shareholders of 400.000 ordinary shares of 5s. each, paid up by utilising £100,000 of such reserves.

THE YEAR IN REVIEW

I should like to emphasise that the business carried on by your company is a highly specialised one and is of such a nature that we need continually to be training executives for the more important positions. Because it is so specialised, we, unlike many other businesses, have no trained reservoir from competing businesses on which to fall back and so are dependent on our ability to attract progressive young men to our organisation for training. It is a business which on the high level administration requires great attention to detail and concentration of thought as to the best way in which we can promote business and industrial efficiency throughout the country.

I do not know if it is generally realised how important are the services we offer to the industrial community as a means of reducing overheads and expediting internal and external transactions in every kind of organisation.

During the year under review we have been successful in obtaining a high average of additional annual rents, month by month, so consolidating and improving the stability of the business to such an extent that we can look forward to further success in the future.

Looking forward into 1950, of which over seven months have already expired, the new business secured is very satisfactory and I can safely state that the current year will be at least equal to 1949.

GOOD SERVICE TO SUBSCRIBERS

Last year at our annual meeting I told you something of our organisation. I need not repeat this, for the organisation I outlined then is still in existence and very little change has been made, apart from minor details where possible weaknesses in service to our subscribers have shown themselves. Good service to our subscribers is, in our opinion, the most important service we can render not only to them, but also to you as shareholders, in the future interests of your company. As an example I might mention that we have a very large number of subscribers in the London and Home Counties areas.

In order to give the best service we are decentralising our organisation in the London and Home Counties area and setting up four areas. In effect, these are four branches, each with a separate manager and chief engineer and staff, all under control of head office. This is something which cannot be done by a stroke of the pen We believe in going slowly and safely, and one London branch is already operating very successfully within its own area.

SUCCESS OF PROFIT SHARING

I think I ought to mention that we take great pride in your company being a good company as far as employees and staff are concerned. Some of you may remember that a few years ago we introduced a profits participation scheme, in accordance with which employees who qualified were entitled to a share of the profits in proportion to salaries earned and length of service. This scheme has been a very great success and our employees who are participants in the scheme are most enthusiastic, regarding themselves practically as shareholders in the business. We confidently hope that you regard them in the same way. That is not to say that those who are not yet participants in the scheme are less enthusiastic, for they put forward their best endeavours to qualify for participation.

You will remember that we opened a subsidiary company in South Africa. I am pleased to inform you that this company, too, has been a success right from inception, and already a very substantial rental has been built up in that country. In addition, we have been able to instil into our staff there the same high ideal of service as that which exists throughout the whole organisation in this country.

TRIBUTE TO EMPLOYEES

In concluding, I would like, on behalf of the management, to express our keen appreciation of the very excellent work put in by all our employees throughout the organisation. Yet this is only to be expected when many of them are the equivalent of shareholders, and the remainder hope to be in due course.

The report and accounts were unanimously adopted; the proposed dividend was approved; the retiring director, Mr Campbell Cochran, B.L., was re-elected and the remuneration of the auditors, Messrs. Chas. W. Rooke Lane and Company, was fixed.

A resolution increasing the capital of the company to £2,000,000 by the creation of 2,000,000 ordinary shares of 5s. each was unanimously passed.

EDGAR ALLEN COMPANY, LIMITED

MR W. H. HIGGINBOTHAM'S REVIEW

At the fifty-first annual general meeting of Edgar Allen & Company, Limited, held on August 23rd at Imperial Steel Works, Sheffield, the chairman (Mr W. H. Higginbotham, F.S.A.A., F.S.S.) said that the total value of sales, though less by some 4 per cent. than the record level of the previous year, was maintained at the average of the three exceptional years 1947-1950, recession in certain sections being made good by improvement in others.

As compared with the previous year the "net worth" of the business (i.e., the aggregate of capital and reserves) had increased by £159,081 to £1,487,443. Total assets at £2,095.524 were higher by £152,299 and external liabilities, totalling £543,031 were less by £6,782, while the excess of current assets over those liabilities had risen by £128,261 to £959,503.

CURRENT ASSETS INCREASE

Under the head of current assets, now totalling £1,502,534 and showing a net increase of £121,479, stocks and work in progress valued at £743,718 were higher by £12,313, sundry debtors were lower by £83.110 and were practically back to the 1948 level, while cash balances had gained by £192,276 and now stood at £198,673 which compared with a bank overdraft of £81,253 two years ago.

Current liabilities and provisions on external account amounted to £237,157 and showed a reduction of £32.207. This was offset by an increase of £22,449 in the amount due for income tax and profits tax (£110.246) and of £1,976 in the net dividend appropriation. The total of current liabilities thus showed an over-all reduction of only £7,782.

The paid-up value of ordinary share capital was now restored to £430.945 by the addition of £143,648 derived as to £90.000 from the excess profits tax refund account, and as to £53,648 from general reserve in accordance with resolutions passed on March 30th last. Total revenue reserves now stood at £750,454 as compared with a paid-up capital of £730,945, and showed a net increase of £105,557.

ESTIMATE OF "NET WORTH"

Any estimate of "net worth" of capital employed in the business on the basis of present-day values should have regard to the surplus of roughly £950,000 over book values shown by professional valuation of their fixed assets two years ago. Adding this to the aggregate of capital and reserves gave a total of £2,437,000, and if from this be deducted the capital employed in subsidiary companies and in the form of trade investments (in total £194,188) they were left with a figure of some £2,250,000 as the currently-valued net worth of their undertaking as a going concern, apart altogether from the value of goodwill.

The profit and loss account showed a net gain for the year of £437,083. Of this, net trading income, after depreciation, staff pension contributions and remuneration of directors (five of whom were full-time executives) amounted to £384,988 which was less by £15,791 than the previous year's figure. On the other hand, income from investments and from subsidiaries at £52,095 was larger by £23,832. After providing for taxation of the profits to the extent of £240,000 (or roughly 55 per cent.) there remained as taxed income £197,083.

The volume of orders on hand was satisfactory though less in total value than a year ago. Arrears of deliveries were being reduced and competition was keener both in regard to price and delivery dates. They had continued their research activities.

The report was adopted.

Statistical Summary

EXCHEQUER RETURNS

For the week ended August 19, 1950, total ordinary revenue was £44,150,000, against ordinary expenditure of £45,350,000, and there was a net exchequer deficiency of £1,200,000, against which there was a net repayment of £1,775,000 of outstanding Treasury bills, leaving a net surplus of £575,000 for the week. The total amount raised since April 1st is £2,445,000 compared with £32,662,500 in the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate 1950-51	Receipts (+) or Repayments (−) (Net) April 1, 1949 to Aug. 20, 1949	April 1, 1950 to Aug. 19, 1950	Week ended Aug. 20, 1949	Week ended Aug. 19, 1950
	£'000				
Ordinary Revenue					
Income Tax	1,545,000	586,145	595,500	26,500	25,500
Sur Tax	120,000	47,589	47,500	600	500
Estate, etc., Duties	170,000	71,500	72,000	1,900	1,200
Stamps	50,000	24,500	25,000	600	600
Profits Tax	215,000	85,500	74,500	6,000	5,100
E.P.T.	23,000	18,000	5,000	300	...
Other Inland Rev.	500	80	50	...	...
Special Contribn.	4,000	11,500	3,500	400	80
Total Inland Rev.	2028000	554,786	513,250	35,700	33,180
Customs	870,650	395,554	329,433	33,035	29,195
Excise	715,450	276,110	278,400	4,000	10,000
Total Customs and Excise	1586500	681,664	607,833	37,035	39,195
Motor Duties	90,000	9,915	9,333	...	...
Surplus War Stores	50,000	46,733	10,342	622	4
Surplus Receipts from Trading	85,000	4,345	39,478	...	5,000
P.O. (Net) Receipts	...	950	5,200	550	2,300
Wireless Licences	15,000	3,940	3,100	...	...
Sundry Receipts	27,000	7,550	6,250	...	...
Miscell. Receipts (to Crown Lands)	70,000	22,315	21,315	2,100	155
Total Ord. Rev.	5507850	1234598	1263051	75,307	71,113
Self-Balancing:					
Post Office	172,150	61,100	60,700	5,100	2,200
Income Tax on E.P.T. Refunds	5,700	3,432	3,773	165	199
Total	5685700	1299130	1327524	80,572	73,512

Expenditure	Estimate 1950-51	Issues (+) or Repayments to the Exchequer (−) (Net) April 1, 1949 to Aug. 20, 1949	April 1, 1950 to Aug. 19, 1950	Week ended Aug. 20, 1949	Week ended Aug. 19, 1950
	£'000				
Ordinary Expenditure					
Int. and Man. of Nat. Debt	440,000	130,135	134,500	11,136	12,947
Payments to N. Ireland	36,000	21,341	15,146	...	...
Other Cons. Fund Services	11,000	5,912	3,700	39	184
Total	537,000	207,089	205,455	11,255	15,231
Supply Services	2918069	979,043	928,444	73,300	59,500
Total Ord. Expdt.	3455069	1186133	1133749	120735	102531
Sinking Funds	...	4,504	4,756	...	40
Total (excl. Self-Bal. Expdt.)	3455069	1190737	1138145	120735	102571
Self-Balancing					
Post Office	172,150	61,100	60,700	5,100	2,200
Income Tax on E.P.T. Refunds	5,700	3,432	3,773	165	199
Total	3632919	1255269	1193591	124000	104970

After increasing Exchequer balances by £423,063 to £3,157,920, the other operations for the week increased the gross National Debt by £43,057,234 to £26,196 million.

NET RECEIPTS (£ thousand)

Nil

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1943	329
E.P.T. Refunds	245
Export Guarantees Act, 1949, s. 3(2)	291
Local Authorities Loans Act, 1945, s. 3(1)	3,600
Cinematograph Film Production (Special Loans) Act, 1949, s. 7(1)	300
Cotton (Centralized Buying) Act, 1947, s. 2(1)	3,000
Overseas Resources Development Act, 1948 s. 17(1) Overseas Food	119
Miscellaneous Financial Provisions Act, 1946 :— S. 2(1) War Damage; War Damage Commission	3,000
Finance Acts, 1946 and 1947 (Postwar Credits)	295
	11,170

GRAND TOTAL OF DEBT (£ thousand)

Receipts		Payments	
Ext. Recoveries	1,000	Treasury Bills	13,747
Other Debt	1,000	Ord. Securities	4,991
Interest	1,000	2½% Def. Bonds	21
Weekly Deficit	575	2½% Def. Stock	845
Cash	2,759	3% Def. Stock	1,598
Tax & Loan Deposits	25,000	Other Debt	
		Gold	Issued
	30,334		21,243

FLOATING DEBT

£ million

Date	Treasury Bills: Tender	Tap	Ways and Means Advances: Public Depts.	Bank of Eng. Issue Dept.	Treasury Deposits by Bank	Total Floating Debt
1949						
Aug. 20	2300·0	2237·1	92·5	1·5	1140·0	5471·3
1950						
May 6	5090·0	1815·0	150·1	4·0	600·0	7659·1
June 3	5070·0	1858·7	151·...	...	700·0	7779·1
„ 10	5080·0	1765·2	115·2	...	580·0	7538·4
„ 17	5090·0	1784·5	111·5	...	570·0	7538·7
„ 24	5100·0	1767·4	121·4	4·0	590·0	7582·4
„ 30	4899·9		104·...	12·5	750·0	7766·...
July 8	5120·0	2053·...	87·4	...	570·0	7877·5
„ 15	5120·0	2005·3	98·9	5·0	560·0	7919·5
„ 22	5130·0	2025·0	95·2	...	580·0	7832·1
„ 29	5140·0	1967·3	86·8	...	495·0	7837·2
Aug. 5	5140·0	1953·0	77·4	...	495·0	7881·3
„ 12	5140·0	1956·0	93·7	...	496·0	7885·7
„ 19	5130·0	1921·2	83·8	...	551·0	7902·9

TREASURY BILLS

£ million

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Discount per cent	Percentage Allotted at Min. Price
1949					
Aug. 19	200·0	767·1	200·0	1 9 5·61	61
1950					
May 19	250·0	512·5	250·0	10 5·15	75
„ 26	240·0	295·5	240·0	10 5·47	77
June 2	240·0	345·5	240·0	10 5·61	61
„ 9	240·0	317·8	240·0	10 5·04	67
„ 16	240·0	299·6	240·0	10 5·55	75
„ 23	240·0	515·1	240·0	10 5·06	93
„ 30	240·0	502·4	240·0	10 5·21	75
July 7	240·0	506·5	240·0	10 5·15	72
„ 14	240·0	527·1	240·0	10 2·10	63
„ 21	240·0	555·1	240·0	10 2·78	69
„ 28	240·0	540·8	240·0	10 2·72	58
Aug. 4	250·0	535·7	250·0	10 2·84	64
„ 11	240·0	504·8	240·0	10 3·32	73
„ 18	240·0	512·8	240·0	10 3·25	70

On August 18th applications for 91 day bills to be paid from August 21st to August 25th were accepted at the Monday to Saturday as to about 70 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bill to a maximum of £230 million are being offered for August 25th. For the week ending August 25th the banks will be asked for Treasury deposits to a maximum of £30 million at 182 days.

NATIONAL SAVINGS

£ thousand

	Week Ended Aug. 13, 1949	Week Ended Aug. 12, 1950	Total, April 1 to Aug. 12, 1950
Savings Certificates :—			
Receipts	2,000	1,500	52,150
Repayments	2,300	2,000	49,400
Net Savings	*Dr 300*	*Dr 500*	*Dr17,250*
Defence Bonds :—			
Receipts	555	315	9,640
Repayments	799	870	24,464
Net Savings	*Dr 261*	*Dr 555*	*Dr13,724*
P.O. and Trustee Savings Banks :—			
Receipts	11,492	12,221	238,642
Repayments	12,687	14,072	265,137
Net Savings	*Dr1,195*	*Dr1,851*	*Dr24,655*
Total Net Savings	*Dr1,759*	*Dr2,906*	*Dr55,429*
Interest on certificates repaid	462	431	10,736
Interest accrued	2,327	2,115	45,586
Change in total remaining invested	106	935	30,579

BANK OF ENGLAND RETURNS

AUGUST 23, 1950

ISSUE DEPARTMENT

	£
Notes Issued:	
In circulation	1,551,130,379
In Banking Department	600,578
	1,551,730,957
Gold Coin and Bullion	1,033,849
Amount of Debt	1,550,000,000
Silver Coin	556,833
	1,551,730,957

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Securities	586,011,441
Rest	3,847,383	Other Securities	36,455,595
Public Deposits	26,500,155	Bank premises	11,661,807
Special Deposits	15,000,000	Notes	22,201,180
Bankers' Deposits	546,315,180	Silver Coin	
	606,215,718		656,330,023
Other Deposits	571,111,111		
Bankers	457,158,028	Coin	43,871,695
Other Accts.	99,279,283	Commercial Bills	9,941,795
	956,390,139		962,590,135

* Including Exchequer, savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

£ million

	1949	1950		
	Aug. 24	Aug. 9	Aug. 16	Aug. 23
Issue Dept.—				
Notes in circulation	1,480·0	1,514·0	1,514·5	1,517·5
Notes in banking department	70·1	22·0	23·1	14·9
Government debt and securities*	1,443·1	1,533·1	1,518·7	1,514·3
Other securities	9·8	0·2	0·8	0·7
Gold	9·2	0·1	0·1	(1·00)
Value at 168/- per oz.	*172·8*	*245·9*	*245·9*	*245·9*
Banking Dept.—				
Deposits:—				
Public Accounts	15·1	15·8	15·0	18·1
Treasury Special Account	41·7	236·5	215·5	230·5
Bankers	291·7	28·7	202·5	265·3
Others	49·7	97·3	97·8	96·2
Total	456·5	535·3	649·8	611·1
Securities:—				
Government	343·8	600·5	594·5	576·9
Discounts, etc.	12·5	11·1	14·2	13·7
Other	22·4	25·1	25·1	22·2
Total	379·5	636·8	633·8	612·8
Banking dept. reserve	76·2	24·5	37·1	18·8
"Proportion"	17·2	4·2	5·7	3·5

* Government debt is £11,015,100, capital £14,553,000. Floating issue raised from £1,500 million to £1,550 million on June 27, 1950. † Including £1,015,479 coin other than gold coin.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927 = 100)

	Aug. 15, 1939	Aug. 8, 1950	Aug. 22, 1950
Cereals and meat	153·0	151·7	150·1
Other foods	147·5	156·0	156·0
Textiles	175·7	242·6	247·1
Minerals	245·5	288·9	291·1
Miscellaneous	147·1	176·6	174·0
Complete index	**165·3**	**195·2***	**195·0**
1913 100	*227·5*	*268·7**	*268·4*

* Revised.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 172s. 9d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per com. oz.	Silver: New York per com. oz.	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Aug. 17	63¼	72½	178 4	115 12
„ 18	63⅝	72½	177 15	115 12
„ 19	Markets	Closed	177 14	115 9
„ 21	63⅝	72½	177 4	115 7
„ 22	63⅝	72½	176 10	115 1
„ 23	63½	72½	177 6	115 6

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The Economist

Established 1843

September 2, 1950 — One Shilling

The dispute between the London Master Printers' Association and the London Society of Compositors, which has been smouldering for months, has broken out into the open. The story is an involved one; but the effect, so far as we are concerned, is that compositors were not available to set the type for this week's issue of The Economist.

This emergency edition has accordingly been produced without any type-setting whatever. We are painfully aware that it is only a token issue, but we take some pride in being able to preserve the tradition of unbroken issue in a week that marks our 107th birthday. Unfortunately, the Records and Statistics *Supplement will have to be suspended for the duration. Last week's delayed issue has gone out to subscribers this week.*

It is perhaps natural that we, as the victims of the dispute, should feel aggrieved against the union, who were its initiators. But even apart from this natural bias, we think any fair-minded person would deem the course of action taken by the London Society of Compositors to be so devious and disingenuous as to deprive them of any right to public sympathy. We have no better friends than the compositors who set our pages week by week. But their union leaders would do well to observe that it is possible to get along without any compositors at all.

POWER AND PROGRESS

The British Association has never led a cloistered life; but with every year now it seems to concern itself more with problems of public policy. Last year Sir John Russell's Presidential address on the problem of feeding the growing population of the world set the theme for the meeting. This year's President, Sir Harold Hartley, chose the subject of "Man's Use of Energy". It is a theme which few men living are as well qualified to expound. There were some notes of warning in Sir Harold's address - particularly in his mention of the fact that only about 30 per cent of the world's present power consumption comes from current revenue and all the rest from the capital resources of coal and oil, which will not last for ever. But the conclusion was optimistic. There is plenty of latent power still available, with nuclear energy only just beginning and the direct utilisation of solar radiation almost non-existent. And Sir Harold is not one of those scientists who think that Man cannot be trusted with his discoveries.

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It is interesting, however, to notice what Sir Harold Hartley sets as the task of science - not the advancement of knowledge by itself but "the more efficient use" of Nature's resources - in short, the economist's aim of raising the standard of living. There is more than a hint in several passages of the address - though Sir Harold is too urbane to make them explicit - of a claim by the scientist to be the "onlie begetter" of the modern world's material wealth.

There is, of course, a very great deal to be said for such a claim. It is certainly true that unless the scientist and the engineer had shown how to harness natural power there could have been no increase in production and therefore none of the great rise of the past two hundred years in the average westerner's standard of living. Furthermore, it is true, as Dr Parker, the Director of the Fuel Research Station, showed in another public lecture at Birmingham last week, that

> in general, those countries with the greater fuel and energy consumptions in relation to size of population have the higher average incomes.....In comparison with the world average of the equivalent of between 1.4 and 1.5 tons of coal per person annually, the figure for the United States is now over 8 tons, while that for Great Britain is little more than 4 tons.

> In countries such as India and China it is less than 0.5 ton.....
>
> (The American consumption of power) can be considered as providing each individual with more than 30 servants to assist him in meeting his needs. (The British consumption) is equivalent to providing each individual with 13 or 14 servants. Take these servants away, or employ them less efficiently, and the standard of living must fall.

It is, indeed, a powerful argument. But it is not the whole of the story. For as Professor G.C. Allen pointed out in his Presidential Address to the Economics Section of the Association, it is necessary to ask "Why do these differences exist?" Is it the utilisation of power that has created the wealth, or the wealth that has made possible the utilisation of power? Is scientific discovery not merely an essential condition of material progress, but the chief regulator of its speed? Is the state of scientific knowledge the key factor, the essential bottleneck the widening of which would open the way to universal riches? This can hardly be so; for if all scientific discovery were to stop forthwith, the world could still reap an enormous harvest of wealth and welfare by applying universally the techniques that already exist. What, then, is the limiting factor, the speed governor, of progress?

> Professor Allen's conclusion is that while material progress is affected by numerous circumstances, it is fertility in resource and imaginative enterprise which lie at its root -

qualities that are more likely to be affected by the deliberations of the Education Section of the British Association than by the others. Professor Allen argued his thesis with great force and a wealth of contemporary example. It is, indeed, hard to challenge. And yet it is difficult to believe that it also is more than part of the story. For if innovation were the basic regulator, one would expect material progress to proceed by fits and starts. But in fact it is very regular. (Mr W.B. Reddaway has recently demonstrated in the London and Cambridge Economic Service that the much discussed increases in industrial productivity of

recent years in this country, when they are spread over the whole output of the community, are reduced to a rate of progress very much the same as has prevailed for many decades). This regularity suggests that the *average* rate of progress depends not only on the scientist and his discoveries or on the industrial innovator but also on the rate at which past discoveries and past innovations can be spread across the whole community. That, surely, depends upon the supply of capital. Professor Allen rather sweeps that aside:

> It is erroneous, in my view, to look to the side of savings for a leading cause of any deficiency in capital equipment, for enterprise generates its own savings out of the higher incomes which it makes possible.

That may have been true in the past; though by no means certainly. It is very doubtfully true of the present or the future.

The scientist, the entrepreneur, the provider of capital - all have their part to play in material progress, and it would be wrong to claim primacy for any one of the three. But while, in this country, scientific research is being fostered as never before, industrial innovation is hardly encouraged and the provision of capital - certainly of venture capital - is at a discount. It is not necessary to be a political partisan to view these trends with alarm. As Professor Allen points out, many of the "forceful pioneers" who have played "the major part" in the development of economically progressive countries have been salaried officials, and monopoly (including public monopoly) in established industries may do little harm provided "the channels of innovation" are kept clear. But what is essential is that the activities of innovators should not be seriously impeded, and that the "special form of strength" of the entrepreneur (the phrase is Alfred Marshall's) should be held in respect by society. These things are far more fundamental than the issues of public or private ownership; they are the part that the human sciences of economics and politics can play to keep pace with the progress of natural science.

The Hideous Gap

Mr. Churchill was right, in his party political broadcast last week-end, to focus attention on the 'supreme peril' of Europe. And Mr. Atlee's reply this week-end will fall far below public expectation, if it can give no assurance that everything possible is being done to fill what Mr. Churchill called the 'hideous gap' in the defences of the west. For, while people in the west have watched the campaign in Korea, appalled at the weight of men and machines needed to check the onslaught of one Soviet satellite, they have not forgotten the danger nearer home, a danger that occupies a vast concourse of committees and produces a steady flow of secretive communiques - but little else. They do not see how such formulae as 'balanced collective forces' and 'the incorporation of Germany into a Western European system' measure up to a situation in which, Soviet forces outnumber those opposite to them by at least eight to one.

The fact is that these committees and phrases represent a pre-Korea way of thinking, in which the possibility of aggression by proxy had not been taken into account, in which it was assumed that the west had three or four years to build up the perfect integrated force, as efficiently an

cheaply as possible, with business in each country going on very much as usual. The assumption was rash - but it was one which fitted conveniently into the domestic plans and political hopes of statesmen in Britain and in other countries. It must now be reviewed, thoroughly and fearlessly, and the consequences must be faced by the only men who have all the facts - the Ministers of the Crown. It is not enough to pass it over to the Atlantic Council.

What precisely is it that Europe needs - and wants - of its two great Atlantic allies, the United States and Britain? It is, first, evidence - evidence that the ordinary man and woman can understand - of their intention to regard the Elbe as the front line of their position in Europe. On this, at any rate, French and Germans are agreed. Second, Europe asks for evidence that the strategy of the western powers is so integrated that there can be no question of divided counsels in a moment of crisis, with each country looking after itself. Third, they argue that such integration of military plans and decisions cannot be certain until there exist political ties between governments to ensure that statesmen are as much a team as are the fighting commanders. Whether those ties are formed within Mr. Acheson's Atlantic Community or Dr. Adenauer's western system is not regarded as an important issue by most Europeans.

On these three points the challenge to British policy is as direct as it could be. It was offered, and has been turned aside by Mr. Bevin, in the Schuman Plan. It was offered again at Strasbourg and turned aside by the Labour Party delegation. It will certainly be offered again, when execution of the Atlantic Pact plans demands political, industrial and financial pledges beyond what Mr. Bevin and his colleagues are ready to accept. Is the issue again to be evaded?

Let us be quite clear what is involved. There are good reasons why any British Government should move with caution towards political and economic integration with the west European governments. They are now understood by most Continental statesmen. There are good reasons, too, for arguing - as British representatives are now arguing in the Council of Deputies - that the best should not become the enemy of the good, that the ideal way of sharing the burden of defence, the ideal way of standardising arms and equipment, the ideal way of balancing forces, is for the time being less important than to form the forces and see that they are equipped. The British are being both practical and zealous in insisting that emergency action comes before long-term planning. But to the Continental ally this zeal is just another proof that Britain will help Europe but will not be bound to Europe heart and soul.

The indictment is vague enough but it is important, because it rests - notably in France - on the belief that the British have no real faith in the recuperative power of their allies and regard them more as a liability than as an asset. And French logic goes on to state, more clearly than any British statesman dare, the dilemma of British policy. That dilemma is this; if western Europe is incapable of a sustained effort to create some thirty or forty divisions in the next two or three years, and if its governments cannot guarantee the loyalty of its working populations in wartime, then it is suicide for the British to commit the cream of their ground and air forces to a defensive position on the Continent. In short, it seems to the continental mind that Britain's political interest and strategic interest are in direct conflict.

In a very important sense this is true. There are obviously grave risks in committing British forces to the front line in Germany; at first sight to do so looks like throwing good money after bad. But are they any greater than the risks of not doing so? Can the French people be expected to take seriously their task of training and equipping fifteen divisions, so long as there is only one British and one American armoured division in Germany? Can the Germans be expected to throw in their lot with the west unless they see on their own soil evidence that they will be successfully defended? And if there is to be no speedy and strong French - and in the longer run no German - contribution to this defence, what happens then? The fact is that the defence of Britain now depends on the defence of western Europe, and that can be achieved only be a military revival of France; without that revival the rearmament of Germany could not be contemplated. That revival - and the utmost effort by the smaller allies - depends on a transformation of morale such as can be stirred only by a British and American decision to have ready between the Channel and the Soviet Union something more than the present divisions and the atomic bomb.

If we ask ourselves what this means in practical terms there can be only one answer; that everything necessary should be done to reinforce the British formations in Germany without delay. If this were done, as a gesture of belief in Europe's reviving strength, the effect would be enormous throughout the Atlantic alliance. With such a decision taken, Mr. Bevin would be entitled when he meets Mr. Acheson next month in New York, to ask - as an equal and not as a suppliant - that the United States, too, should reinforce its German garrison by the same numbers. If it is not done, on the grounds that it cannot be done without emergency measures for which the Government are not ready, then the public will judge for itself whether they have been guilty of that 'lack of prevision' and 'infirmity and disconnexion of thought and action' which were alleged by Mr. Churchill last Saturday.

NOTES OF THE WEEK

Strasbourg Disappointments

However one looks at it, the session of the Consultative Assembly of the Council of Europe that has just ended in Strasbourg cannot be judged a success. The divisions that appeared last year have deepened; the federalists are as far away as ever from the non-federalists; the British have left the impression of bringing to European affairs a meticulous common-sense that they do not always show in their own affairs; and Dr. Dalton has demonstrated once again that it is inadvisable for Ministers to take part in these proceedings, especially if they are Socialists. It is true that there were some debates that caught the public ear, notably that on the need for a European army, but the shape that Europe's political unity might take is as unclear as ever. Strasbourg has not yet found its Alexander Hamilton.

It is a serious matter that the German delegates should have witnessed the weakness and divisions of this European body rather than its strength and unity. They must be wondering what precisely is to be the system into which Allied policy seeks to draw them. They hear the French declaring that European unity without the British is impossible, but they see the British opposed to anything but the piecemeal and practical approach. And when the practical and functional method is tried in the Schuman Plan they see the British standing aside.

It is evidently time for Mr. Bevin to state quite explicitly his preference for the Atlantic Community and to urge those who want - or think they can create - executive bodies for Europe to go ahead and try without Britain. What is true of the Schuman Plan is true of European unity: if it works Britain cannot stand completely out; if it does not work it is the task of the British and Americans to see to it that the Atlantic Community offers a reasonable and workable alternative.

* * *

The Formosa Imbroglio

It is essential to keep clear heads about Formosa. The essential issue, whose importance overrides all others, is to preserve the unity of the world alliance against Communist aggression. This puts on the United States an obligation to consult the wishes of its allies; but it also puts upon America's allies the obligation not to quibble unnecessarily at decisions that are forced upon the United States by strategic necessity. Communist aggression having broken loose in the Far East, it is essential that Formosa should be 'neutralised'. Those who ask that Chiang Kai-shek be turned out of the island (by whose force?) and the Chinese Communists admitted to it would sing a very different tune if the Communists chose, as they well might, to go for Hong Kong instead. On the other hand, General MacArthur and the Chinese lobby in America, with their talk of recognising Chiang as an ally, are endangering unity, and therefore peace, even more. The attitude of those Republicans in Washington whose only interest in Formosa is as a stick to beat Mr. Acheson is merely contemptible.

In this confusion, the right attitude is that which President Truman has at last clarified. Formosa must be neutralised for the present; but its future is a matter for the United Nations. This attitude deserves the support of everybody, in America, Britain and other countries, who puts policy above politics.

* * *

Action for the Services

The Prime Minister's broadcast on Wednesday night, together with the two White Papers on national service and on service pay, shows that the Government has at last conceded the truth of the view that only far reaching and dramatic action can correct the deficiency of trained men in the services. The period of compulsory national service is to be increased from eighteen months to two years and the amount of money devoted to service pay is to be increased by some £70 million, or about 40 per cent. The increased period of national service - which has been urged for some time by the Chiefs of Staff as a categorical imperative - will have the immediate effect of increasing the size of the forces by 37,000 men, of which 55,000 will be for the army. It will also mean that the forces will have the use of the national service men during a time when being fully trained they will be of some use in active operations.

It is impossible to judge whether the improvement in the scale of pay is sufficient

to create the necessary increase in the number of regulars. It has the merit of being simple, since it falls on the basic pay and not as in the past on allowances; the need for more pilots has been met by reintroducing into the RAF a generous scale of flying pay; and there are bounties - albeit rather niggardly ones - for men who re-enlist or extend their engagement. At first sight it can be judged that the increase in the pay of other ranks will have a marked effect upon enthusiasm for the services. On the other hand, the increases in the pay of captains (who get only the same increase as do warrant officers) and majors, the ranks in which the widest gap between emolument and responsibility exists, do not seem generous. However, now that the prejudices of the Government have been overcome, the present increases provide a working basis for criticism and adjustment.

Child Actors

The eminently human and realistic report of the Departmental Committee on child dramatic performances (Cmd 8005) will, if implemented, sweep away a mass of anomalies. These arise partly from the fact that acting, singing and dancing, whether on a stage or elsewhere, partake at once of the nature of an art and recreation, delightful to performers as well as to audience, and of a profit-making industry. As an industry these activities are comparable with other kinds of gainful employment; as an art and recreation they must be treated as a case apart. The law as it stands penalises art (in so far, that is, as it is effectively enforced; Shakespeare's Mammilius must be an improbable adolescent, but a child film actor carries any fines on his expenses sheet). On the other hand it exposes industry, in the shape of the pantomime troups, to conditions which few adults would put up with. Further anomalies arise from the varying standards of licensing authorities and the different legal position of theatre, film and broadcast and television work.

Threading its way through these, and resisting such startlingly idiotic suggestions as those for the wholesale application of the licensing system to school plays and for a 'closed shop' for juvenile actors, the committee recommend among other things the raising of the age for licensing to 16, the tightening of existing welfare and educational provisions, and the end of the touring troups system. On the other hand, it recommends the abolition of the lower age limit for child actors, subject to the concentration of the relevant licensing power in the hands of a special authority. Applied in the same reasonable and commonsense spirit in which they have been drafted, these recommendations should both open new opportunities to dramatic art and clean up some unsavoury corners of the entertainment industry.

Diversion in the Philippines

The increasing activity of Hukbalahap guerillas in the Philippines is further evidence of how well Communist plans are co-ordinated throughout the Far East. The raids last week on towns near Manila and on other parts of the islands coincided with critical events in Korea and with the presence of an American mission which is investigating the economic state of the country. There are said to be some 15,000 Hukbalahaps in the islands; with the Philippine Government as weak and as ineffectual as it is, they would have little difficulty in seizing control, temporarily at least, were it not that some 90 per cent. of the population are Catholic and anti-Communist. But even as much popular opposition as this might not be enough to prevent the Hukbalahaps from creating a major diversion in an area where American reactions are bound to be particularly sensitive.

The trouble in the Philippines, as in other territories in the Far East, is that the government falls far short of western, and even of Communist, standards. President Quirino has been far from successful in his efforts to set up an efficient administration since the grant of independence in 1946. The financial and economic state of the country has been critical for some months. Internal security has been bad, and reports of the corruption of the administration are appalling. The Americans have refused to give more help without a thorough investigation of Philippine affairs.

The American mission is not due to report until September 15th, but it seems unlikely that it will recommend that President Quirino should be entrusted with the task of putting his own house in order. The only alternative, however, is for American administrators to return to the islands, and this would inevitably rouse strong feelings in a country which has so recently become independent. It would, moreover, give the Hukbalahaps a rallying cry which few Filipinos could resist. The dilemma is becoming all too familiar in the Far East.

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Cold Water on Cold Cures

In the last few years, the antihistaminic drugs, which are normally used in the treatment of allergic conditions such as hay fever, have been widely publicised, particularly in the United States, as a cure for the common cold. Recent studies there have thrown considerable doubt on the value of the drugs for this purpose, and the results of three carefully controlled trials in this country, which are described in the *British Medical Journal* of August 19th, should dispose of the claims made for them altogether. At the common cold research unit of the Medical Research Council, antihistaminic drugs were found to be of no value in preventing colds in the volunteers inoculated with cold virus. In a large-scale field trial, undertaken by the council to assess the value of treating colds with the drugs, as compared with preventing them, there was again little difference between those given an antihistaminic drug and those given a control tablet. Another large-scale, controlled experiment, undertaken privately, also failed to establish any therapeutic value for the antihistaminic drug used.

It is important that wide publicity should be given to the results of the trials, for there have been cases where children have died as a result of finding the drugs in home medicine chests and eating them. Pilots, moreover, have already been warned that they should not fly within 48 hours of taking the drugs because of the serious side effects sometimes caused by them. So one more cold cure goes the way of many before it. 'Tis true, but 'tis a pity.

Government Publicity

The Government's information services have again been under fire, this time from the Select Committee on Estimates. Their fifth report gives the impression of a group of hard-headed business men looking sceptically for value for money, and refusing to be hypnotised by the mere costliness of any form of publicity into taking its effectiveness for granted. They suggest, for example, that the use of films - the most expensive medium of all - should be confined at home to strictly technical subjects and that their suitability for enlightening backward peoples ought to be investigated. Recruiting campaigns by poster, they feel, should be tested for effectiveness, and Road Safety and Savings propaganda conducted on more experimental lines.

Despite its appearance of cheeseparing, this committee's plea is the very reasonable one for less blind faith in mass advertisement and a more pragmatic approach to the legitimate objectives of government information and persuasion.

Shorter Notes

The controversy over Seretse Khama had two aspects: his dispute with his uncle, Tshekedi, and his dispute with the British Government, which banished him from Bechuanaland for five years. As was reported in *The Economist* last week, there is a good chance of a reconciliation between Seretse and Tshekedi. It has now been announced that Seretse has withdrawn his lawsuit contesting the legal validity of the order of banishment. There seem, therefore, to be good prospects of a satisfactory settlement of the whole affair.

* * *

The Haifa refinery came back into production this week. Output is expected to be limited to between 500,000 and 800,000 tons annually, enough for Israel's domestic requirements. The refinery's capacity is between 4 and 7 million tons a year.

The text of this issue of The Economist *has been Vari-typed and we are glad to acknowledge the excellent service that we have received, at very short notice, from:*

Commercial Aid Printing Service,
3, Rathbone Street, London, W.1.

Triumph of the Press

While the franchise was narrowed or annihilated, the Press restrained, and industry kept under onerous restrictions in France, in England the franchise has been continually extended, the freedom of the Press more and more consolidated and enlarged, and industry set almost free. Chiefly for the people, and in a great measure by the people, has the Government of England, particularly in the last thirty years, like that of the United States, been carried on. The reverse has even been, and still is, the case in France... One main principle of every administration was to bribe or bind the Press. Its freedom, when it existed for short periods, was found utterly incompatible with the existing government, and it was placed under a censorship or some exceptional laws. It was forced to be the great antagonist, and became the equal, of every Government - and successively triumphed over them all.

The Economist

August 31, 1850

Books and Publications

'Decision in Germany' by Lucius D. Clay
New York: Doubleday. London: Heinemann
440 pages. 21s.

Disgruntled army men have often complained that the pen of the diplomat has lost what the soldier's sword has won. But after the second world war the roles - in Germany at least - were reversed: the generals had to deal with the problems which the statesmen had created. One of them, General Lucius D. Clay, has now told the story of his proconsulate. As head of the American zone he formed with his British, French and Russian colleagues, the Control Council which jointly was to rule Germany. It had to enforce Germany's disarmament and de-militarisation, destruction of its industrial war potential, the payment of reparations and the punishment of military and political criminals. Besides keeping order, it had to undertake the moral regeneration of Germany and to fashion the German nation into a democracy, strong enough to stand on its own legs, but incapable of hurting others. It would have been a tall order had all four Allies worked towards the same end.

Notwithstanding his early misgivings, General Clay tried hard to make this policy succeed. He had first to get rid of the Morgenthau concepts which had somehow survived, although both the course of events and the influence of the State Departments had made President Roosevelt renounce them. His next urgent task was to prevent starvation in the western zones. Once he became convinced that Russia did not want a free and reunited Germany, he strove successfully for a reunion of the three western zones. He found it easy to collaborate with the British, especially after Sir Brian Robertson had taken over, but he had to learn that France's insistence on security included a claim for ascendancy in the continental steel industry.

The first part of his book is a dispassionate report of the activities of the Control Council, and of the American army government engaged in this weird experiment of multiple statecraft. An appendix called footnotes, analyses the official documents issued in its pursuit - an invaluable source of information. When General Clay turns to the disruption of the Control Council, to the blockade of Berlin and the airlift which broke it the story becomes highly dramatic. He was convinced, that Russia would not go to war, and he wished to break the blockade by sending a convoy protected by Allied guns. Unfortunately, more cautious plans prevailed. Had the blockade been ended by an Allied military demonstration, the Russians would have understood that President Roosevelt had misled them when he had informed Stalin that he could not keep an army in Europe for more than two years. The last two chapters deal with the founding of the German Bundes Republik. They describe the negotiations of the Allies with the German authorities, and the political struggle going on in Germany between the two leading parties, the Socialists and the Christian Democrats.

'Decision in Germany' is an indispensible guide for all who want to explore the history of a fantastic failure. From its unadorned pages, arises the figure of its author; a strong, just, merciful man, who did his duty, sometimes deeply moved by the iniquities or absurdities his chiefs have asked him to accept as accomplished facts. He was always a little ahead of his government in reversing policies which he had tried hard to carry out, even when he had doubted their wisdom. General Clay led, where he was supposed to be guided, and if ever a strong and secure western Europe comes to pass, he can claim to have been one of the boldest of its architects.

* * *

"Frederick Denison Maurice" by H.G. Wood.
Cambridge University Press. 170 pages. 10s 6d

The Rev. F.D. Maurice is best remembered as the founder of Queen's College, the first foundation for higher learning among women, as one of the originators of "Christian Socialism" and as an advocate in the tradition of Coleridge and Thomas Arnold of a Christian organisation and dogma which could reconcile the sectarian differences of the churches. Professor Wood has attempted, not a biography of Maurice, but an appraisal of his ideas. The layman will not find the theological chapters easy going, but, if he is interested in fitting in another piece into the mosaic pattern of Victorian religious thought, the effort of memory and comprehension is well worth while. The concluding chapter on Maurice's views on Social Ethics emphasises the fact that Christian Socialism as envisaged by Maurice and Kingsley was very much a product of its time, being concerned not with the acquisition of political power by the working class - Maurice deplored universal suffrage as much as Bagehot and mere majority rule as much as Acton - but with placing the emphasis of social and industrial organisation upon co-operation rather than competition. In this sense it was an attempt to restate Owenite socialism in Christian terms, not to advocate arithmetical democracy or state socialism.

AMERICAN SURVEY

MacArthur in the Open

Hardly had the Administration rebuked Mr. Matthews, the Democratic Secretary of the Navy, for enthusiastically advocating a 'war for peace' - the old idea of a preventive war in pacifist clothing - than it was faced by a premeditated defiance from a much more redoubtable ally. General MacArthur, throwing aside all camouflage, chose, in a message to the Veterans of Foreign Wars, to challenge Administration policy on the future of Formosa. His view that the island on which the Chinese Nationalists have taken refuge is an essential part of the American defence line in the Pacific, and should be permanently denied to any potential enemy, was timed to give the utmost aid and comfort to the Chinese Communists. It could only aggravate the fears of friendly nations that, in General MacArthur's hands, the 'neutralization' of Formosa might precipitate a war with China. The ink, indeed, was hardly dry on the Communist allegation that the United States had imperialist designs on Formosa, and on the American counter-move welcoming a United Nations inquiry.

Mr. Truman, whose courage in a crisis is becoming proverbial, insisted upon the withdrawal of this damaging script, and wholly dissociated the Administration from it, but the text had already become public property. This may be no bad thing, though some Republicans have already seized upon the incident as new fuel for the bonfire they believe they can erect under the Administration out of past Far Eastern policy. Taken out of the field of rumour, and put firmly on paper, General MacArthur's views can be weighed; and most impartial observers will suspect something wanting in a case that must go to the length of declaring that, without Formosa, war is inevitable and the battle-lines will be five thousand miles further east, along Americans Pacific coast.

The Administration insists, hopefully, that the incident is now closed. If it is re-opened, it will only be by General MacArthur and his over-zealous Republican friends. The loss of Mr. Matthews from public life would be only a Democratic family affair. General MacArthur may have demonstrated, beyond all doubt, that as United Nations commander in Korea, his political sagacity falls tragically short of his military reputation, but as a Republican martyr the Administration would find him an even greater embarrassment at home.

Economic Battledress

The new suit of overalls which the American economy is to wear to work on partial mobilisation is now almost tacked together and Congressmen are hoping that they will not be asked to do the finishing off until after the November elections. By that time perhaps the present design may not be providing adequate protection against either agression abroad or inflation at home. But meanwhile Congress is cutting its cloth to the President's post-Korean pattern.

The Senate is not expected to make any more objections than the House has done to appropriating the extra $16.7 billion needed chiefly for defence purposes and military assistance to America's allies. The short sighted belief that any ally is worth buying in the present situation explains the loan to Spain that has been included in the pre-Korean omnibus Bill, which appropriates about $35 billion for all purposes. Increased military aid for the Atlantic Pact countries has been made the excuse for reducing European recovery funds by $200 million, to a total of $2.5 billion. The Point Four programme is, however, promised its full $35 million.

Congress has left it to the President to decide how non-defence expenditure can be cut by $550 million this year. He has threatened to veto the Bill because of the irresponsibility of this provision and of the loan to Spain, but it seems unlikely that he will do so now that it has come to the point. Nor will Mr. Truman wish to sacrifice the credit and industrial controls he wants for the sake of refusing the price and wage controls he does not want. Argument over the amount of discretion he is to be allowed in applying the latter led to a deadlock last weekend in the Senate-House conference on the Defence Production Bill.

Until then the conferees had been making good progress on the other controversial items in the Bill. Loans to encourage the expansion of productive facilities had been permitted to the full amount of $2 billion, although Congress insists on keeping an eye on them. And the attempt to concentrate all priority and allocation powers forcibly in the hands of the Secretary of Commerce has also been defeated. Most of them will in fact be in his hands and he is setting up a special department, an embryo War Production Board, to administer them.

THE WORLD OVERSEAS

Dollars for Steel

(By a Correspondent)

The Brazilians are well pleased by the recent announcement in Washington of a $25 million loan to expand their steel production. The Director of the State-owned Volta Redonda steelworks went to Washington about a year ago to press for $17 million from the Export-Import Bank to buy American equipment, and success has come just when Korean developments are stimulating foreign demand for US steel. What has happened in Brazil is a striking illustration of what can be achieved when American technical aid, dollar loans and real energy on the spot are combined in one operation.

Last year Volta Redonda made 227,000 tons of rolled mild steel (of which two per cent went to Argentina and the rest was used at home). Its US technicians estimate the full present capacity at 300,000 tons, and additional furnaces to be built with the new loan should raise this to 467,000 tons - an expansion which, together with the output of older mills, would make Brazil virtually self-sufficient in iron and steel materials. This was pointed out in the Abbink report that was drawn up last year by the Joint Brazilian-US Technical Commission on development.

What this means in round figures is that Brazilian steel production, now almost 500,000 tons a year, can be raised to 700,000 when Volta Redonda's new furnaces are installed - always provided that adequate coal imports are available. There is no lack of the highest-grade ore.

The new loan may be a sign that the Export-Import Bank thinks the largest steelworks in Latin America, and one of the most modern in the world, is through its teething troubles; the Bank has already lent $45 million of the $100 million which the plant cost to build. Certainly this new steel town in the Paraiba valley, between Rio and Sao Paulo, is becoming a magnet for secondary industries of some significance. Partly because of their growth Brazilian imports of certain kinds of machinery have dropped by about a third during the past year.

Of the town's 50,000 inhabitants, 9,300 are employed by the steelworks, and there is a growing influx of labour for other activities. Coal tar, benzol, and sulphate of ammonia are already being produced. Another chemical factory is going up, and works are being erected to build railway trucks almost entirely from domestic materials. Most significant of all, the Ford Motor Company is contemplating a scheme to make car and truck components from local steel.

The industrial trend is important and well established. Much will depend on the growth of a skilled labour force, but the Americans are training recruits thoroughly, and the first fruits are already apparent.

Fear and Fact in South Africa

(From Our Johannesburg Correspondent)

Nationalist utterances have created fear, resentment and uncertainty among nearly all non-Europeans in South Africa and among a great many Europeans as well. The Minister of Native Affairs, Dr. Jansen, who since he took office has not once met the Natives' Representative Council, tells European farmers that he means to introduce legislation to drive urban Natives back to low-wage employment on the farms - from which he admits that many of the Natives have fled. The Minister of Justice, Mr. Swart, boasts that he intends to build more 'farm gaols', to be filled with Native first-offenders and short-term prisoners on whom the farmers can draw for cheap labour. In the Group Areas Act, the Suppression of Communism Act, and by its control of passports, the Government has forged powerful weapons for the possible intimidation of political opponents. Constant and deliberate identification of 'liberals' with 'Communists', by Nationalist speakers from Dr. Malan and Mr. Havenga downwards, have forced many Europeans who share the liberal ideas of the late J. H. Hofmeyr to consider seriously how much longer they will be allowed to express their views.

While there is intense, and perhaps justified suspicion of the Government's ultimate intentions, a real test case is still lacking. The courts continue stoutly to uphold traditional freedoms, including freedom to criticise the Government. The Minister of the Interior, Dr. Donges, lost two passport cases. A Government attempt to suppress a Communist-sponsored pamphlet was defeated in court at the very time the Government was rushing through its anti-Communist legislation. A priest prosecuted for marrying a European man and a Coloured

girl won his case, by convincing the court that blood and pigmentation were not the only tests and that the girl had been 'accepted as white' by Europeans.

Nationalist newspapers have demanded on the strength of those cases that the law should be changed to close such 'loopholes'. But no attempt has yet been made to tamper with the courts, and eminent judges have thrown out strong hints that any such attempt will be most strongly opposed by them. The Johannesburg and Cape Town Bar and Side Bar almost unanimously, and publicly, condemned the Suppression of Communism Bill as a dangerously drafted document threatening democratic freedoms. And, though the Group Areas and Suppression of Communism Bills are both now on the statute book, there has been no move yet to uproot people under the one, while the Communist paper the *Guardian* (it now calls itself 'independent') continues to circulate unmolested.

No Reign of Terror Yet

But it would be dangerous to prophesy how long this will last. If a 'reign of terror' is in prospect, as some believe, it most emphatically has not started yet. It is important to bear that in mind. To do otherwise is simply to play into the eager hands of Mr. Eric Louw, who remains in a constant state of indignation about 'misrepresentations' of the Nationalists' actions (he is discreetly silent about their intentions).

In the large cities, there has been a considerable increase in native crime. This however appears to stem largely from bad social conditions which far pre-date the Nationalist Government. In the countryside and in the smaller towns, life continues in the peaceful South African tradition. Even in the big cities, the ordinary white citizen may only read about crime without experiencing it. The Natives are less fortunate, for the criminals flourish and have their hide-outs in the Native locations, townships and 'shanty towns', where murder is a commonplace. The situation is admittedly getting worse, but the seeds of trouble existed before 1948. Many Europeans in Johannesburg carry revolvers; but widespread 'gun-toting' is unhappily a South African phenomenon of long standing. It is by no means uncommon for a European to shoot dead a Native coming no nearer his house than his fowl-run, and to get off with a small fine, or not be sentenced at all; but that has been the case for many years.

Nationalist actions, and intentions, must be carefully separated from objectionable features of life in South Africa that have existed for a long time. The visitor sees the white South Africans enjoying a comfortable, semi-luxurious, suburbanite life which is kept in being by the 'cheap labour' supplied by the destruction of the Natives' former social structure and the break-up of the Native families. He reads about malnutrition which kills off 35 per cent. of Native babies in their first year, and gives the average Native a life expectancy of only 35 years. He notices obvious discrimination beteeen white and black in the administration of justice, and is easily convinced by the conversation of white South Africans themselves that racial hatreds flourish like rank weeds. But this did not originate with the Nationalists, though they have undoubtedly aggravated it.

As for the ordinary white South African, apart from a few 'liberals', he cannot understand what the visitor is talking about. If he is English-speaking, he may agree that the Nationalists are a danger. But he is generally thinking of a narrowly interpreted political danger, of Afrikaner political domination - not of the general South African picture and certainly not about Native policy. The truth is that the Smuts-Hofmeyr regime of 1939-1948 was only an interregnum in South African affairs. It was anything but typical. Probably Smuts, and certainly Hofmeyr, was far ahead of average white public opinion. By cutting down social welfare for non-Europeans, tightening up pass laws, and so on, the Nationalists are deliberately undoing Hofmeyr's work. But, so far, they have merely restored the conditions which prevailed from 1924 to 1939. In the days of Hertzog, and even at the time of the Hertzog-Smuts Fusion Government, there were revelations of police brutality (condoned twenty years ago, as again today, on the plea that many of the police recruits are young and untrained). There were segregation and immorality laws. There were laws against 'riotous assembly' and against 'agitators'. There were successful attacks on Native and Indian franchise and other rights. There was even an attempt, fortunately unsuccessful, to classify all Jewish South Africans as 'Asiatics'. There were Native and Coloured riots, sternly suppressed with unnecessary loss of life. That is the pattern now being re-established. It is deplorable, but it is not new.

It is true that the Nationalists want to go beyond Hertzog - to put the Coloured voters on a separate roll, abolish the Natives' Representative Council, and enforce segregation, renamed *apartheid,* far more rigidly. Their utterances against other groups, and their philosophy of the State, have a Nazi flavour which the old Nationalist Party under Hertzog lacked. But they have not done any of those things - yet. Only the future can tell whether they really mean to press on towards an Afrikaner Republic and a real political dictatorship.

THE BUSINESS WORLD

Exports and Defence

The problem of guessing the economic implications of the defence programmes still preoccupies all City discussions - and many others besides. But the participants in these debates are still far from reaching any consensus of opinion - least of all about the short-run repercussions. In some quarters, however, there has lately been a tendency to argue that these cannot be of any great weight, because of the sheer physical impossibility of setting any large volume of new defence work in progress in the early future. Against this, one consideration seems so far to have received less attention than it deserves.

It is generally agreed that Britain's balance of payments must face a new and early strain, because the industries likely to be most immediately affected by defence orders are also the biggest exporters. An even more direct influence upon the balance of payments, however, comes from the strong rise in world prices of primary commodities - and this must already be exerting a substantial effect. Most commentators have been quick to emphasise the reinforcement this will bring to the dollar account of the sterling area as a whole, but they have failed to emphasise the corollary, which will be a new pressure upon the "overall" account of Britain alone.

Impetus to Inflation

The prospect of these early pressures makes it more than ever desirable that, even though defence production rises only slightly in the ensuing months, every effort should be made to divert supplies from home use so as to take up some of the strain on the external account. The Government as yet has given no sign that any such measures as these are being matured. But if the necessary diversion takes place, the inflationary pressures upon the domestic economy will be quickly reinforced.

Another reinforcement that will operate even more rapidly will come from the impending increase in service pay and allowances. And if, in addition, the Government decides to extend the period of compulsory military service, the consequential loss of manpower will tend to deplete the supply of goods and services available for use at home. It is impossible at this stage to gauge the weight of these pressures - but there is a chance that, in the very short run, they may be absorbed without undue stress. Britain's overall balance of payments has improved markedly in the current year - indeed, the figures for the first six months may surpass recent expectations. Unless domestic stocks have been running down, this gain must have exerted an inflationary force, yet there has been no very apparent rise in the tempo of domestic inflation.

* * *

Future of The Steel Act

The Labour Party's statement of policy last week made it clear that Labour intends to put into effect the legislation already passed to nationalise the steel industry. It did not, however, give any sign of when the axe would fall. The Act in its final form fixed vesting day (the day on which the securities of the companies are to vest in the Iron and Steel Corporation) for January 1st, 1951, "or such date later but not more than twelve months later, than the date aforesaid, as the Minister may by order substitute". Thus the Minister can postpone the day by making an order at any time before the end of the year, though he cannot postpone it for more than twelve months. But, in postponing it, he will have to fix the new day at the same time. Either of two things might precipitate an announcement of the chosen date. The Minister has to appoint the members of the Iron and Steel Corporation. He cannot do this before October 1st, but on the other hand if vesting day is to be early next year he cannot leave it much later. Unless, therefore, the Government decides on a postponement it will have to announce at least the chairman's appointment on October 1st or soon after. This would leave a bare three months for the new corporation to organise itself to a point at which it could take over the formal ownership of its vast properties. No doubt the process of building up a corporation capable of wielding effective authority and direction over the operations of the industry will take much longer - perhaps years.

If (alternatively) the Government does decide on a postponement, then the silence may continue until Parliament (having, presumably, dispersed after its defence meeting in ten days time) reassembles in the latter half of October. The need for a statement of the Government's intentions will surely become pressing then. It is not impossible, however, that the defence debate itself may act as a precipitant; the Opposition may want to know, in discussing rearmament, whether the change of ownership in iron and steel with the risk of dislocation that it involves is to go through at this time. It can urge, moreover, that when the Government agreed last November to put off the vesting day (which was to have been last May) it gave reasons for the postponement - and those same reasons surely apply no less strongly now.

Base Metals and Pricing Policy

It was inevitable, no doubt, that the radical revision of defence programmes since the Korean outbreak should have produced rather wild price changes and dealing conditions in world markets for the leading primary commodities. But nobody expected quite so high a degree of confusion as that experienced in the base metal markets in the past few weeks. In London, a dominant cause of the trouble has been the rather frenzied effort of the authorities to adapt their tactics and policies to a fast-changing situation. The first shock of this kind was felt in the tin market, three weeks ago, when the Ministry of Supply's decision to withhold cash offerings sent the price soaring. It rebounded violently a few days later, after one smelter had offered a modest quantity for immediate delivery. Since then price movements in tin have been erratic and the storm-centre has shifted to copper.

In this market the confusion reached its climax last week, when the Ministry followed the lead of an American copper smelter and raised its selling price of copper by £16 to £202 a ton - only to reduce it to its previous level within two days, again following American example. Then, after another two days had elapsed, the Ministry very sharply increased its premiums for forward delivery. The premium on three months copper was raised from £1 10s. a ton to £13 10s. and that on six months' delivery from £3 to £15 a ton. Forward prices for zinc were also raised by £12 a ton, while those for lead were raised by £6 a ton. Once the Ministry had reduced its spot price for copper in accordance with its self-imposed policy of keeping in line with American official prices, increases of this kind became inevitable - because the demand for forward deliveries was so heavily intensified that the Ministry had to protect its stocks by raising its future prices.

The root of the trouble lies in the absence of a well organised world metal market. In the United States the metal market is dominated by large integrated firms that are more concerned to hold the price stable than to respond flexibly to the play of market forces. Thus at the present time many buyers of copper and zinc have to pay for spot supplies anything between two and five cents a lb. above the official selling prices. A further complication exists in the copper market in consequence of the recent re-imposition of the two cents a lb. import duty in the United States: it is still not known whether this is a temporary or permanent measure.

These artificial price patterns are, of course, reflected in Britain by the Ministry of Supply's policy of gearing its selling prices to the official New York quotations, regardless of the stock position in Britain.

This year, for example, British consumption of copper has been less than in 1949 and stocks have risen. In the United States consumption has not only been heavier than last year, but has also exceeded current output, so that stocks have declined quite rapidly. Yet the British price has tended to follow the American price upwards. Under normal conditions the policy of following the New York market was perhaps the least harmful of the alternatives open to the Ministry. Its purpose was to prevent British consumers from being at a price disadvantage compared with their competitors. But it remains to be seen whether it will also encourage an expansion in Commonwealth production, and at the same time help the Ministry to accumulate a strategic reserve.

Payments Union Approved

The draft agreement setting up a European Payments Union, the details of which were described in *The Economist* of July 15, has now been dressed up by the lawyers in more binding (and more diffuse) phraseology and has been approved by the council of the OEEC. As this issue went to press it was expected that the agreement would be signed this week - immediately after President Truman gives his approval to the Marshall Aid Appropriations Bill for 1950-51. A fortnight after the agreement is signed, the proportion of each participant's privately-handled imports from other EPU countries that are admitted without any quantitative restrictions has to be raised from 50 to 60 per cent. This obligation is not expected to necessitate any substantial modification of the present British system of import control. Provided that Britain's own definition of intra-European trade is accepted (there seems to be some disagreement about the status of oil imports from the Netherlands Antilles), more than 60 per cent of Britain's privately-handled imports from Europe are free of quantitative restrictions already. Some other OEEC countries, however, are now feverishly recasting their systems of import control. As all concessions must be granted to all EPU members without discrimination, France, for one, has been slipping some commodities back into the controlled list with its left hand, while withdrawing just enough with its right hand to keep within the new rules.

Meanwhile, a White Paper issued in London has revealed the terms of the agreement between Britain and the United States whereby Britain is indemnified against any gold losses that it may suffer to EPU by reason of the drawing down of accumulated European sterling balances. Britain, like any other EPU member, will pay gold to the Union wherever its net debit position is larger than its gold-free borrowing rights. It will, however, receive dollar re-imbursements from ECA so that the net amount of gold it will have paid out at any one moment of time will never be greater than what it would have paid if there had been no use of sterling balances to settle intra-European deficits. After nearly a year of wrangling, therefore, sterling enters a European Payments Union with two strangely assorted testimonies to its 'special position' - a pair of crutches nearby if it needs them and a special load (in the form of the $150 million initial debit) to prevent it from going too fast. Unless mutual defence contributions are to distort the whole pattern of intra-European payments - in which case balance of payments statistics will become largely unreal anyway - it seems much more likely that the load, rather than the crutches, will come into play.

* * *

Britain and South Africa

When Mr. Eric Louw, the South African Minister for Economic Affairs, completed his discussions with the British Treasury at the beginning of last month, it was reported that he would 'clarify' the workings of the Anglo-South African agreement in a public statement on his return to Pretoria. That statement has now been issued but, it seems calculated to conceal, rather than reveal, the inner nature of the arrangements. Hitherto, South Africa has been selling a quarter of its current gold production (now running at an annual rate of £150 million) to the Bank of England for sterling: it has also been making further 'progress' sales from time to time, so that total sterling purchases of South African gold have equalled the value of the 'essential' imports that South Africa has been able to buy from countries that accept sterling in payment. The only two points of real substance in Mr. Louw's recent statement were, first, that South Africa's regular sales of gold to the United Kingdom would be stepped up from a quarter of current production to £50 million a year in the expectation that the sterling area would be able to earn that amount 'in free and fair competition'; and, secondly, that from the beginning of 1951 'importers in the Union will have a wider field of choice'.

At present, South African importers of 'essential' commodities (i.e. those paid for in gold) can buy in any country in the world but importers of 'inessential' goods can buy only in countries that accept sterling. If more goods are now to be switched from the restricted (or inessential) to the open (or essential) list, as Mr. Louw suggested, some manufacturers of sterling products are going to lose their protected position in the South African market, but the sales that they manage to maintain will henceforth earn gold instead of sterling. The new accounting arrangements may merely have been drawn up

in expectation of such increased gold earnings. The tone of Mr. Louw's statement suggested, however, that the decision to make regular sterling sales of £50 million of gold represented a concession by South Africa. It may be, therefore, that the £50 million is to be regarded as a guaranteed minimum annual sale - in which case Britain has presumably provided some *quid pro quo*.

* * *

Boom in Wool

The boom in wool has taken another leap this week. At the first Australian sales of the season the rise in prices was much sharper even than the market had forecast. Prices in general were 40 per cent higher than in June; better quality merinos were particularly strong, fetching 120 per cent more than they did twelve months ago.

It will be some months before these higher prices are reflected in the retail price of cloth in this country and there may be some doubt about what consumers' reactions to them will be. A few months ago there was some concern about the rate at which stocks of wool cloth were building up in the shops. Now, however, retailers have one eye on the (still rather remote) possibility that clothes rationing may be re-introduced; they are therefore more willing to hold larger supplies, and manufacturers may have little initial difficulty in selling their output - though some firms are by no means confident of that. The industry's most immediate problem is likely to be that of securing enough credit to finance its own stock of raw wool and semi-manufactures at this new high level of prices.

Meanwhile, it seems certain that the United States will press more strongly than ever for an allocation scheme for raw wool. It is not yet clear what sort of scheme the Americans have in mind, but any system of allocations would almost certainly put an end to the wool auctions. The American case is based on the fact that available supplies of raw wool at 4,100 million lb. (greasy basis) are some 300 million lb. below the current rate of consumption. Given these figures, it is difficult to see how the additional requirements of the rearmament programmes and stockpiling are to be met without cuts in civil consumption.

EXCHEQUER SUMMARY

(£000)	Aug. 27 1949	Aug. 26 1950
Total Ordinary Revenue	70,539	57,376
Total Ordinary Expenditure	46,069	45,878
Issues to Sinking Funds	Nil	80

Including issues to Sinking Funds totalling £4,818,000 the surplus accrued since April 1st is £88,135,000, compared with £63,132,000 in the corresponding period last year.

Butter Prices - Home and Abroad

Another salvo was fired by the Ministry of Food last week in its campaign against the pressure from overseas suppliers for higher prices for basic foods - but on the home front the Ministry has announced one important increase. The retail price of butter is to be raised by 2d. to 2s. a lb. At first glance this looks paradoxical. Denmark is still shipping butter to Britain at prices agreed well before devaluation. Quite recently, the Netherlands Government, after much recrimination, reduced its price of butter to Britain to below its domestic price, and recompensed producers by an export subsidy. Now the Ministry of Food has refused New Zealand's request for an increase of 7½ per cent in the contract price for butter for 1950-51. The New Zealand Government, however, will continue to ship 92½ per cent of its butter exports to Britain at last season's price - subject to any amendment which may be made at a later date. A dispute is also in progress about the price that Britain should pay for butter and cheese from Australia.

The reason for the latest increase in the retail price of butter therefore has to be sought not in higher purchase prices but in domestic policy, particularly that relating to food subsidies. The subsidy bill has lately been running above the ceiling of £140 million a year fixed by the Chancellor last April - chiefly because the level of rations has been higher than expected. Some relief had therefore to be found, and the Ministry of Food has decided to secure it from butter, which has always been heavily subsidised owing to its importance in the old cost-of-living index. Its present rate of subsidy is still a little over 1s. a lb.

Four months ago, when the butter ration was raised from four to five ounces a week (it is shortly to return to four ounces), the public was given the option to take margarine instead, and the price of butter was raised from 1s.6d. to 1s.10d. a lb. Yet demand for butter has since shown no signs of slackening, while the four-ounce ration of the less-subsidised margarine has not been fully taken up. This inelasticity of demand for butter has, of course, been encouraged by the poor quality of present-day margarine. But, apart from that, butter at 1s.10d. was still, by prewar standards, cheaper than margarine. This latest rise in the price of butter is therefore an attempt to reduce the distortion that subsidies have set up in the pattern of demand for foodstuffs.

Coal Board's Profit

In the first quarter of this year, the National Coal Board made the highest profits since it was formed. After providing from trading profits of £10,613,011 for interest payments to the Ministry of Fuel and for possible profits tax, the Board recorded a surplus of £5,600,011. This is £1,767,361 more than the surplus earned in the comparable quarter of 1949 when tonnage was somewhat lower. The explanation of this improvement lies in the increase in exports, for which the Coal Board receives, on an average, £1 a ton more than it does for coal sold to the home market. Exports and bunkers together amounted to 5,371,474 tons during the first quarter of this year - 1,205,340 tons more than in the same three months last year. It is estimated that had this coal been sold at home instead of abroad, the surplus would have been £4,500,000 smaller.

It is true that the mining costs showed a further slight decline; since the first quarter of 1949 total costs per ton of saleable coal have fallen by 1.3d. to 44s. 5.5d., thanks largely to increased mechanisation. But the solvency of the Coal Board still plainly depends on its overseas markets. Two months ago there were signs that high export prices might not be maintained much longer. Now, under the stimulus of rearmament, the market shows fairly clear signs of hardening again, and it seems probable that only the difficulty of finding enough coal to send abroad will prevent the Coal Board from earning equally high profits in the other quarters of the year. Already, export tonnages have shown a sharp fall, since a belated attempt is now being made to build domestic fuel stocks up to theirminimum safety level before the winter.

OFS Capital Needs

Although the Kaffir market has shared the general lack of enthusiasm in the Stock Exchange this week, active preparations continue for the provision of new capital for the developing mines of the Orange Free State Freddies North and Freddies South, two offshoots of the original Free State Development and Investment Corporation, are now assured of the £5,300,000 required to bring their mines to the production stage. Mr. Kenneth Richardson, the chairman of both companies, announced this week that the underwriting of the offer to shareholders of 10-year 5 per cent convertible notes had established this 'beyond all doubt'. Apart from the £4,500,000 put up by the underwriters - Johannesburg Consolidated, Anglo-American Corporation and De Beers - £800,000 is to be raised on the mortgage of houses. Mr. Richardson made it clear that the extent to which the option-holders of Freddies North and Freddies South exercised their rights would determine what part of the resources committed for underwriting the note issue would be set free for other uses. The intimation that new borrowing powers are being sought by President Steyn Gold Mining and the registration of Harmony Gold Mining Company this week emphasise how important it is that the big mining houses should so far as possible keep their power dry.

The Economist

Established 1843

September 9, 1950 — One Shilling

The dispute between the London Master Printers' Association and the London Society of Compositors has not been settled. A meeting between the two sides arranged by the Minister of Labour last Monday broke down in deadlock. The next stage is the opening next week of the Court of Enquiry to examine and report on the dispute. The circumstances are so complicated that the process of enquiry can hardly be short.

We can but do our best, so long as the dispute continues, to provide as many readers as possible with an emergency issue of The Economist. *For its many inadequacies, we ask forbearance; but we hope it is not mere vanity that leads us to suppose that this substitute is at any rate preferred to no issue of* The Economist *at all.*

CHINA AND KOREA

General MacArthur's latest report to the United Nations on the Korean campaign only confirms the evidence of the week's fierce North Korean offensives. Shortage of ground troops remains the United Nations' gravest danger. The United Nations forces are still heavily outnumbered and although military opinion believes the United Nations base can be held, a fighting return to the 38th parallel is inconceivable without calling on much larger resources from the free world. And even the base itself might be in danger if the North Koreans were to receive reinforcements from outside.

Such reinforcements could come from one source only - from Communist China. Among the alarming possibilities that American military experts must consider is the risk that the war may be extended by Peking's intervention and the United Nations find itself in a state of hostility with the new Chinese regime. The delicacy of the Formosan issue lies precisely in this, that it could provide Mao Tse-tung with an excuse for intervention which would be effective enough to undermine the present unanimity of the free nations. A major aim of responsible American diplomacy must, therefore, be an attempt to keep the issues of Formosa and Korea apart and to convince the Chinese Communists that the way to a settlement of Formosa lies through the ending and not through the extension of the Korean war.

President Truman has done his utmost to make this position clear. In his broadcast to the nation last Friday, he reaffirmed American policy in terms which only Communists, fellow travellers and professional anti-Americans could misinterpret. The American Seventh Fleet would, he said, be withdrawn once the Korean conflict was over and America, having no territorial ambitions of any sort in Asia, would leave the future of Formosa to the United Nations. If any statement of Western policy can reach to Peking and be understood there, the Chinese Communists have been told, almost in so many words, that but for the Korean incident, Formosa might already be theirs and that it is the fact of aggression in Korea, not any United States action, that stands in their way. If, in face of these facts, they choose to intervene in Korea or to move to a seaborne invasion of Formosa, they will show the world at large that they are more concerned with the Moscow-directed strategy of general aggression than with China's own legitimate interests.

It is possible, however, to question whether the facts of the American position do reach Peking. The isolation of the new regime is almost complete. Its only steady source of information is the tainted spring of Moscow. To bring the new Communist regime out of its dogma-ridden seclusion and expose it to the realities of the international scene is an essential preliminary to any successful projection of American policy. Whether this can be done so long as Communist China remains outside the United Nations is doubtful. But it is equally uncertain whether China's admission would alone be sufficient to produce a major relaxing of tension in the Far East. The arrival of a delegation from Peking would make it possible to open up new lines of communication with

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Statistical Summary

EXCHEQUER RETURNS

For the week ended September 16, 1950, total ordinary revenue was £43,979,000, against ordinary expenditure of £44,455,000 and issues to sinking funds £540,000. Thus, including sinking fund allocations of £8,653,000 the surplus accrued since April 1st is £90,823,000 compared with a deficit of £379,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950–51	Receipts into the Exchequer (£ thousand): April 1, 1949 to Sep. 17, 1949	April 1, 1950 to Sep. 16, 1950	Week Ended Sep. 17 1949	Week Ended Sep. 16 1950
	£'000				
ORDINARY REVENUE					
Income Tax	1388000	367,953	358,112	7,543	5,868
Surtax	120,000	32,900	33,600	700	1,300
Estate, etc., Duties	195,000	85,800	83,450	4,300	2,100
Stamps	50,000	22,900	22,800	700	1,000
Profits Tax }	270,000	119,760	105,570	5,600	4,950
E.P.T. }		21,800	7,350	900	250
Other Inland Rev.	500	80	50	...	...
Special Contributn.	4,500	12,900	2,655	400	100
Total Inland Rev.	2028000	664,093	613,587	20,143	15,568
Customs	870,650	367,982	399,647	15,136	18,428
Excise	713,150	315,700	318,200	3,500	3,800
Total Customs and Excise	1583800	683,682	717,847	18,636	22,228
Motor Duties	66,000	9,366	10,137	...	108
Surplus War Stores	35,000	47,427	10,730	...	242
Surplus Receipts from Trading	85,000	4,045	30,974	...	...
P.O. (Net Receipts)	...	200	4,900	200	200
Wireless Licences	13,000	3,690	3,750	...	...
Sundry Receipts	27,000				
Miscell. Receipts (in. Crown Lands)	70,000	10,404 / 28,388	16,533 / 38,560	... / 5,204	... / 5,633
Total Ord. Rev.	3897800	1451294	1447017	44,183	43,979
SELF-BALANCING					
Post Office	172,150	72,100	72,600	2,300	2,200
Income Tax on E.P.T. Refunds	5,700	4,681	4,470	237	131
Total	4075650	1528075	1524087	46,720	46,310

Expenditure	Estimate, 1950–51	Issues out of the Exchequer to meet payments (£ thousand): April 1, 1949 to Sep. 17, 1949	April 1, 1950 to Sep. 16, 1950	Week ended Sep. 17 1949	Week ended Sep. 16 1950
	£'000				
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	490,000	235,199	233,931	2,310	2,215
Payments to N. Ireland	36,000	14,188	15,949	...	...
Other Cons. Fund Services	11,000	5,029	4,193	...	20
Total	537,000	254,416	254,073	2,310	2,235
Supply Services	2918069	1189059	1093468	71,100	42,200
Total Ord. Expd.	3455069	1443475	1347541	73,410	44,435
Sinking Funds	...	8,197	8,653	350	540
Total (excl. Self-Bal. Expd.)	3455069	1451672	1356194	73,760	44,975
SELF-BALANCING					
Post Office	172,150	72,100	72,600	2,300	2,200
Income Tax on E.P.T. Refunds	5,700	4,681	4,470	237	131
Total	3632919	1528453	1433264	76,297	47,306

After decreasing Exchequer balances by £22,942 to £3,142,656, the other operations increased the gross National Debt by £10,169,411 to £26,227 million.

NET RECEIPTS
£ thousand
Nil

NET ISSUES
£ thousand

P.O. and Telegraph (Money) Act, 1948	925
E.P.T. Refunds	159
Local Authorities Loans Act, 1945, s. 3(1)	4,700
Cotton (Centralized Buying) Act, 1947, s. 21(1)	3,000
Overseas Resources Development Act, 1948, s. 17(1) Overseas Food	100
Finance Acts, 1946 and 1947, Post-war Credits	313
	9,197

CHANGES IN DEBT
£ thousand

Receipts		Payments	
Treasury Deposits	30,000	Treasury Bills	8,234
		Nat. Savings Certs	1,200
		2½% Def. Bonds	245
		3% Def. Bonds	415
		Tax Reserve Certs.	241
		Other Debt:— Interest	405
		Ways & Means Advances	9,090
	30,000		19,831

FLOATING DEBT
£ million

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
Sept. 17	2490·0	2272·7	346·4	1·5	1026·0	6136·6
1950						
June 24	3100·0	1769·7	421·4	4·0	350·0	5645·1
„ 30	4856·9		404·2	12·5	350·0	5623·6
July 8	3120·0	2034·9	387·4	...	375·0	5917·3
„ 15	3120·0	2046·9	380·9	5·0	366·5	5919·3
„ 22	3130·0	2025·9	396·2	...	380·0	5932·1
„ 29	3140·0	1969·4	382·8	...	405·0	5897·2
Aug. 5	3140·0	1934·9	374·4	...	405·0	5854·3
„ 12	3140·0	1936·0	373·7	...	405·0	5854·7
„ 19	3140·0	1921·2	410·8	...	430·0	5902·0
„ 26	3130·0	1920·6	401·2	...	480·0	5901·8
Sept. 2	3120·0	1897·8	423·1	8·8	450·0	5899·7
„ 9	3120·0	1896·1	417·3	...	475·0	5910·4
„ 15	3120·0	1889·8	418·2	...	505·0	5923·0

TREASURY BILLS
£ million

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment: s.	Average Rate of Allotment: d.	Per Cent Allotted at Min. Rate
1949						
Sept. 16	220·0	261·9	220·0	10	3·46	80
1950						
June 16	240·0	299·6	240·0	10	3·33	75
„ 23	240·0	315·4	240·0	10	3·06	68
„ 30	240·0	302·4	240·0	10	3·21	73
July 7	240·0	306·4	240·0	10	3·19	72
„ 14	240·0	327·1	240·0	10	2·90	63
„ 21	240·0	355·4	240·0	10	2·78	60
„ 28	240·0	340·8	240·0	10	2·72	58
Aug. 4	250·0	335·7	250·0	10	2·81	64
„ 11	240·0	304·8	240·0	10	3·32	73
„ 18	240·0	312·8	240·0	10	3·23	70
„ 25	230·0	294·9	230·0	10	3·48	73
Sept. 1	240·0	333·5	240·0	10	2·90	62
„ 8	240·0	315·4	240·0	10	3·22	70
„ 15	250·0	294·4	250·0	10	3·45	81

On September 15th applications for 91 day bills to be paid from September 18th to 23rd were accepted dated Monday to Saturday as to about 81 per cent of the amount applied for at £99 17s. 9d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million are being offered for September 22nd. For the week ending September 23rd the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS
£ thousand

	Week Ended Sept. 10, 1949	Week Ended Sept. 9, 1950	Total, Apr. 1 to Sept. 9, 1950
Savings Certificates:—			
Receipts	1,850	1,300	37,500
Repayments	2,400	2,500	58,600
Net Savings	*Dr 550*	*Dr 1,200*	*Dr 22,100*
Defence Bonds:—			
Receipts	380	280	7,860
Repayments	755	725	23,584
Net Savings	*Dr 375*	*Dr 445*	*Dr 15,524*
P.O. and Trustee Savings Banks:—			
Receipts	13,602	14,071	286,057
Repayments	12,462	13,068	314,748
Net Savings	1,140	1,003	*Dr 28,691*
Total Net Savings	215	*Dr 642*	*Dr 66,315*
Interest on certificates repaid	466	555	12,970
Interest accrued	2,394	2,429	55,266
Change in total remaining invested	+ 2,143	+ 1,232	— *24,019*

BANK OF ENGLAND RETURNS

SEPTEMBER 20, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1286,098,860	Other Govt. Securities	1335,229,818
In Banking Department	64,257,963	Other Secs.	641,763
		Coin (other than gold)	3,113,319
		Amt. of Fid. Issue	1350,000,000
		Gold Coin and Bullion (at 24s. 0d. per oz. fine)	356,823
	1350,356,823		1350,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	560,216,441
Rest	3,956,005	Other Secs:—	43,835,216
Public Deps:—	271,643,858	*Discounts and*	
*Public Accts.**	*16,848,852*	*Advances*	*18,797,591*
H.M. Treas. Special Acct.	*254,795,006*	*Securities*	*25,037,925*
Other Deps:—	381,772,270		
Bankers	*290,236,301*	Notes	64,257,963
Other Accts.	*91,536,969*	Coin	3,616,513
	671,926,133		671,926,133

* Including Exchequer, Savings Banks Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS
£ million

	1949	1950		
	Sept. 21	Sept. 6	Sept. 13	Sept. 20
Issue Dept. :—				
Notes in circulation	1267·5	1299·0	1294·2	1286·1
Notes in banking department	82·8	51·4	56·2	64·3
Government debt and securities*	1349·2	1347·1	1346·7	1346·2
Other securities	0·7	0·8	0·8	0·6
Gold	0·3	2·4	2·4	3·5
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits:—				
Public Accounts	11·6	13·4	14·1	16·8
Treasury Special Account	25·4	246·5	246·5	254·8
Bankers	293·6	279·1	283·2	290·2
Others	96·1	95·1	96·1	91·5
Total	426·7	634·1	639·9	653·3
Securities:—				
Government	318·4	549·6	548·6	560·2
Discounts, etc.	16·2	22·2	24·5	18·8
Other	22·4	24·6	24·9	25·0
Total	357·0	596·4	598·0	604·0
Banking dept. res.	88·1	56·1	60·4	67·9
"Proportion"	% 20·6	% 8·7	% 9·4	% 10·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,300 million to £1,350 million on June 27, 1950.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce.

Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	cents	Rs. a.	Rs. a.
Sept. 13	63¾	72⅞	182 4	113 4
„ 14	63¾	72⅞	181 11	113 1
„ 15	63¾	72⅞	Market closed	
„ 16	Markets closed		Market closed	
„ 18	63¾	72⅞	182 4	113 5
„ 19	63¾	72⅞	181 11	112 12
„ 20	63¾	72⅞	183 8	112 15

at 22, Ryder Street, St. James's, London, S.W.1. U.S. Representative: R. S. Farley, 111, Broadway, New York, 6.—Saturday, September 23, 1950.
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EMERGENCY EDITION

The Economist

Established 1843

October 7, 1950 — One Shilling

We have attempted with this emergency issue of The Economist *to reach all our readers and to give them slightly better value for their shilling. Its shortcomings, all the same, are painfully obvious, and we cannot hope so long as the dispute in the London printing trade lasts to record and comment on more than a small fraction of the events that would demand attention in normal conditions.*

We are grateful to readers for their understanding of our difficulties and are doing all we can, under conditions of frustration never known before in periodical publishing, to give them the best service. So long as the present obscurity lasts, we hope they will accept a substitute edition and pardon its limitations.

ACROSS THE PARALLEL

The question whether or not the United Nations forces should come to a halt at the 38th parallel and call the North Koreans to a parley is becoming academic. The parallel has been crossed and South Korean forces are advancing rapidly on a broad front. Unless by some unlikely miracle the North Korean command agrees to General MacArthur's call to surrender and lays down its arms, a new phase of warfare threatens in the difficult country in the north; even if full scale fighting does not break out again, a long period of guerrilla warfare seems to be ahead with all the opportunities it offers for veiled intervention by the Chinese Communists. If the first and most dangerous phase of the Korean incident is over, a new and hazardous one opens. The United Nations will need all its strength, unity and diplomacy to succeed as well as it did in the South - first in grim defence and then in lightning victory.

The essential first step is speedy agreement upon peace terms for Korea. That the Russians hope much from confusion and delay has already been shown by Mr Vyshinsky's proposals to the Political Committee of the General Assembly. These purport to show a spirit of compromise by various references to the role of the United Nations in Korea, but they would in fact leave the authority of the North Koreans intact and amount to no more than a return to the *status quo ante* June 25th. At all costs the Soviets and their satellites must be prevented from succeeding in a prolonged filibuster and the British proposals for a Korean settlement - which are also sponsored by eight other nations - must be brought to the vote.

These proposals undoubtedly provide a possible basis for pacification. They aim at the unification of Korea, the holding of new elections under the control of the United Nations and the economic rehabilitation of the country under the auspices of a new and enlarged United Nations Commission. Such a settlement might reasonably be completed by declaring Korea to be a neutral buffer state under permanent United Nations military protection. The Great Powers could undertake to maintain no bases or garrisons of any sort - the United States has already asked that its troops should be withdrawn as soon as possible - and local defence could be maintained by a *gendarmerie* under United Nations command and drawn from the smaller powers. Such provisions would meet any objections that might be put forward by Korea's nearest neighbour, Communist China.

At the same time, the more speedily Peking can be admitted to the counsels of the United Nations, the better will be the chance of achieving some permanent settlement - as opposed to a precarious truce - in Korea. It is quite uncertain whether Communist China is prepared to play the good neighbour, but as long as it is excluded from the community of nations, so long will it be tempted to behave

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Mao Tse-tung's government. Something might also be gained from the standpoint of the free nations themselves. The question of China's representation is one of the most important issues dividing east and west and Asia and America within the United Nations. Since unity of view is an essential element in the free world's resistance to Communist pressure, the ending of this rift could not fail to reinforce the side of freedom.

The essence of the argument for Communist China's admission is, therefore, that the Communists as full members of the United Nations may be less likely to intervene in and extend the Korean war and that the free world, with the dispute over China off its hands, may be less likely to fall into dissension. These points are, however, negative - steps taken less worse befall - and some observers are not content to leave the matter there. They argue that Communist China's admission will bring with it the positive advantage of making it easier to settle the Korean war by negotiation. China, so the argument runs, is vitally concerned in the future of Korea. No settlement can be made there without the concurrence of the great power most immediately involved. If China is admitted to the United Nations, it will be more ready to acquiesce and assist in a negotiated Korean settlement.

At this point, the argument becomes, surely, much less convincing. It makes assumptions about the outlook of the Peking Government which are, to say the least of it, unproven. If anything has been conclusively demonstrated by the course of Communist diplomacy in the last five years, it is that no Communist state can maintain 'normal' relations with a non-Communist state, so long as it permits Moscow to dictate its policy. With the possible exception of Finnish-Soviet relations, the normal Moscow attitude towards non-Communist governments is that they have no right to be non-Communist and that every step must be taken to ensure that they become Communist as quickly as possible. The satellites have invariably followed Russia's example. Only when the fatal link with Moscow is broken do more normal relations become possible. For instance, while Bulgaria and Albania continue to send guerrilla forces across the Greek frontier, Jugoslav-Greek relations are taking on a more orderly shape. Before, therefore, anyone can say that Communist China will assist in a Korean settlement 'by negotiation', it must be known what type of Communism flourishes in Peking. If it is of the Moscow stamp, only one kind of Korean settlement will be acceptable in Peking - one which leaves the Korean Communists in a position to take over the government either immediately or within the shortest space of time necessary for local disruption and sabotage. No amount of United Nations guarantees or American undertakings will modify this fact.

Only if Mao Tse-tung begins to show 'Titoist' tendencies will China be likely to tolerate a 'free' government in Korea or to co-operate in establishing its authority. The information is so far quite insufficient to permit any forecast of the most likely line of development in Peking. Until more evidence is available, those who advocate the admission of Communist China by the United Nations on the grounds that such a move will secure Peking's assistance in a Korean settlement tend to overstate the case. It is possible to argue that the admission of Communist China into the United Nations might assist towards the localising of the Korean conflict and might close a dangerous rift between the non-Communist members of the United Nations. It would appear more than hopeful to expect other advantages - yet.

Rearmament and the TUC

This week the Trades Union Congress has been holding its eighty second annual congress at Brighton. The dispute between the London Society of Compositors (whose secretary, Mr Willis, is a member of the general council of the TUC) and the London Master Printers Association has again made it necessary to reproduce *The Economist* by unconventional means, with the result that these words must be written before the full proceedings of the conference are available. The resolutions before the congress cover as usual an enormous range of subjects, and on two of them - the Labour Party's decision to put further measures of nationalisation into cold storage, and the government's decision to support the United States' action in Korea - the General Council has scented the existence of sufficient opposition to issue special, and very sensible, reports. But the chief preoccupation of the delegates is clearly the question of wages. Throughout the summer, pressure for higher wages has increased, and since the conference papers were assembled, the government has decided to spend annually between £300 million and £400 million more on defence, of which some £70 million is to take the form of increased pay for the services.

It is natural enough that trade union leaders should be worried that rearmament will cause a further degree of inflation or, less likely, a pruning of government expenditure on the social services. Either event would hit the pockets of their supporters and reinforce the pressure for a general increase of wages, and responsible trade union leaders are not blind to these dangers. Moreover, they may well feel embarrassment that the first actual rearmament expenditure should take the form of a marked increase in service pay when there are outstanding claims for increased wages affecting over four million people in civil employment. The paradox

that the government has granted to its own employees an increase in wages which it has denied or discouraged in other sectors of employment is an obvious target for the mischievous to aim at. Those unions which are lead by Communists or unscrupulous and intransigent leaders will no doubt make great play with this fact, even to the point of advocating the end of compulsory arbitration and a general trial of strength with the employers.

Mr Attlee attempted to explain to the congress the reasons which have made it necessary to launch a rearmament programme and the economic dangers which may result from it. Since it is the natural consequence of resisting Russian aggression, it can be presumed that all but the Communist minority among the trade unionists will accept the reasons for it. But a prolonged campaign of explanation and a more trenchant use of words will be necessary to convince trade union members that these things give them no title to increased wages. Such increases would be justified neither by the possibility of further inflation nor by the increase in the pay of the armed forces. The only justification for wage increases remains as before rearmament - greater and more economic production. Without any question, rearmament will have an inflationary effect, since the new demands for defence falling on particular industries are likely to outstrip their projected increases in productivity during the next three years. Rearmament, if it is to be done adequately and well, will call for sacrifices in the standard of living of the whole nation. There is no reason why organised labour should rank for any special exemption which is denied to other sections of the community. The same argument would hold if, in order to ward off inflation, the government were to reduce expenditure on the social services.

The particular case of the increased pay of the services is different. Here the government has deliberately used its power to raise the level of pay in the services and as far as the lower ranks of the services go it has done this in full measure. The recruit now gets a basic rate of pay 75 per cent larger than the 1945 rate, whereas average earnings of adult males in industry have increased by 25 per cent in the same period. But the 1945 rate of service pay was very low on any comparison with the rewards of civil employment, and the government having at last decided that it must augment the services by using financial inducements to draw men from civil into military employment, has done the very least that will be effective.

The government, by taking a positive line of action on rearmament and defence, has taken the risk of stirring up resentment in the ranks of the trade unions. It is for the unions to decide whether their reaction will be positive or negative - whether it will be regarded as a challenge or merely as the occasion for grumbling and lobbying. By using the weapon of financial inducement to raise the strength of the forces, the Government has at last shown that it is prepared to recognise the principle of the wage differential in order to shift labour from one occupation to another. Mr Bullock, in his presidential address on Monday, spoke with pride of the sense of responsibility of the British trade unions, and it has been a proud claim that the British unions initiate wage claims with a greater sense of economic realism than say the American or French unions. Is it not time then for the British unions to invest their own voluntary organisation, the TUC, with greater real power to sift and revise their various claims on the basis of a clear understanding that increases in wages should be based on the need, first, to reward skill and, second, to induce labour to flow from the less to the more important industries? The resolutions which stand to the name of the Inland Revenue Staff Association and the National Union of Public Employees - unions which it is true are exceptional in the calibre of their membership and of their leadership - suggest that this idea has already gained some ground among thoughtful trade unionists.

There is also a wider issue than the question of a coherent wages policy. It is quite clear that the present Russian policy of limited aggression has as one of its objects the creation of a state of alarm among the western nations which will force them into a rising defence expenditure and therefore by Marxist calculation into a declining standard of living, which in its turn will result in a lowered resistance to the growth of Communism. In Britain at least, the trade unions have it in their power not only to make the Russian calculations miscarry, but to cause the reverse to happen. The rearmament programme should have removed the remotest fears of any significant unemployment during the next few years and there is consequently no justification for the restrictive practices which still prevent the

Louis Philippe is at last - not indeed gathered to his fathers, - but committed to the grave in the hope that at some future day when the subsidence of old animosities or the occurrence of some new convulsion shall have rendered it practicable, his remains may be permitted to revisit the country he so long governed...With him terminates the race of men who saw the commencement of that great social earthquake, which overthrew the oldest Dynasty in Europe, shook society to its foundation, unsettled the minds of men to their inmost depths, turned up the subsoil of nations with a deeper ploughshare than Destiny had ever before driven, and opened the way for those new political ideas and those new political arrangements which are still operating and fermenting, and the final issue, the "perfect work", of which our children's children may not live to see.

The Economist

September 7, 1850

British industrial machine from running in top gear. If trade unionists were prepared to accept the implications in industrial policy of the resolute international policy which their native good sense leads them to approve, then Britain would be in a far better position to withstand her enemies. Beyond that, the emergency might even mark one of those great advances in general economic thought and practice (as in the United States in the last war) by which intelligent peoples can derive good out of evil.

NOTES OF THE WEEK

Political Backwater

While the world holds its breath to see whether the United Nations' front in Korea will succeed in withstanding the latest onslaught of the North Korean forces, the stream of discussion and leadership in Britain seems to have been diverted in a turgid backwater. Mr Attlee in his broadcast of last Saturday may have been logically correct in stating that there was no point in dating the recall of Parliament earlier than September 12th, but the result of this decision is that both he and Mr Churchill have had to use the BBC to carry on a debate which should have taken place on the floor of the House of Commons, thus perverting the party political broadcast from its proper use.

Mr Attlee may have been justified in some of his attacks on Mr Churchill; the point that he misses is that his government has a very great deal to answer for in its handling of defence, both in the immediate tactical aspect, such as the smallness of the British force so tardily dispatched to Korea, and on the wider strategic aspects of the failure to adapt its defence policy to keep pace with, let alone forestall, events. Although Mr Churchill's assumption that he is the only man who can save Britain may rile the Labour Party, the Labour government has still to prove that it has the capacity and energy to take time by the forelock. It faces a nervous parliamentary situation this autumn with the likelihood of trouble on its own left wing and an insecure majority over the opposition: leadership in ideas and actions will stand Mr Attlee in better stead than a hundred apologias.

Trade with Russia

Clearly it is possible to pick holes in the Prime Minister's broadcast defence of Britain's trade arrangements with Russia. British exports to Russia consist mainly of types of machinery for which delivery dates are long and demand, in present circumstances, virtually inexhaustible; how, then, can Mr Attlee claim with confidence that "these exports have not affected injuriously either our home or export requirements'"? Russian technical inspectors in a British engineering works are likely to see things that may be of interest to the Soviet Government; "conditions which prevent any disclosure of secrets" are not, therefore, easy to assure in any absolute way. But when these points have been conceded it is still true that the deliveries now being made to Russia are in return for deliveries of grains and timber that are not less valuable to Britain. The bargain was made in successive trade negotiations for the mutual benefit of both countries, and the Russians have performed their part of it. In what circumstances ought the British Government to break its undertakings? More is at stake than the wounded feelings of a British machine tool manufacturer.

The Government, in deciding whether to interfere with the British exports, has to consider not only the value of machinery to the Russians but the value of coarse grains and softwood to Britain, and it would be foolish to pretend that the "strategic" value is all on one side. It has to find out whether, if Russian deliveries stop, equivalent supplies will be forthcoming from elsewhere without dollar cost. But further, it has to determine at what point in the deepening international crisis the definition of "strategic" commodities is to be so widened that trade between Britain and Eastern Europe ceases altogether.

Atlantic Defence Takes Shape

The deputies of the Atlantic Council have compiled their reports for the meeting of the full Council which will take place on September 15th and 16th in New York. Certain ideas are known to be gaining favour in the United States - for instance, the setting up of a single Atlantic Command in place of the more limited authority of Fontainebleau, and the stationing of more British and American units in Europe. But these developments must, in American opinion, depend upon the readiness of Europe to contribute its own share. Mr Louis Johnson has made it clear that America will only help those that help themselves.

The week has however brought further evidence that the European powers are no laggards. The British decision to extend military service to two years has been followed by Belgium. In France, the Prime Minister, M. Pleven, has made his long awaited statement on French defence policy and announced that the French contribution to a peacetime European army will consist of 20 divisions. As a first step in the expansion necessary to build up this force military service will be extended to eighteen months.

All this must be heartening news for Mr Johnson, yet it is essential, at this critical stage, that the more powerful Atlantic powers should not seem to be waiting upon their neighbours. France's fears of renewed inflation and of a potent fifth column are inhibiting enough. The real spurt will be lacking unless America and Britain are prepared to give a really generous lead.

Defence of Ireland

The discussion of Irish defence (*writes our Dublin correspondent*) is inextricably bound up with Eire's attitude to the Atlantic Pact. Over the proper scale of defence preparations there are divisions of opinion between the political parties, but there seems no reason to believe that any conceivable Irish government would consider adhering to the Atlantic Pact. It goes without saying that Irish sympathies are not with Russia, but as Mr James Dillon, the Minister of Agriculture, affirmed in a recent speech, these sympathies cannot at present march with the Atlantic powers, the reason being of course that a treaty alliance with Britain would involve recognising the permanence of partition. No party would be prepared to accept foreign commitments without a prior agreement, if not on the whole question of partition, at least on Tyrone and Fermanagh. This does not preclude an appreciation of the fact that the larger conduct of a future war might be considerably aided by the presence of Anglo-American air and naval bases in Eire, and many Irishmen see no reason why Irish troops should not take part in the defence of all Irish territory, Derry as much as Berehaven.

The fact that Eire does not feel able to join the Atlantic Pact makes it peculiarly difficult to frame a sensible defence policy. The forces have been cut down steadily since 1944: the present establishment, which the Opposition considers quite inadequate, calls for a force of 13,000 but its actual strength is only some 8,500. Men, however, are probably not the chief barrier to expansion: the steady flow of time-expired men from the Curragh to the British army suggests that Irish basic training is adequate, and so many Irishmen have fought for or against Britain that the reserves of men with some military experience must be considerable. The problem of expansion would be that of equipment. The Irish army is lacking in weapons and in armoured vehicles, and there are almost no anti-aircraft defences - a fact which colours the diplomatic policy of any Irish government. Moreover ability to pay for equipment will now not amount to ability to obtain it.

Mr. Ehrenburg Explains

The recent visit of Russia's star propagandist, Mr Ilya Ehrenburg, to Western Europe has at least had the effect of making him aware what intelligent people outside the Iron Curtain think of the stunts of the Communist "peace" campaign. This awareness is manifest in an article in *Pravda* in which he admits that "hypocrites" in the West say: "We are against the atomic bomb, but the Russians have large numbers of tanks. Why are you not against tanks?" Mr Ehrenburg's answer is that banning the atomic bomb is only a "first step" and that, of course, the "supporters of peace" will take up the question of other lethal weapons later on.

Unfortunately for Mr Ehrenburg's argument the motives of Russia in launching this campaign have been only too obvious to anyone familiar with the relations of power in the current international situation, and such success as the bogus "peace" petition has had has been with unthinking people who are ready to sign anything claiming to be for peace and against atomic warfare. In seeking to build up in Western public opinion an inhibition against the use of the one arm of warfare in which the West has almost certainly a decisive superiority, the Russians and their Communist fifth columns are merely carrying on a propaganda intended to help their own strategic advantage in the event of war. The most suitable counter-action in the West would appear to be a campaign for the abolition of tanks, a weapon in which Russia appears to enjoy present superiority. And if this motive is thought unworthy, a strong case can be made for the view that the tank is far more essentially an instrument of aggressive war than the atomic bomb. Atomic bombing, even if used without warning, would not win a war against a strong nation, unless there were ground forces powerful enough to follow it up and occupy enemy territory; on the other hand, the *Blitzkrieg* from the Nazi invasion of Poland in 1939 to the invasion of South Korea two months ago consists primarily of a sudden assault by armoured columns with their spearhead of tanks.

Dr. Malan and South-West Africa

The victory of the Nationalist party in the elections in South-West Africa last week was a disaster for everybody save Dr. Malan and his followers. Nationalist candidates were elected in all six constituencies and General Smuts's United party were totally defeated. Dr Malan now has an absolute majority in the House of Assembly and an increased majority in the Senate. He need no longer, therefore, suffer the restraint of the more moderate Mr Havenga on whose support he has hitherto had to depend.

The result means an incalculable loss of prestige for the United party which can now have very little hope of victory in the next general election, and no hope at all of being able to influence the future decisions of the present Government. For the Hereros, on whose behalf there has been so much agitation at Lake Success, the outcome means the certainty of oppression made even more unsupportable by Nationalist attempts to placate their new German supporters. These men have a record in native affairs that is even worse than that of most South Africans.

The gravest consequence is, however, that Dr Malan may now carry out all his plans without the risk of parliamentary defeat and without effective opposition from any quarter. The entrenched clauses of the South

Africa Act will presumably be disregarded; the Cape franchise for coloured voters will be annulled (reducing still further the chances of a United party victory); the three seats of the natives' representatives in the House of Assembly will be abolished; and South Africa will become a republic within the Commonwealth, based, ironically enough, on the Indian model. Dr Malan will probably also begin to enforce the Group Areas Act and the Anti-Communism Act much more strictly than hitherto; liberals are already being labelled as Communists in the public speeches of Cabinet ministers. If such, indeed, is the melancholy sequence of events, progressive opinion throughout the Commonwealth will begin to question the value of a link which appears to associate them - however indirectly - with Dr Malan's disgraceful procedures.

Semi-Public Housemaids

The Annual Report of the National Institute of Houseworkers is a baffling document. No one denies that the Institute's aim - the raising of the status and standards of domestic work - is admirable and necessary; no one criticises its training methods; and if its code on hours and overtime is awkwardly rigid, it has value as a rough standard for general decent practice. Were the Institute a purely private affair, or the public grants which it receives a minor element in its finances, this general impression would be good enough. However, with three-quarters of its income provided by the taxpayer, something more is needed than cheerfully sketchy generalities and optimism. When the report gives definite figures, they are mildly horrifying. That a nine months' course at a domestic training centre should cost as much as a year at a good public school is none the less startling because the student herself gets it gratis. This is raising the standard with a vengeance.

Possibly this is merely a matter of growing pains, of heavy overheads which will become less onerous with expansion. The report vouchsafes no explanation. Nor is any real light cast on the questions, not without importance, of how long the expensively trained diploma-holders stick to domestic service and whether they go where they are really needed. There is general reassurance; "remarkably few" desert domestic work altogether, "most" go into resident employment where there are children, the old, or the sick. These generalisations might mean anything. Obscurity on these points, on the growth of numbers in training, on the respective importance in cost of tuition, administration, board and lodging, and allowances, is not adequately atoned for by quoting testimonials from employers and chatty letters from "pre-diploma workers". The Institute may be making a perfectly sound beginning on a needful and valuable job; or it may be a gaudy example of minor public extravagance. No one could tell from its report which interpretation is correct.

More University Teachers

Perhaps the most encouraging feature of the University Grants Committee's report for 1948-49 is the improvement it shows in the ratio of students to staff. In 1947-48 it was 11 to 1; in 1948-49 it was 10¼ to 1. In terms of individual attention to students this is an important step forward. University teachers are still desperately pressed, particularly at the non-residential universities where so much time is wasted in travelling, but every improvement in the ratio does something to relieve the pressure. The largest increase in numbers is in the ranks of lecturers and senior lecturers, but it is something of a surprise to discover that the number of full-blown professors increased by 85 over the previous year.

Another surprise is the fall in the number of women students. Between 1947-48 and 1948-49 the total number of students rose from 78,000 to 83,000, but the number of women students fell from 19,442 to 19,388. The reason may be that 1948-49 was one of the peak years for students with ex-service grants and the recipients of these grants were predominantly male.

In other respects the developments shown are very much what one would expect: the proportion of students studying arts subjects declined very slightly in favour of science and technology; the dependence of the universities on income from parliamentary grants increased slightly; and every university showed an increase in numbers except Oxford. The next big uncertainty is to know how numbers will be maintained when the number of grants to students begins to fall. Neither the Ministry of Education nor the local authorities have as yet taken steps to fill in with scholarships more than part of the gap left by the ending of ex-service grants. Are there a sufficient number of students of adequate quality and capable of paying fees to make up the balance?

Shorter Notes

An article in *The Economist* of January 7, 1950 drew attention to a forgotten empirical formula on electoral voting which states that if, after a two party contest, the votes have been cast in the ratio $a:b$ then the parliamentary strength of the parties will be in the ratio $a^3:b^3$. The theoretical basis of this formula has now been examined by Professor Kendall and Mr A. Stuart in the September issue of *The British Journal of Sociology*. They show that the formula is only valid if the election results conform to certain mathematical conditions, and that although recent British elections have fulfilled these conditions, there is a great element of uncertainty in using the law for forecasting.

Average prices of exports and of imports both rose by over 1½ per cent in July, the rise in import prices being wholly due to a 4 per cent rise in raw material prices after the invasion of Korea.

Books and Publications

"England before Elizabeth" by Helen Cam. Hutchinson's University Library. 184 pages. 7s6d

England before Elizabeth is a vast subject: indeed, Professor Cam begins it with the Iberians, who visited England from Spain in 2500 B.C. But primarily it is mediaeval history, and it is fortunate that it should be summarised by Professor Cam, - one of the most distinguished of those Cambridge mediaevalists who have rescued the subject from the ecclesiologists, the triviolators, the heraldists and the bores.

"The Englishman of Elizabeth's day", says Professor Cam, "confronted by hazards and opportunities unknown to his ancestors, owed to those ancestors more perhaps than he was willing to recognise"...What was his (and our) greatest debt? Not the Church, for that was cosmopolitan, and the Reformation had radically altered it. Indeed, for reasons of space, Professor Cam deals somewhat lightly with the Church, though she emphasises its service both in organisation and in keeping England from isolation. Our greatest debt is the English law and local government, and these two subjects give to this book the theme which unites so vast a subject: the canon law evolved and extended by cosmopolitan churchmen; the Roman law, introduced by Vacarius under Stephen; the common law, developed from custom and formalised by great legislating kings and the lawyers who followed them. It was the common law which, alternatively championed and challenged by kings and barons, and despised by the humanists of the Renaissance, "was in the next generation to be the first defence of English liberties against the encroachments of the New Monarchy".

But if the law gives unity to her subject, through what diversity does Professor Cam follow it! We see the commercial kingdom of Mercia flourishing under Penda and Offa; the industrial and commercial revolution, under the Angevins; the growth of the wool trade and the cloth industry; and the redistribution of wealth through war, trade and taxation which, dissolving the old concepts of feudalism, turned the higher baronage into an oligarchy and led, in the fifteenth century, to that "bastard feudalism" which the Tudors, conservative at least in this, ultimately corrected. And all this is illustrated by vivid portraits. The great Anglo-Saxon Bretwealdas assume here personality and stature; the genius of Bede is rendered suddenly clear; the humanism of Alfred, the modernity of Henry I, the fiendish energy of Henry II, the great work of Edward I, "the English Justinian", become evident before the reader's eyes.

"Gathering up the Threads" by Florence Ada Keynes. W.Heffer & Sons. 120 pages. 12s. 6d.

Many friends and admirers of the late Lord Keynes will be interested in his mother's simple and attractive account of his ancestral roots, of life and society in Cambridge from the 1880's on, and, of course, in the ancedotes she tells of the youthful Maynard. The main part of her history of the Keynes side of the family she owes to researches carried out when he was at Eton and at Cambridge by Maynard himself, who traced his ancestry back to one William de Cahagnes in Normandy who came over with the Conqueror. Writing after the completion of his labours, Lord Keynes wondered if his ancestors "were as fascinating alive as they were dead". One suspects, however, that it is Mrs Keynes' side of the family to which, though possibly less "fascinating", the spark of genius which burst into fire in Maynard Keynes is to be traced. At any rate, the most dynamic personality of which she gives account is that of her own father, Dr. John Brown, descendant of a Scottish family tempered or steeled by several generations of residence in Lancashire, who became famous as the congregational pastor of the Bunyan Meeting in Bedford. And while her husband, John Neville Keynes, long Registrary of the University of Cambridge, was a man of high culture and attainment, Mrs Keynes' pioneer service in the cause of women's participation in municipal life - she was Mayor of Cambridge in the year of her golden wedding - does nothing to contradict the theory that it is mainly from the mother that exceptional capacity is inherited.

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"Readings in Business Cycle Theory" selected by a committee under the chairmanship of Dr. Gottfried Haberler. American Economic Association Series (Blakiston). Allen and Unwin. 487 pages 25s.

This second volume of "Readings" in the Blakiston series to be republished (and more mercifully priced) on this side of the Atlantic maintains the high quality of its predecessor on International Trade, lately reviewed by *The Economist*. It suffers rather more, however, from the lapse of time; none of the articles here reprinted appeared later than 1940, and even the bibliography goes no further than 1943, since when, after all, a considerable amount of important work has been done - notably, in this country, by Mr Hicks and Mr Harrod. This largely inevitable incompleteness, however, makes no difference to the book's status, which is that of a standard volume indispensable to any serious student's library and the more indispensable the more limited that library's extent.

AMERICAN SURVEY

Democrats at Bay

Washington, D.C.

With Labour Day over and Congress ready to go home, the election campaign can begin in earnest. It is still too early, since the Korean War has dramatically changed the issues, to prophesy what the result will be. But it is not too early, in the opinion of most people in Washington, to admit that the campaign itself will be one of the most unsavoury of modern times. Some part of the coming unpleasantness was inevitable; with each successive defeat the Republican Party becomes more bitter and its Congressional candidates observe fewer of the decencies.

But the greater part will come from the deliberate decision, even at this critical moment, to make American policy in the Far East the chief election issue and to use the McCarthy technique and the MacArthur legend for driving it home. The 'relentless scrutiny' produced by the Republican members of the Senate Foreign Relations Committee was the first product of this decision. For all its false premises and doubtful reasoning, it was a comparatively sober and respectable document. From the Democratic point of view it was also a dangerous one. The truth about the situation could not be denied; the half-truths in the passages apportioning responsibility will be hard to explain. But two days later Senator Wherry gave tongue to what will no doubt be the real keynote of the campaign when he said that 'it is the policy of Mr Acheson to let the dust settle in Asia, and that cannot be denied. The blood of our boys today is on his shoulders.'

Before June 25th the Republicans were generally expected, more because the party in power usually loses seats in the mid-term election than for any more tangible reason, to make some headway; but it was not thought likely that they would regain control of either House. They were in the predicament of conservative parties all over the world in having nothing to offer; what was even worse they were proud of it. Mr Dewey, the most intelligent critic of (and the greatest sufferer from) his party's prehistoric wing, said in February:

> Anyone who thinks that an attack on the fundamental idea of security and welfare is appealing to the people generally is living in the Middle Ages. Everybody wants welfare and security. The man who first used the phrase Welfare State against our present Government did his cause no good, to put it mildly.

The man was Senator Taft and he is in danger in Ohio from a character who, to put it mildly, is undistinguished.

But the Korean War has changed the picture. Despite the warning, again from Mr Dewey, that 'politics should stop at the water's edge and, if it does not do so soon, I doubt if we will long own the water's edge', the Republicans, who have always longed to fight their elections in the Pacific, are going into battle bearing a banner with two very strange devices. 'For Chiang, Formosa and MacArthur' is on one side; on the other is 'Johnson and Acheson must go'.

The tacit approval given to Senator McCarthy and his tactics by the Republicans in a peace-time atmosphere may not have been very reputable politics, but it was honest compared to the present encouragement of a self-opinionated if not rebellious General. It is incredible that the Commander of the United Nations Forces in Korea should have been allowed to become either a catspaw or an accomplice of the opposition party in an internal election in the United States. But, as Miss Doris Fleeson of the *Washington Star* said a week or two ago, 'those people are in the Republican saddle who believe that the only thing that counts in politics is whether you win or lose'.

If the Congressional Democrats had courage, a quality which they conspicuously lack, it would not be too late to fight the kind of campaign which would give them a chance. But many of them, frightened by the Hiss trial, confused by the McCarthy antics, and scared by reports coming in from all over the country, have decided to be more anti-Communist than the Republicans. This has involved them in an open breach with the President's policies. They are trying to outdo the opposition in showing their love for General Chiang Kai-shek and General Franco and their admiration for General MacArthur. And those who know better dare not speak lest they be accused of sympathy for Communism.

If the elections were held today the result would probably be serious for the Democrats. But this may well be the party's lowest point. The American people, who are not used to taking the shock of initial defeats in war, cannot understand why their powerful country cannot polish off the North Koreans overnight. Those in office must take the blame. But, if the tide should have turned before polling-day and the United Nations forces be on the offensive (the timing of the offensive cannot, of course, be decided for political reasons in Washington, but only by the Commander in the field), Democratic prospects would improve. They would improve even more if the Democrats who are running would take the offensive and display the courage of the convictions they are supposed to have. The President, both in his broadcast and his reprimand to General MacArthur, has given them a lead.

THE BUSINESS WORLD

An Autumn Budget?

Reflections upon the economic effects of the increases in forces pay and the extension of compulsory service have led some people to hope that the Government will think again about its evident first decision not to introduce an autumn budget. This decision was apparently based mainly on the assumption that the new defence plans could not, even with the best possible speed in execution, exert any large effect before the fiscal year 1951-52, so that any budgetary action could safely be deferred until next April - and, incidentally, perhaps until after the next election. A second assumption, to which attention was drawn here last week, was that, in the absence of the rise in exports in the first half of this year, the economy might have developed a little of that disinflationary elbow-room that it has lacked for so long.

Now it seems certain that the forces of inflation will be strengthened almost at once, and that any minor slack will be taken up very quickly - unless an undue burden is thrown upon exports, which need actually to be stepped up to keep pace with the worsening of the terms of trade. The increase in forces pay adds forthwith £70 million a year to public spending power *before* the policy begins to do its job of attracting manpower away from civil employment; and, quite apart from that, the civil labour force will henceforth be depleted by the fact that the intake of conscripts will exceed releases. In addition, the new equipment contracts and other outlays for supply will certainly provoke some pressure this year, while there is always the danger of a wave of forestalling purchases by consumers and of redoubled pressure for wage increases. All these are arguments for early disinflationary action - both to provide some immediate correctives and to give due warning of the need for restraint now and of the bigger sacrifices that will be needed next year.

Productivity Not Enough

Unfortunately, there is no sign yet that the Government is giving weight to such considerations. It still seems to be regarding the undoubted need to sustain 'economic recovery' as a licence for sustaining 'business as usual' - which is a very different, indeed a contrary, objective. Upon the special reassembly of Parliament next Tuesday, the Government is expected to reveal something about the conclusions that emerge from the economic stocktaking upon which the planning staffs have been busily engaged. But the portents suggest that the first 'consequential measures' after Korea will be as unrealistic as those propounded on the morrow of devaluation. In these circumstances, it is a pity that some responsible commentators still seem to be lending support to the Government's first comfortable assumption that the extra defence burden can be readily carried by extra productivity. Sir Hubert Henderson, in an article in the latest *District Bank Review*, makes some shrewd comments about the danger of rising inflationary stresses, yet he says that the problem is really only one of ensuring that a sufficient proportion of the fruits of productivity is reserved for defence instead of being absorbed by other claimants such as a rising standard of living.

The reasons for distrusting this facile approach were succinctly stated in these columns four weeks ago. But, even if the arithmetic of productivity were trustworthy and supported this view, it would still be true that the frictions to be encountered in any effort to reserve the increment for defence purposes would be so great as to set up considerable stresses that would prejudice both the defence drive and the export drive, and, even so, would not save the public from the injustices of inflation. It cannot be emphasised too strongly that a reliance now upon productivity to see Britain through will mean too little defence effort, too few exports and too much inflation.

A Coal Crisis?

The Government, in its urgent need for more coal production, cannot find it easy to rouse the miners without alarming the country. Mr. Robens when he spoke last weekend of the risk of a winter fuel crisis if coal stocks are not built up from less than 13 million tons to 16½ million tons by the end of October, was addressing Durham miners at a gala, and his speech was no doubt a call to action rather than a prophecy of doom. But the facts to which he called attention are disquieting facts whether they presage imminent crisis or not.

There is nothing sacred about a figure of 16½ million tons for stocks. In most sets of circumstances such a total would be more than enough; circumstances might, however, so combine that it would prove too little. What is significant is the rate at which inland consumption is persistently tending to rise and the difficulty of getting output to keep pace. Lord Hyndley, when he surveyed in January the coal prospects for 1950, anticipated an inland consumption of between 196 and 201 million tons this year. This figure compared with 195.1 million in 1949, 192.7 million in 1948, and 177.8 million in 1938. In the event inland consumption in the first 34 weeks of this year has shown an increase of 3,400,000 tons over the

same period of 1949. Output, including opencast output, has shown an increase of barely 2,000,000 tons. The export programme will be an inevitable casualty if this goes on. But how is the process to be checked? Anything saved by rationing house coal is more than absorbed by industry and the utilities, which together (Mr. Robens said) took 34 million tons more last year than in 1938.

The growth of these demands is by no means at an end, even apart from any extra stimulus from rearmament; and it is by no means certain that the Coal Board's task in meeting them is a possible task at all. The improvement in productivity is slow and comes largely from injections of capital in the form of machinery and works of reconstruction. The mining labour force is shrinking more rapidly than the Coal Board or the Government expected, and efforts to check the shrinkage have had no visible success. The report of the Ministry of Labour for 1949, published this week, gives an impression of complacency on this subject as on the general question of inducing manpower to flow into the occupations in which it is most needed. Admirably as the Ministry works in detail, there is still no sign of success in applying a general manpower policy, if such a policy exists.

Freer Switching

Since last Monday 'non-resident' holders of sterling securities - that is, holders outside the sterling area - have been allowed to 'switch' into any security quoted on a stock exchange in the sterling area that is not redeemable earlier than ten years from purchase; non-resident holders of blocked sterling balances have been accorded similar freedom to invest their funds. Under regulations introduced in 1948 non-resident holders of British Government securities had not been allowed to switch out of them into industrials - and all non-resident holders were precluded from switching into South African or Rhodesian securities. Permission was also generally withheld from any switches that involved a change in the 'country of borrower'; before last Monday, therefore, the overseas holder of, say, a Chilean mining security expressed in sterling could switch only into another Chilean security.

The new regulations broadly restore the facilities set up during the brief 'dash for convertibility' in 1947. One consequence of them will probably be a movement by non-residents out of gilt-edged into industrials; the gilt-edged market was already reflecting expectations of such a movement on Monday. Another consequence may be that certain Latin American states will be able to retire their sterling securities more rapidly than before; they will be able to buy gilt-edged securities cheaply in New York, sell them at market value in London and then use the proceeds to repurchase their own securities. As a result of transactions in cheap security sterling of this sort, and as a result of the expected switch by foreigners from gilt-edged into higher yielding securities, Britain may lose a little foreign exchange. But the advantages to be gained are certainly worth the small sacrifice involved. Sterling securities should now become much more desirable investment media in foreign eyes; some first sign of this can in fact be deduced from the fact that the four main 'security sterling rates' (gilt-edged, industrial, Rhodesian copper and South African sterling) have merged (as merge they had to) into a single rate near the upper level of the previous spread. The prestige of sterling securities abroad - and the degree to which foreigners use the London market instead of New York or Amsterdam - will be immeasurably increased if switches between residents in different currency areas are now liberalised; the Bank of England's rules about such switches (which still seem to be subject to individual licence) are at present very obscure. Provided such liberalisation takes place, the only barriers still set up to foreign investors by the British exchange control will be those that prevent a withdrawal of foreign capital from the sterling area. Indeed, this latest move towards freedom might have been accompanied by others a good deal more vigorous - if the rearmament crisis had not given more power to the elbow of the cautious spirits who cling to control.

Bank and Fund Concourse

Representatives of the finance ministries and central banks of forty-nine countries, ranging from the United States to Salvador, have now assembled in Paris for the fifth annual meetings of the International Monetary Fund and the World Bank. The reports of these two institutions were due to be presented to the Governing Boards on Thursday and Friday of this week - after this emergency issue of *The Economist* had gone to press. But it is doubtful whether their content will be such as to hoist them high into the headlines. The course of events in the past year has not run kindly for the Fund, which is still faced by a world in "fundamental disequilibrium" (a "temporary" condition that has now outlasted the Fund's fifth birthday), which is still split (more perhaps than appears to the naked eye) on the negative attitude it has adopted to South Africa's request for greater freedom in gold dealings, and which is still nursing a sense of injured pride at the small part it was allowed to play in the exchange rate adjustments of last September and the more recent conception of the European Payments Union. Apart from certain internal staffing problems, the main interest at the Fund's annual meeting may centre in the efforts of some European countries to secure adjustments to their "quotas" and dollar-drawing rights. So long as Marshall Aid lasts, no West European member may draw dollars from the Fund; when Marshall Aid ends, the size of quotas, and the corresponding dollar-drawing rights, will become of greater importance.

The World Bank has had a rather more active year. It has lent more than $200 million - mainly to Australia, India, Turkey, Iraq and Latin American countries. Subjects that may come up for discussion at the Bank's meeting are the very high level of its overhead costs, the possibility of raising and lending currencies other than the dollar, and the liberalisation of the non-financial covenants in its rather stereotyped loan contracts. Some attention might also be paid to whether the Bank should now adapt its lending policy more closely to the renewed need for world wide disinflation - or whether it should merely scrutinise each loan for its individual prospects for repayments. But these narrow discussions of the particular affairs of the Bretton Woods babes are unlikely to be the most important consequences of this week's concourse; men such as Mr. Snyder and Mr. Havenga are unlikely to have come on a European tour without first filling their brief-cases with other and more important matters than those to be formally discussed in the board room of the Bank of France Annex.

New Hope from Argentina?

British firms operating in Argentina - and those now cut off from the Argentine market - may derive some hope from the simplification of that country's exchange system announced last week. These foreign exchange reforms, which include a devaluation of the peso, provide new evidence that the Argentine authorities are now confident that their external economic prospects are again changing for the better as the world political situation changes for the worse. It also provides the first ray of hope that they may be planning to ease the strains imposed on their economy by their policies of the last few years. These policies, as has often been explained in *THe Economist*, sought to jack up the standard of living of the urban proletariat by milking local agriculturists (through discriminatory exchange rates) and to jack up the country's exiguous exchange reserves by milking any foreigner who lay conveniently to hand. The new exchange structure is notable because it throws out a few first crumbs of comfort to these two whipping boys. The export exchange rates for basic agricultural products have been raised from 9.4 pesos to 14 pesos to the £, and those for other agricultural products, semi-manufactured and manufactured goods are raised to 21 pesos - from 13.53, 16.04 and 20.15 pesos respectively. The profits arising from these devaluations, which for most products are of the order of 40-50 per cent, should provide a stimulus to Argentina's flagging agricultural production - provided the profits are passed on by the state purchasing agency; they will also, however, inevitably generate inflationary pressure within the country. Exchange for preferential imports will now cost 14 pesos to the £ (instead of 10.45 pesos); for other essential and semi-essential imports the rate will be the same as the general export rate - i.e. 21 pesos (instead of 15.04 and 17.04 pesos). Inessential imports - a category that includes the great majority of British textiles and other manufactured goods - are to be financed at the free market rate, now about 40 pesos to the £. It is not yet clear whether exchange for these imports can be bought at this rate without prior permits; if it can, there may be a rush to buy British manufactured exports despite the high internal prices that these rates would ensure.

There remains the all-important question of financial remittances. From now on foreign firms operating in Argentina may buy on the free market, and remit abroad, foreign exchange up to an annual maximum of 5 per cent of their investment in the country. The Argentine Government has also announced that it will facilitate transfers of the £20 million odd of accumulated British earnings "as soon as conditions on the free market permit". Meanwhile, British firms holding blocked peso balances are apparently to be allowed to sell them for sterling - if they themselves can find a sterling buyer. Unfortunately, it is not yet clear by what formula the permitted remittance of 5 per cent is to be assessed; if the original sterling investment is to be valued at the pre-war rate of about 12 pesos to the £, while current remittances are valued at 40 pesos or more to the £, the concessions will afford cold comfort. Moreover, it must be emphasised that the Argentinians have been induced to make even these meagre concessions to foreign businesses only because they think they can now increase their exchange reserves by forcing Britain and other countries to pay - in an inflated world market - higher prices for their products.

Bank Advances Rise Again

The clearing banks' statement for August reveals a picture very similar to that painted by most of these statements in the spring - the decrease in Governmental demands on the banks has just, but only just, sufficed to offset the rising pressure of bank advances. In the four weeks to August 16 Government borrowing (as represented by the net change in money market assets, Treasury deposit receipts and cash holdings) ran down by some £27½ million while advances increased by just over £21 million. Net bank deposits declined by £5,600,000. It now seems probable that the apparent check to the rise in advances between April and July was largely seasonal - insofar, that is, as it was a real check and not merely a reflection of special Electricity repayments (from the new issue proceeds) and of the accounting oddities discussed in these columns on August 5. Moreover, the renewed upsurge in primary commodity prices must necessarily lead to an increase in the cost of carrying stocks; wool manufacturers in particular may now be pressing for a higher ceiling to their borrowing powers. In view of this, and in view of the fact that Government borrowing must be expected to increase as rearmament gets into

its stride, the prospect that credit stability can be maintained over the next few months is not at present bright.

Expanding Oil Production

World oil production is well on the way to reaching an unprecedented high level in 1950. Estimates made by the *Petroleum Press Service* put the total world production of crude oil in the first six months of this year at 245,825,000 metric tons - 15,000,000 tons more than in the first six months of 1949 and 6,000,000 tons more than the previous record half-year, which was July-December 1948. These are impressive figures as they stand. Still more significant are the facts that all the principal oil-producing regions of the world have shared in the increase, and that the full recovery of American production has only become apparent in the last two months; the indications point, therefore, to a still higher performance in world oil production in the second half of the year.

Although world output fell slightly last year as compared with 1948, the reduction then was substantially confined to the United States; output in the rest of the world has, broadly speaking, expanded uninterruptedly for some years. The expansion outside the United States has continued and in some regions has been accelerated. Middle East output in the first half of 1950 was 5.2 million tons more than in the second half of 1949. Iran, Iraq, and Kuwait are together responsible for the bulk of this increase, and the putting into service of the new 16-inch pipeline from Kirkuk to Tripoli played a considerable part; but since May Saudi Arabian output has begun to advance rapidly as well. In the Far East, Indonesian and Borneo production have advanced steadily. Venezuelan production was reduced in February and March because of the poor United States import prospects for fuel oil, but rose remarkably in June and July to a rate equivalent to 84 million metric tons a year..

American production has not ceased to be the dominant feature in the world oil picture; and the American market underwent an immense transformation even before the Korean war administered a new impetus. American domestic requirements rose by no less than 12 per cent over the first half of 1949, so that even with the reduced export demand for American oil products the total demand for United States oil advanced by 10 per cent. It has taken some time, and a substantial running down of stocks, before the restrictions on output were removed and the movement of demand fully reflected in production. But American output, at 5.6 million barrels a day, is now 900,000 barrels a day higher than a year ago, and still rising. Refinery runs are higher again, more than 6,000,000 barrels a day; American imports of crude oil are running over 500,000 and of products over 300,000 barrels a day.

Shorter Notes

France last week paid Britain £9,250,000 of the £15,250,000 agreed for final settlement of all wartime debts; the balance will be paid in September 1951. France also paid last week £8.6 million in first repayment of the £100 million loan granted after the war. These payments are being set off against French sterling balances, which stood at £28 million at end-June.

To provide for capital expenditure, Imperial Chemical Industries is arranging a private placing of £20 million 4 per cent unsecured loan stock 1958-1960. The issue price has not yet been disclosed, and ordinary stockholders are not being asked to participate. The ordinary units of ICI were marked down sharply on the news.

A further £2,500,000 is to be raised by Petrochemicals to finance the chemicals-from-oil plant at Partington and repay £900,000 temporary advances from the FCI. Sanction is being sought to create a prior charge up to this amount and ranking pari passu with the existing 5 per cent second secured loan stock 1959.

The payment of a special interim dividend of 3.6d. per 15s. ordinary stock unit of Tate & Lyle in December will be coupled with the creation of a "Prosperity Fund" for distribution to employees. It is understood that the fund will be geared to an incentive scheme to be linked with output and profit.

The British air corporations' operating deficit in the last financial year was £7,790,000 for BOAC, and £1,360,000 for BEA. Internal reorganisation and increased traffic cut the losses of BEA by more than half and those of BOAC by 13 per cent.

The provisional index of industrial production for June, published by the Central Statistical Office, is 143 (1946 = 100). This is a point higher than in May and is equal to the index for March, the highest recorded. The index for manufacturing industries is 149.

STATISTICAL SUMMARY

Finance	Week ending Aug.26	Sep.1
Note circln. (Wed) £mn.	1307.5	1302.0
Tr. Bills allotted (Fri) £mn	230	240
Av. rate per cent	10s3.48d	10s2.90d
Total Floating Debt £mn	5901.8	5899.7
Change in Nat.Savs. £000	-1820	-
Total Ord. Rev. £000	57,376	79,958
Total Ord. Exp. £000	45,878	76,781
Gross Nat. Debt £mn	26,196	26,211
Gilt-Edged Yields	Aug.28	Sep.4
Consols 2½%	3.10. 8	3.10. 0
War Loan 3% 1955-59	2.13. 2	2.13. 0
Funding 3% 1959-69	3. 3. 9	3. 3. 2
War Loan 3½% (after '52)	3.14.11	3.14. 6
Br. Electricity 3%	3. 5. 8	3. 5. 1
Br. Transport 3%	3. 8. 3	3. 7. 8

Company Meetings

OZALID COMPANY

The annual general meeting of the Ozalid Company, Limited, was held on Aug.23, in London, Mr. C.A.G.Hewson, chairman and managing director, presiding.

The following is a summary of his statement: The profit for the year 1949 was greater than that made in 1948. The result is extremely gratifying and exceeds the forecast of the directors made in the early part of 1949. The turnover for the year under review was greater than that of the preceding year. The turnover for the first six months of the current year has exceeded the figure for the identical period of 1949.

The company's continued success depends upon marketing products of the highest possible grade and the production of improved ones; further, as our products are supplied to the drawing offices of nearly all the leading engineers, shipbuilders, aircraft and armament concerns, municipalities, and building contractors in the United Kingdom, our fortunes are directly concerned with the trading conditions experienced by those in the spheres mentioned.

Your directors recommend the payment of a final dividend of 15 per cent., less income tax, on the "A" and "B" ordinary shares, which provides a dividend of 25 per cent. for the year.

SPURLING MOTOR BODIES LIMITED
Capital Increased

The thirteenth annual ordinary general meeting of Spurling Motor Bodies Limited was held on Aug 31 in London.

Mr. W. F. Spurling (Managing Director) said that the year under consideration had been fraught with frustrations and difficulties. Especially did he refer to the continued shortage in the number of new vehicles for the home market. Secondly they had suffered from the effects of the general shortage of money and those two factors had very definitely affected the profit earning capacity of many businesses.

A third factor in their case had been the nationalisation of the road haulage industry. A considerable proportion of their revenue had always come from the sale of replacement parts.

Their trading profits had fallen from £210,429 to £188,998, a decrease of £21,431, but the net available profit, after charging taxation, had fallen by only £8,157. The directors felt justified in maintaining a dividend of 37½ per cent. for the full year.

The directors were confident that the coming years would be as satisfactory as former years.

The report was adopted, and at a subsequent extraordinary general meeting a resolution was approved increasing the capital to £600,000 by the creation of 500,000 Ordinary shares of 4s each.

SILENTBLOC LIMITED
Record Net Profit

The fifteenth annual general meeting of Silentbloc Limited was held in London on August 30.

Mr. H. Vezey Strong (chairman) in the course of his speech, said:

A year ago I ventured upon a modest prediction, the fulfilment of which is expressed in the report and accounts. After providing £59,823 for taxation, your company retains as net profit for the year the sum of £44,305, which is approximately 58 per cent. above that of last year, and constitutes a record.

It is proposed to place £12,000 to the asset replacement reserve, to pay a final dividend of 4d per share, less tax, making 7d, less tax, for the year, and to carry forward the balance of £36,234.

The Recent Issue

In July last 550,000 new shares were issued at 5s.9d. per share, raising the issued capital of your company from £165,000 to £220,000, and producing approximately £135,000 of new cash. In turn, the nominal capital of the Andre Rubber Company, Limited, has been increased from £36,000 to £250,000. All the shares so created have been issued to the parent company for cash. Thus the capital of the Andre Rubber Company, Limited, has now been brought more into line with its asset position, the loan from Silentbloc, Limited, has been repaid, and adequate working capital provided for its expanding business. The sum of £86,234, which it is proposed to carry forward, is in itself sufficient to provide a dividend of 7d per share, less tax, on your company's capital as it now stands increased. Our three factories are in most excellent shape, and indeed maintained in the best order and condition.

Associated Companies

Our associated companies overseas now begin to forge ahead. In the year under review your company received revenue only from the U.S.A., the royalty earnings paid in American dollars amounting to £3,050, plus £499.10s., being profit on exchange. This is a relatively small sum; nevertheless, when compared with £1,166 for the preceding year, the progressive trend becomes clearly marked. This is not a one-way traffic, for we reciprocate in the fullest sense, so as to help secure an outstanding success for these combined operations.

Our policy here at home for the current year is one of consolidation.

With regard to the current year, the order books of both companies are full, combined sales for the first three months of the year exceed those of the corresponding period of last year by over one-third, and your board views the future with confidence.

The report was adopted.

GEORGE LEE AND SONS, LIMITED

Substantial Increase in Output And Sales

Lord Barnby's Review

The sixty-fourth annual general meeting of George Lee and Sons, Limited, was held on August 23rd at Providence Mill, Wakefield.

The chairman, Colonel Lord Barnby, C.M.G., C.B.E., M.V.O., in the course of his speech, said:-

The results for the year under review can, we feel, be regarded with satisfaction. In addition to the improved financial results recorded in the accounts for the year there was a substantial increase in output and sales.

The steady rise in the price of wool involves, in a business such as this, need for a greater increase in working capital than can be provided out of current profits after providing for taxation requirements and a modest return for shareholders. In addition, there is need of funds to pay for new equipment at to-day's high prices. Up to the present your company has met these commitments by bank borrowings, but your directors now feel that they would be well advised to obtain finance in some more permanent form. They are therefore in course of negotiations for additional capital in a more permanent form.

Wool Prices

Wool prices moved on to a higher level. This made it difficult for spinners to avoid progressively recovering part of the advance by increased prices to customers. Statements after devaluation by the Chancellor of the Exchequer dismissing expectation of resultant price advances undoubtedly resulted in normal provision of raw material by importers being postponed. As a result higher prices were paid later to secure necessary raw material. This is reflected in the rise in Customs and Excise return of imports, to which rise wool, of course, contributed substantially.

Export Field

In the export field we have continued to press sales with customary vigour. We have maintained our proportion in most markets and are recapturing our former volume in others where currency and import restriction had stopped normal flow.

Trading with retail stockists is now returning to conventional seasonal practices. To provide for this stocks at the mill must be built up during the summer months. I would remind shareholders that we sell our products as "Target Wools" under brands long well known at home and abroad, such as, to name only a few leading ones, Campanula, Leemont Crepe, Cherub, Clover Boucle, etc.

The report was adopted.

BRITISH BORNEO TIMBER COMPANY, LIMITED

Termination of Concession

The thirtieth annual general meeting of the British Borneo Timber Company, Limited, was held on September 7th in London, Mr. H.W. Horner (the Chairman) presiding.

The following is an extract from his circulated statement for the year:

The Colonial Office had given formal notice that the company's present concession will terminate on June 30th 1955. We understand that it is the wish of government to start discussions in due time regarding the terms on which this company may continue its business thereafter, without waiting until the period of the five years' notice is nearing its end.

We are continuing to press on with the work of re-equipping our sawmills, engineering works, and slipway in Borneo. The extension of the sawmill was completed in June and is now making a substantial addition to the output of sawn timber.

Demand for timber in our main markets, the U.K. and Australasia, remains steady and sales have been well maintained.

The profit for the year, before providing for taxation, is £104,719 - some £26,000 lower than that of the previous year - which, may be regarded as satisfactory. The board recommended a dividend of 10 per cent.

The report was adopted.

GENERAL CEYLON RUBBER & TEA ESTATES

The fifty-third annual ordinary general meeting of General Ceylon Rubber and Tea Estates, Limited, was held on August 22nd in London, Mr. J. Gilroy Annan (chairman and managing director) presiding.

The following is an extract from his statement:

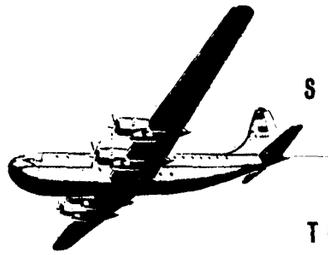
It gives me great pleasure to be able to report an increase in profits for 1949 over 1948, before making provision for taxation, of £10,246, that is to say £54,140 against £43,894. Whilst climatic conditions did, in fact, improve in the second half of the 1949 season, this improvement was not sufficient to off-set the drought in the early part of the year, and tea crop was less than in 1948 by some 13,000 lbs. The drop in crop was more than compensated by the increase in price obtained of about ¾d. per lb.

Rubber crop showed an increase of 20,000 lbs., which can to a great extent be accounted for by the bringing into tapping of hitherto immature rubber and slaughter tapping of old rubber preparatory to replanting in tea in 1950.

Your directors recommend paying a dividend of 6½ per cent., less income tax.

As regards the current season, there have been harvested to July 31st, this year, 1,387,758 lbs. of tea and 567,882 lbs. of rubber.

The report was adopted.



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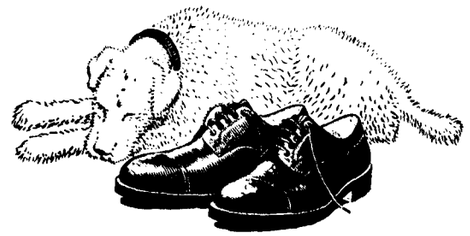
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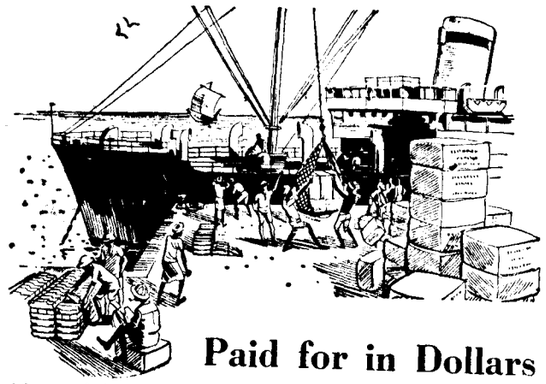
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Footing the Bill

NO Government need be ashamed of an honest reluctance to prepare for the possibility of war. No government, having seen where its duties lie in defending its citizens, would escape the censure of history if it tried to shirk them. It has taken a great deal to convince the British Government, and the British people, of the need for active measures of defence, but if their conversion to realities has been belated the conversion of the other Atlantic nations has been scarcely less so. The question now is whether Britain, in concert with its Atlantic allies, is doing the utmost to make good past deficiencies in the effective organisation of mutual defence. The Prime Minister's account on Tuesday of the defence tasks now in hand struck at any rate a more confident note than the alarming revelations of unpreparedness in the defence debate at the end of July. There is no more nonsense about a fleabite of an extra £100 million; the total projected burden for the next three years is now put at £3,600 million and even if this proves sufficient (which may be doubted) it will represent an increase of more than 50 per cent on the present rate of expenditure on defence.

The first objective, as the Prime Minister stated, is to bring the country's existing fighting units up to full strength and to supply them with the necessary supporting arms. The flow of new manpower into the forces, both of regulars and national service men, will take time, but later next year it should be possible to mobilise ten regular divisions and twelve Territorial divisions. In the meantime, "rather more than three fully trained divisions" are to be stationed in Germany, and an increase is to be made in the home strategic reserve to about two fully armed divisions. No doubt these dispositions are the best that can be made in the circumstances, but even these painfully small forces have still to be built up to full strength. No speed will be too great for the achievement of this task, nor for the building-up of squadrons with new jet aircraft and the provision of defensive craft for the Navy. It is the very urgency of these tasks—the desperate character of the race against time—that prompts the question whether even now the Government's programme represents more than the bare beginning. Are three fully trained divisions in Germany (when they are all in position) a sufficient British contribution towards the common landward defence of the West? How soon will the full capacity of the British aircraft industry be employed in feeding fighters to the front-line air forces of the Atlantic nations? Are the present programmes big enough? Can they be completed soon enough?

In this present twilight of warlike peace, the main danger is that the Government may seek first to secure the gains of peace and to put the needs of defence second. It is right that the Government should shrink from resorting to the drastic apparatus of a war economy at this stage; the country is not preparing for war, but fortifying itself for peace by strengthening its defences. The three-

year defence programme, however, is limited (at this stage) to what the Government conceives to be "physically possible"; it presupposes that assistance from the United States will be sufficient both to provide materials from dollar sources and "to maintain our economic strength." These reservations were explicitly made by the Prime Minister when he turned to the economic consequences of the defence programme. At one point, for instance, he claimed that Britain's defence effort had reached the limit of what could be done unaided without impairing the country's economic position. In any scale of values that recognised the primacy of defence needs, this claim could hardly be accepted as it stands. Not all the country's resources are being devoted to rebuilding its economic strength, and even if they were it would still be possible, though uncomfortable, to use a greater part of them instead for rebuilding our military strength. Under present conditions, it is not disagreeable policies that are likely to prove disastrous.

Nothing that Mr Attlee or Mr Gaitskell said during the debate came near to rebutting the impression that the Government's attitude towards the economics of defence is "business as usual." There would have to be sacrifices, some degree of hardship, fewer cars and television sets, some diversion of labour and some rise in the cost of living. But nothing is apparently to be done to ease an economy already bursting at the seams. There was no mention of any action to modify the existing commitments on the social services and housing. Indeed, the Minister of State suggested that the inflationary tendencies resulting from the new defence programme would be on a "small scale at present," and he announced that the Government did not intend to present an Autumn Budget. To persist in such attitudes is to run the risk of imperilling the defence programme in economic confusion. The extra cost this year may be only £70 million; but in 1951-52 it will be at least £220 million, in 1952-53 perhaps £400 million and in 1953-54 over £600 million. An early Budget would have provided the opportunity both for some modest degree of disinflation by way of retrenchment and for preliminary steps to meet these great burdens.

*

The Government is in the curious position of realising what has to be done on the economic front without, it seems, having any confidence about the means to employ to secure that it is done. The full programme will employ 250,000 people, and civil industry will also lose men to the armed forces (77,000 for national servicemen alone in the next six months). It will need something more than co-operation and good will to secure transfers on this scale, and while the transfers are going on, productivity in civilian industries will suffer. Again, as the Prime Minister clearly showed, the main weight of additional production for defence will fall on those industries which are already fully occupied in making capital goods for home and export needs. It would be a profound mistake to allow the country's export effort to be weakened, or to cut down essential productive investment at home. If this crucial group of industries is to meet, as far as possible, the demands of defence, exports and home investment, the pruning must be done in all home requirements that are not inescapably necessary. Of the machinery to do this, there was no hint in Ministers' speeches. No doubt the Government is right to hesitate to introduce physical controls and allocation of the complicated miscellany of goods that this group of industries produces. Such policies are difficult to apply even when the compelling sanctions of war are present; to rebuild an apparatus of control now would be unwelcome and conceivably unsuccessful. To direct labour into defence jobs is obviously even further from the Government's mind, but it can have little confidence that its renewed appeals for restraint in wage claims will carry much weight.

All experience since the war has shown how much more easy it is in a fully-occupied economy to generate inflationary pressure than to contain it. The defence programme can either be superimposed on the British economy, which has no spare capacity or spare labour to meet it, or room can be found for it by laying aside temporarily other desirable but less important things. The Government's present mood suggests that it is prepared for the first course of action—that it remains optimistic, despite evidence to the contrary, that rising productivity will largely meet the rising demands for defence and that it is not disposed to take unpopular steps that would hurt. Yet, at the same time, it realises, perfectly rightly, that defence must hurt, that the standard of life of the people will suffer. But it is not prepared to admit that the damage will be far greater if a further dose of inflation is allowed to play havoc with the British economy. In war, a community may be justified in moving to the very brink of inflationary disaster if that is the only price of securing military survival. But these are not conditions of war. Great issues still hang on the ability of Britain to earn its own living in the competitive markets of the world. It would be the utmost folly if this country were to allow itself to be inundated by the inflationary tides that are now flowing throughout the world and add to them a new deluge of its own. By its postulates about the defence programme, the Government would apparently have the country believe that not a single penny of existing expenditures—on consumption, the social services, miscellaneous Government expenditure, housing and other civil investment—can be touched. That has been the stock answer to all demands for retrenchment in the past three years. To persist in it now will be to make sure that the real value of these expenditures and of those for defence is cut by the disorderly and dishonest processes of inflation. If the tasks of defence are to be speeded to success, a realistic policy of financial retrenchment is imperative now and for several years to come.

NOTICE TO READERS

Wednesday's resumption of work in the printing trade allows us to reach all our readers for the first time in three weeks, though with a smaller paper than we would wish. Next week should see a normal issue of ***The Economist*** and the resumed publication of the ***Records and Statistics*** Supplement.

We are grateful to readers for their forbearance during the printing dispute. Only limited supplies of two emergency issues of ***The Economist*** of September 2nd and 9th could be produced, but additional copies are being prepared and can be ordered from newsagents or from the publisher at 1s. per copy post free.

The Economist, 22 Ryder Street, London, S.W.1.

Groundwork of the Alliance

IN recent weeks American practice has had a way of catching up on European theory. It is not very long ago that officials and publicists on this side of the Atlantic were suggesting, with all the diffidence that a bold proposal seems to demand, that British and French defence plans might appear more confident if the United States were prepared to station more troops in Europe and if an American officer were appointed to command an integrated North Atlantic force. Now, it seems, these decisions have been taken in the United States and at this week's meeting of the Atlantic Council the powers can take full American participation in European defence as the starting point, not the aim, of their discussions. There can be no question now of European prodding and of a reluctant American response. On some issues, American military thinking has already far outstripped European plans. President Truman is now talking of nearly 3,000,000 men in the armed forces and of annual military expenditure of some $30 billions. If a fear of American half-heartedness has held back anyone in Europe, that excuse has vanished. It is the Americans who now set the pace.

In one field, at least, the pace may be a little too hot for Europe. Reports from Washington suggest that the United States Government is now prepared to consider a limited rearming of Germany, say, to the extent of ten divisions and to propose that such a force should be built up within a general North Atlantic Command. Additional safeguards would lie in supplying the weapons from elsewhere and in forbidding it a separate military staff, but it would be an army, not a disguised police force. The British and French Governments are not now so concerned with the ideological objections as once they were, but they both have in mind the strong practical drawback that if arms for the new force are not to be manufactured in Germany—and everyone agrees on the unwisdom of such a development—they will have to come off someone else's quota. So long as the absolute amount of arms available to Europe is insufficient, there is no point in creating new claimants for them. The European allies, therefore, prefer to strengthen the German police force as an immediate measure, and to leave the question of a German army until the rest of Europe is better armed.

This division of opinion upon the armament of Germany is likely to be one of the few differences on the Atlantic Council's agenda. It is, indeed, little short of astonishing to observe the speed with which a concept of a common integrated Atlantic strategy has become a commonplace in the west. But if the thinking on military matters has been on the whole speedy, clear and united, no such unity has yet been reached on the difficult economic issues which the aim of an integrated defence effort is already raising. Some points are reasonably well agreed—for instance that nations shall be required to make a defence contribution of roughly the same proportion of their means—but on a number of vital questions, allied thinking still seems very imprecise. To what extent, for instance, should the necessity of defence be allowed positively to interfere with the achievement of economic recovery and independence? Much of European policy, and especially of British policy, is still framed with the idea of reducing dependence upon the dollar area and building up non-dollar markets and sources of trade. In particular, a stream of official documents has pointed out that western Europe cannot be economically independent without trading with eastern Europe. Yet the effect of an accelerated defence programme must be to reduce European exports and, in particular, American pressure is directed towards preventing practically all exports to the Soviet Union and its satellites. How then, are these conflicting aims to be solved? There is no easy line such as is imposed by total war. An area of "normal" economy is presumably to continue alongside the defence effort and, indeed, the continuance of Marshall aid proves that the Americans are anxious for both recovery and defence to be pursued simultaneously. Yet unless a much clearer balance is achieved between the two, either the Europeans will succumb to the temptation of still giving recovery too high a priority—British plans appear to be based on such a calculation—or the Americans may push their European allies to the point where economic warfare and siege economics put an end even to a limited area of normal commerce. This is certainly the danger in Anglo-Soviet trade.

Once the scale of the defence effort needed from the European powers has been roughly established, new problems arise. How quickly, for instance, can some central machinery be set up to secure a rational allocation of the raw materials essential both to rearmament and to strategic stock piling? The world is witnessing at the moment a helterskelter grab for essential materials which is sending up price levels in a headlong rush



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towards inflation. The prices of tin, rubber, wool, scrap, iron ore, and non-ferrous metals have all reached new records and although the dollars that are flowing out into the world are easing the dollar problem of such areas as the Commonwealth and the sterling area, they are doing so at the cost of an increasingly dangerous inflation of world prices. Moreover, the fact that the United States is in many cases the purchaser makes it more difficult for the European allies to plan their own contribution to defence. It is, for instance, not much use declaring that Germany's extra effort shall consist of 3,000,000 tons of steel, if scrap and iron ore are virtually unobtainable by any European producer. A restoration of the wartime Combined Boards, suitably widened to include the Atlantic alliance, or a very great strengthening of the production and resources committee set up under the Atlantic Council would seem an essential measure to bring some order into the present scramble for supplies.

Yet even if a strong machine is established to allocate scarce materials according to some general plan of production, the problem of financing this integrated effort remains to be solved. The procedure of the last war whereby a rough effort of book-keeping was made both by Britain and the United States and a general settlement postponed until the end of the conflict does not seem entirely applicable to a situation in which all partners hope there will be no conflict and are prepared for a long and sustained effort of defence. The solution lies perhaps in agreeing that, provided each government contributes a share to defence which its allies believe adequate, the money sign should be removed entirely from all expenditure they incur with each other as a result of the defence effort—for instance, by deliveries of munitions or by work done at home for armies from another country. This is the underlying thesis of the American Military Aid Programme and other nations might provide each other with similar facilities. The line is clearly extremely difficult to draw and if the United States were to apply the rule to all its stock piling and strategic purchases, the world's dollar famine would return at once. But it should be possible to work out some sort of agreement which recognises the exceptional financial position of the United States and ensures that finance shall not become an obstacle to the best possible deployment of the allied effort.

In all these problems, it is clear that no single remedy is sufficient to provide solutions to an incredibly complicated set of economic conundrums. What the Atlantic powers need is not so much a hard and fast plan as effective machinery through which constant adjustment and negotiation can continue. At present they would seem to have too much machinery of too dispersed and even contradictory a kind. The first task of the Atlantic Powers at their Council this week might well be to give themselves the administrative structure they need to carry on with the job.

A Question of Evidence

SINCE Russia's return to the Security Council its delegate, Mr Malik, has ceaselessly reiterated the allegation, which for all Communists is a sacrosanct dogma, that the present war in the Far East began with a South Korean attack on North Korea at the instigation of the United States. Sir Gladwyn Jebb quite rightly pointed out at one stage of the proceedings that the Security Council had been listening for nine sittings to a demonstration of the Goebbels' technique, which is to persist in a big lie in the belief that if it is heard often enough it will be believed. The whole Soviet case, Sir Gladwyn said, was based on a "gigantic falsehood."

It may seem strange that Mr Malik should think that there are still people outside the Communist camp ready to listen and believe; but the explanation is quite simple. It is that the vast majority of people have never read or heard of the evidence that shows who started the Korean war. The documents in the case are the reports of the United Nations Commission on Korea (UNCOK) and of its military observers, sent in immediately after the outbreak of the fighting. One would have thought that they would have provided a first-class news story for the British daily press; but they were virtually ignored until they were published in the *Manchester Guardian*. Consequently the kind of person who is anti-American on principle, and the person who dislikes having his mind made up for him without seeing the evidence on which his Government is acting, as well as the Communists and fellow-travellers who must take the party line, have gone on saying or thinking that the American action in Korea is "intervention" and that all the talk about the United Nations opposing aggression is nonsense. The vast majority of people in the free world are content to believe that the Security Council would not have acted as it did on insufficient evidence, and that the campaign has proved long and careful preparation by the North Koreans; but such a conviction is somewhat less than is desirable to inspire the effort now called for by their governments. They should have been able to read them in their newspapers at the earliest possible moment or at least to have them issued in a White Paper now.

Instead, they have been invited to buy and read such pamphlets as that produced early in July—with remarkable speed—by Mr D. N. Pritt, KC, in which he sought to prove the Communist thesis that South Korea had started the war. With a trained lawyer's instinct for a weak point in his opponent's case, he attacked the Security Council for being "stampeded" into passing a resolution condemning North Korea without, as he alleged, having any evidence before it to sustain the view that the North Koreans were the aggressors. He claimed that UNCOK had only passed on what the South Korean Government had told it about the outbreak, and that it was on "this scrap of hearsay evidence from one vitally interested party" that the Security Council majority, consisting of "that part of the world (already little more than half) which the United States seeks to enlist on its side of the not-so-cold war," took its "irresponsible, baseless, illegal decision."

Mr Pritt has been able to get away with the statement that UNCOK had transmitted no testimony except allegations made by the South Korean Government. The UNCOK reports, however, show this statement to be entirely erroneous. UNCOK military observers made a field trip along the South Korean side of the 38th parallel—they were not, of course, permitted to enter North Korea—between June 9th and June 24th, that is to say, during the two weeks before the attack was made. They reported that "South Korea army is

organised entirely for defence and is no condition to carry out attack on large scale against forces of North." Supporting paragraphs of the report contained the following evidence:

> South Korean army in all sectors is disposed in depth. Parallel is guarded on southern side by small bodies. Troops located in scattered outposts together with roving patrol. There is no concentration of troops and no massing for attack visible at any point. . . . So far as equipment of South Korean forces concerned, in absence of armour, air support and heavy artillery, any action with object of invasion would, by any military standards, be impossible . . . no sign of any dumping of supplies or ammunition, petrol, oil, lubricant in forward areas . . . no concentration transport anywhere encountered . . . no indication of any extensive reconnaissance being carried out northward by South Korea army or of any undue excitement or activity at divisional headquarters or regimental levels. . . .

Nothing could be more clear and definite than this. It may, of course, be argued that the report from which these passages are quoted is dated June 24th, and that the real question is whether the Uno Commission had any concrete evidence before it when it recommended action by the Security Council. It is clear that it had. A message dated June 26th, the day after the invasion, says:

> Commission . . . considered latest reports on hostilities and results direct observation along parallel by UNCOK Military Observers over period ending 48 hours before hostilities began. Commission's present view on basis this evidence, first, that judging from actual progress of operation Northern regime is carrying out well-planned concerted and full-scale invasion of South Korea; second that South Korean forces were deployed on wholly defensive basis in all sectors of parallel, and, third, that they were taken completely by surprise as they had no reason to believe from intelligence sources that invasion was imminent.

This is not, and could not be, eye-witness evidence; indeed, it would be very difficult to go to the scene of fighting after an aggression has started and decide on the spot which side had begun it. The North Koreans would not have co-operated with a Commission they refused to recognise. But it is expert evidence that will be rejected only by those who maintain—as Mr Pritt does not—either that the UNCOK members were in the pay of the Americans or that the South Koreans switched from defensive to offensive dispositions in 48 hours. It will convince any open-minded person.

That this evidence should not have been officially published in this country is a serious omission on the part of the Government. The crisis which it illuminates is being used as the spur to an effort of rearmament and possibly further sacrifices that may be demanded. The public should be regarded not just as willing horses but as thinking citizens who like to see the evidence on which great national decisions are based. After the Berlin crisis had been discussed with Mr Molotov in Moscow two years ago, the Foreign Office composed and published an admirable White Paper on the whole negotiations. It is still not too late to do something of the kind on Korea. For there must be much fresh, eye-witness evidence from North Korean prisoners and from South Korean commanders of just how, when and where the attack began, of the guerrilla organisation that had been set up in South Korea and of the caches of arms that had been prepared. It would be best if a specially appointed body were appointed by the United Nations to sift and present this evidence, which will otherwise be pigeon-holed in the American War Department. Failing that, the British Government should take its own steps to provide the documents in the case.



September

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NOTES OF THE WEEK

A Great Man

The death of Jan Christiaan Smuts at his home last Monday marked not only the passing of a great man but also the end of an era. For General Smuts was the last active participant in the great experiment in liberal imperialism which was launched at the beginning of the century, the last of the elder statesmen who put into practice a theory of Commonwealth relations which has held the British Empire together by ties looser than those which have ever before in human history preserved the unity of a great empire. His death inevitably creates a nostalgic longing for the less complicated relationships of the earlier years of the Commonwealth and for a confident restatement of the liberal policies which Campbell-Bannerman initiated and which General Smuts so strenuously practised.

As a statesman, General Smuts had no equal among his contemporaries. His breadth of vision made pygmies of his colleagues, and his achievements in the half century during which he played a dominant role in world affairs rank among the outstanding events of history. The union of the South African republics, the idea of liberal imperialism, the foundation of the League of Nations, the drawing up of the Statute of Westminster, and even to some extent the foundation of the United Nations, were all largely his work. Yet it was his tragedy to be so far ahead of his time that none of the grand designs upon which he embarked was altogether successful. The union of the South African republics which was primarily intended to bring British and Boers together in lasting friendship only postponed racial antagonisms which have latterly become worse. The League of Nations failed to prevent war. The principles of liberal imperialism are being endangered in General Smuts's own country. The United Nations has been divided by the schism between Communists and the western powers. He cannot be blamed for what others have made of his ideas—he was for the most part surrounded by lesser men—but it is a measure of his stature that in spite of such failures or partial failures he remained, universally acknowledged, one of the great figures in the civilised world.

As a politician in the narrow orbit of South African affairs, General Smuts had many weaknesses. He lacked tact and he was never at ease with, say, a delegation of Platteland farmers. Nor was he ever able to suffer fools gladly. The result was that although he could persuade whole nations to support and carry out his ideas, he only occasionally succeeded in leading his fellow countrymen, particularly the Afrikaans-speaking section, along the paths he knew they ought to take. On racial questions, although he tried hard to promote the development of the Bantu, he was perpetually handicapped by the fear of losing the few votes which were all that ever stood between him and his Nationalist opponents. Indeed, he spent almost more time out of office than in power—to the benefit of the world at large, but to the loss of his fellow South Africans.

As an individual, he never allowed the frustrations of public affairs to interfere with his private life. He was singularly happy in his marriage, and he had an unbounded zest for knowledge which kept him busy and contented all through his life. He never quite lost his awkwardness with strangers, but to his close friends who knew him at his pleasant home at Irene he was one of the most lovable of men.

* * *

Marshall Returns

To all the peoples of the free world, the return of General Marshall to office as Secretary of Defence has come as a profound relief and a profound encouragement. Too often in the course of 1950 it has seemed that forces of dissension and unreason were undermining the moral authority of the United States and at times, Mr Acheson, whose temperate conduct of American policy has been one of the cements of the Grand Alliance has seemed to stand alone, surrounded by critics and enemies and under constant pressure from those who sought to plunge the United States into expensive follies in Asia and even into the supreme folly of preventive war.

General Marshall will not only bring his own great experience and wisdom to the post of Secretary of Defence. He will immensely reinforce Mr Acheson's struggle against the extremists. His knowledge of the realities in China is unrivalled and, as chief architect of the Marshall Plan, he knows that Communism is countered more forcefully by imagination and positive action than by fear, isolationism and panic witchhunts. Once again, American defence policy and foreign policy will advance in step and both will follow the path of wisdom and restraint.

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Obstinacy on Steel

Events have forced the Government and the Opposition so close together in matters of foreign policy and defence that the Government seems to have become alarmed and to have decided that a strictly party gesture was needed in order to console its more depressed or restive members. It is hard to explain on any other ground the announcement on Thursday of the intention to implement the Iron and Steel Act in the shortest possible time. The arguments of commonsense and expediency against going ahead with the nationalisation of iron and steel have never been stronger than at this moment, and if the Government could not bring itself to compromise, a postponement was still within its power. It has been apparent that there would be great difficulty in getting suitable men to serve on the board of the Iron and Steel Corporation until the political outlook was more settled ; but if proof were needed the names that Mr Strauss announced supply it. Of the full-time members only the deputy chairman, Sir John Green, has any visible connection with the steel industry; his connection is a directorship of the relatively small specialist Sheffield firm of Thomas Firth and John Brown. His chief is to be Mr S. J. L. Hardie, the present chairman of the British Oxygen Company. Sir Vaughan Berry was a good commissioner in Hamburg until he was side-tracked into his present melancholy post on the Ruhr Authority. General Sir James Steele is the present Adjutant-General. Even the inevitable trade union official, Mr W. H. Stokes, comes from a union not very closely connected with iron and steel production, the Amalgamated Engineering Union. The part-time members are Mr J. W. Garton (a director of Brown Bayleys Steel Works) and Mr R. A. Maclean. It is hard to imagine this board wielding dynamic leadership or indeed influencing in any perceptible way the network of great undertakings of which it is to be given the control. What can the Government's purpose have been, if not to stir up a party fight at all costs ? The terms of the motion tabled by Mr Churchill which will be debated next Tuesday suggest that the purpose will be fulfilled.

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On the main question of the rearmament programme the special session of parliament has produced very little political dispute. This is not because the programme is regarded by members as an ideal programme, but as the only one that is practicable in the present circumstances. Since there are now no Communists in the House, opposition has come only from the half dozen or so pacifists, and that in no very coherent or united form, and from the curious Mr S. O. Davies who rests his case on his view that the invasion of Korea was started by the South against the North. The government had the best of the debate throughout its course. The Conservatives are in a difficult position. Mr Churchill was concerned to make it quite clear that his party supports the government's rearmament measures in principle, and was therefore forced to confine his criticism to technical issues and to a general charge of maladministration of defence The quietness of the Conservative opposition is in part due to the sense of a general opinion in the country, among Conservative as well as Labour supporters, that the Labour party is better able to carry through a rearmament programme without finding itself in grave industrial difficulties, and that the chances of avoiding a war are better under the leadership of Mr Attlee than of Mr Churchill, deeply as the latter is respected as a war leader. Perhaps the most significant back bench contribution was that of Lord Hinchingbrooke, which with its note of restraint and reasonable optimism may well have been a warning to the more belligerent and hot-headed members of his own party.

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Wages and the TUC

The action of the Trade Union Congress, in rejecting last week the report of its General Council on wages and adopting a resolution condemning wage restraint and demanding the statutory control of profits, was not wholly unexpected. The policy of restraint received overwhelming support at the 1949 Congress—before devaluation—but was approved by only a narrow margin at a delegate conference in January ; since then the General Council itself has been steadily modifying its conception of the policy. In any case, there are outstanding wage claims, covering more than the number of workers on whose behalf the policy was rejected, which would be pressed whether the vote had gone in favour of wage restraint or not. The voting for and against was an expression, not of patriotism against subversion, but of different calculations of self-interest. The unions representing skilled and semi-skilled labour voted against the official policy. The general unions voted in favour of it, feeling, perhaps, that it is in a period of wage restraint that their efforts to improve the relative position of the lower-paid workers whom they represent have the best chance of success.

What makes the incident depressing is not so much the course of the voting as the flabbiness of the speeches of leaders in the trade union movement who stand for moderation and restraint. Although the arguments put forward by advocates of higher wages and lower profits were naive in the extreme, it is not surprising that they carried the day, since the speeches of the president (Mr Bullock), the general secretary (Sir Vincent Tewson), Mr Arthur Deakin and other members of the General Council show that, for the moment, that body is either entirely bankrupt of ideas or lacks the elementary courage to advocate any rational control over the course of wages. To say that the leaders are bound by the opinion of their rank and file or the earlier decision of individual conferences, is merely to beg the question, since there are very few unions whose members do not take their ideas primarily from the men whom they choose as their paid and permanent representatives.

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Steps Towards Realism

On questions other than wage restraint the Congress showed a considerable advance in enlightenment and realism. A motion demanding the ending of compulsory arbitration was defeated by over two and a quarter million votes, in spite of the persuasive advocacy of Mr J. B. Figgins, of the National Union of Railwaymen. Perhaps no less surprising than the strength of the vote for its continuance was the spectacle of Mr Arthur Horner criticising the National Arbitration Tribunal for the opportunity it gave to malcontents to by-pass the reference tribunal of the mining industry. In the debate on foreign policy only the Communists opposed the action of the United Nations in Korea, and the votes cast against the General Council's supplementary report on the subject were derived almost solely from the unions under Communist control.

By far the most interesting speech of the Congress came, not from a delegate, but from the late secretary of the TUC, Lord Citrine, now chairman of the British Electricity Authority. It was a dispassionate review, from an advocate of nationalisation, of the difficulties and potentialities of nationalisation, the speech of a man who has left the realm of golden ideas for the dusty arena of administration. The quality of Lord Citrine's address was a reminder of the drainage of leadership to which the trade union movement is exposed through the elevation of many of its abler men to public office. A perception of this may have accounted for the weakness of the support for a motion demanding that a third of the membership of the public boards should be drawn from trade union representatives.

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Diplomatic Disunity

One of the most needed reforms in inter-allied procedure would seem at present to be the postponement of the annual session of the General Assembly, together with the meeting of the Atlantic Council which now precedes it, to December or January. September has become a great month for conferences and committees and attempts to hammer out agreed allied policies. Yet it is a month when American diplomacy is, of necessity, at its most rigid and uncompromising. President and Congress have a wary eye on November and its elections and large international issues which involve the fate of states and nations may be decided on the most local calculation of electoral interest.

This year is proving no exception. Twenty-four hours before Mr Bevin and M. Schuman were due to arrive in New York for discussions of great delicacy on such issues as the representation of China in the United Nations and the rearming of Germany, Mr Acheson secured the unanimous support of Congress for the Administration's policy by specifically pledging himself to the rearming of Germany and the support of the Chinese Nationalist regime. No one will wish to minimise Mr Acheson's difficulties in securing undivided approval from a very divided Congress and public opinion nor to underestimate the importance of whole-hearted domestic support for American foreign policy, but the United States is now the centre—and leader—of a great alliance and unanimity between allies is becoming as necessary as unanimity at home. It is difficult to see how, in the present situation, anything like an agreed strategy can emerge and no one can draw any comfort from that fact save the men in the Kremlin.

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Manchurian Incident

The issue of Chinese representation is likely to dog every discussion of the crucial issue of Korea either in the Security Council or the General Assembly. For instance, in the last fortnight, the fact that China is Korea's immediate neighbour has been brought home dramatically to world opinion by the question of an American bomber's alleged trespass across the Korean frontier. The Security Council has agreed to consider the Peking Government's complaint that American aircraft violated the Korea-Manchuria frontier and inflicted damage on Manchurian territory. The Americans have asked that an impartial commission of inquiry conducted by Sweden and India should be sent to examine the charges on the spot and have placed a sum of money with the Secretary-General to cover any damage, should the fact of damage be established. The Peking Government, however, has asked to be heard by the Security

Council and, quite apart from any wider issue of legality, its agreement is clearly necessary if safe conducts are to be granted to any United Nations Commission proceeding to Manchuria.

It was, therefore, disconcerting to find the American delegate on the Security Council giving his vote against the proposal that a representative of Peking should be heard in the Security Council when the Manchurian incident is discussed. The proposal was, in fact, lost by one vote, for although six members, including Britain and France, voted for the invitation and two abstained, Nationalist China, Cuba and the United States voted against, and thus the necessary seven votes were not secured. The United States may regard the arrival of a representative from Peking as an admission of Communist China to the United Nations "by the back door." It is also possible to feel genuine hesitations about the willingness of Communist China, if admitted to the United Nations, to fulfil the obligations of the Charter. These facts have to be weighed in the balance against the growing isolation of the United States in its support of the Chinese Nationalists. Yet it is equally important that the policy of a Great Power should not be made to appear ludicrous, and this in fact is what is happening in the Security Council. The Americans cannot fail to see that their proposal for an impartial inquiry "on the spot" must involve the readiness of Peking, which is in control "on the spot," to accept such a Commission. Thus to vote *for* an inquiry and *against* a hearing of the Peking representative is plainly contrary to good sense, and such contradictions can only undermine the prestige of the Government responsible for them. The matter of the inquiry has, however, now reached deadlock, since the Russians have vetoed the sending of any commission.

Government Expenditure

The cry for cheap government is one which has been so pertinaciously raised for the last two years, it is supported by so active and energetic a party of politicians; it finds naturally such a ready welcome in the popular mind; it comprises so indisputable a nucleus of truth surrounded by such a vast nebula of plausibility; that it becomes necessary seriously and fully to examine what cheap government really is. In public as in private affairs there is a true and a false, a genuine and a counterfeit, a shortsighted and a comprehensive, economy. There is a spirit of shallow, ungenerous, and niggard parsimony, which looks only to the cost of the public service, and not to the mode in which that service is performed; which considers an official salary as excessive if any fairly competent individual could be found to undertake the duty for less remuneration; which would put the service of the state on the same footing as the contract for the supply of a workhouse, and have it *done by tender*; which would starve departments that, to be efficient, require to be managed with a liberal, and even an unsparing hand; which, in a word, looks only to present saving, and disregards the future outlay and the ultimate extravagance which injudicious and untimely saving may entail. And there is a wise, sound, and far-sighted economy which is profoundly convinced that in an empire such as ours the best government is the cheapest whatever be its money cost; which is conscious that where millions are at stake, hundreds must often be disregarded; that expenditure may often be cheaper than saving; that, in fine, it is wise, necessary, and economical for the state to secure the services of its ablest citizens, and to keep every department of the public service in the highest and most perfect efficiency, whatever be the expenditure requisite for these purposes.

The Economist
September 14, 1850

Can the United Nations Work?

As the nations prepare for the opening of the General Assembly of the United Nations their leaders have to grapple with a difficult and contradictory situation. On the one hand, it is clear that the prestige of the United Nations, as an instrument of effective international policy, has been tremendously enhanced by the United Nations' action in Korea. The rallying of world opinion to the American initiative has shown that the divisions between Asiatic and western opinion, between the powerful and the weak, between great powers and small, can be overcome within an international organisation which safeguards the essential principle of equality. Yet at the same time, Russia's return to the Security Council makes it certain that nothing but frustration can lie ahead of the United Nations so long as the Security Council is its chief instrument of policy and responsibility.

The view is now being canvassed that a solution can be found by enhancing the role of the General Assembly. It is true that it lacks the specific powers allotted to the Security Council by the Charter, but it represents world opinion in the fullest measure and its resolutions, if passed by a large majority, would carry immense moral weight and would give the full backing of world opinion to any government that took action in accordance with any such resolution. The difficulty that the General Assembly is only irregularly in session could be overcome by extending the experiment of the "Little Assembly"—a committee elected by the Assembly to act as a watchdog between meetings—and by electing a permanent Council of the Assembly composed of all member nations and sitting alongside the Security Council in constant session.

* * *

Northern Ireland Asks for More

Northern Ireland (*writes our Belfast correspondent*) has not succeeded in achieving the same degree of full employment as the rest of the United Kingdom. Its distance from markets and sources of raw materials makes it difficult to attract new industries, and tends to make the products of those already established uncompetitive with those in England and Wales. Industry and agriculture are thriving at present, yet the percentage of unemployment in Northern Ireland is between five and six as against 2.5 for northern England and 3.4 for Wales. The rate of industrial expansion is not sufficient to melt the hard core of unemployment, let alone absorb the 2,000 recruits to the labour force who arrive annually in search of work. The Northern Ireland government has concentrated upon the diversification of industry since the war, but has met with only partial success.

With the ending of the sellers' market the question of transport charges has become vitally important to both the old and the new industries. The Northern Ireland government has submitted to Whitehall a case for the subsidising of freight to and from Britain, and there is also some pressure for extending the system of "postalisation" whereby United Kingdom consumers as a whole bear the transport charges. This system already applies to steel and petrol, but not to coal for which the Northern Ireland price is 20s. to 30s. per ton above that at the pit head. On the other hand, many people hold that instead of trying to palliate Ulster's natural disadvantages, it would be sounder to exploit to the full its sole raw material—agricultural produce—to slaughter livestock at present shipped to Britain on the hoof and to develop the industries ancillary to livestock and other agricultural production. The success of such a programme would depend upon a cheap and efficient system of not of external but inland transport, and this in turn would entail reforming the internal road and rail services. At present the Great Northern Railway loses £350,000 annually on its services in Northern Ireland, and the operation of the Government's own subsidiary, the Ulster Transport Authority, constitutes a continuous drain on the economy. Co-operation, even joint planning, in this sphere with the Republic of Ireland would pay dividends, economic as well as political.

* * *

Economic Rents in Pimlico

Westminster City Council is among the first of the large urban authorities to face the storm which follows inevitably upon the decision to charge economic rents for postwar dwellings. Their new arrangements go into full operation on October 2nd and they have already met with opposition from the tenants. This is hardly surprising, for neither national nor local propaganda has done anything to bring home to the public the formidable cost of municipal housing at postwar costs of construction.

The Westminster Council's scheme lays down a minimum and a maximum rent—the latter representing the economic rent without subsidy. The present subsidies are to be administered not on all rents but as rent rebates, and the rebate will be calculated to ensure that above the minimum no tenant shall pay more than one-sixth of his income as rent (with certain allowances). The rebate therefore operates between the minimum and maximum rents, and as can be seen from the table below, the minimum is not low and the maximum or economic rent is very high.

Type of Accommodation	Fixed Charges unaffected by Rebate Weekly		Including Fixed Charges		
	Rates	Central Heating & Hot Water	Existing Rent	Proposed Minimum Rent	Proposed Maximum Rent
	s. d.	s. d.	s. d.	s. d.	s. d.
3-room	4 11	8 0	36 11	31 11	68 5
4-room	5 10	9 5	43 9	37 3	81 9

The tenants have sent a delegation to express their objections. Their case is grounded on two points: first, that the economic or maximum rent is more than they can afford, and secondly, that a rent rebate scheme involves a means test. Both these objections are understandable enough. But they do not meet the economic objection that the cost of housing has risen far beyond the capacity of local authorities to cushion the rise, nor the social objection to providing subsidies from the pockets of the less prosperous and ill housed for the better off and better housed. If it is found that there are too few tenants who can afford the economic rents to release a sufficient subsidy for the rent rebate scheme this may stimulate a healthy interest in reducing costs. The fate of the Westminster scheme will be watched with interest by the many other local authorities who are faced with the same problem.

* * *

Tito and the West

The visit of a delegation from the British Labour Party to Jugoslavia, at the invitation of Marshal Tito, may show that he is at least considering the expediency of departing a little way from his policy of rigid neutrality in the quarrel between the Soviet Union and the western world. He can, indeed, hardly hope to maintain his present isolated position indefinitely. Across his frontiers the Soviet satellites wage their war of nerves with unabated enthusiasm; at home economic troubles accumulate and the standard of living—already very low—can only be maintained with the greatest difficulty. The three members of the Croat Communist Party who have just been expelled from the party and dismissed from their posts in the Government for sabotaging the five-year plan in the interests of the Cominform may or may not really be Cominform agents. But their disgrace does, at any rate, provide a convenient excuse for some of the country's economic difficulties. Marshal Tito cannot hope to realise the ambitious plans for the industrialisation of the Jugoslav economy to which he has committed all the country's resources and manpower, without further financial assistance from abroad. The Export-Import Bank has recently granted Jugoslavia a loan of $15 million (in addition to the $40 million already granted) and the Bonn Government has agreed to loan $30 million within the framework of a bilateral trade agreement. But neither loan is as large as the Jugoslavs hoped it would be. It is, therefore, probable that Marshal Tito's invitation to the Labour Party was prompted more by the urgent need for more economic aid than by a real desire for a political rapprochement. All the same, it is encouraging to find that a Communist Party which has irretrievably burned its boats with the Soviet Union can overcome any inhibitions it may have against the representatives of those western democrats who are so continually reviled by the Cominform as "traitors of the working class."

How far the Jugoslav overtures to the west will go beyond a display of friendly hospitality remains to be seen. Jugoslav relations with Greece and Italy are still very far from the more cordial understanding the British and United States Governments would like to see introduced. Although the Jugoslav Foreign Minister, Mr Kardelj, has blamed the "Cominform chiefs" and the "hegemonist policy of a foreign country" for the Korean war, he has failed to come down fairly and squarely on the side of the west. On the contrary, he said that his Government considered it best to continue the policy which it has so far pursued in the Security Council debates on Korea and which, in western eyes, cannot fail to appear equivocal. Such a policy will not win much sympathy for the Jugoslavs in the west. But they may perhaps feel that any obvious and open move into the western camp would dangerously weaken their position at home.

Shorter Notes

Owing to a copying error in an office other than our own, the table given in an article on the toy industry in *The Economist* of August 12th, page 302, was incorrect. The difference is not material; but for the sake of accuracy the corrected figures are given below.

BRITISH TOY EXPORTS, YEAR ENDED APRIL 30, 1950
(£'000)

	As in *The Economist*, August 12th		Corrected Figures	
	Exported	Total Output	Exported	Total Output
Dolls	296	1,221	384	2,364
Soft, wooden, metal & plastic toys	3,051	14,631	3,051	14,631
Indoor games and other toys	698	5,500	906	5,578
TOTALS	4,045	21,352	4,341	22,573

*

The Institute of Municipal Treasurers and Accountants and the Society of County Treasurers perform a most useful service in analysing local government financial statistics. Their latest analyses of educational statistics, the first of a new series, show among other things the average cost per pupil per annum.

Year Ending March, 1949	English Counties	London County Council	County Boroughs
	£	£	£
Primary schools	20·02	24·31	18·51
Maintained secondary schools	33·90	37·71	32·19

Of this expenditure 69 per cent in primary schools, and 66 per cent in secondary schools is spent on teachers' salaries.

Letters to the Editor

Democracy in the Works

Sir,—Your article "Democracy in the Works" of August 26th blames the lack of positive virtues in "Industrial Democracy" on the employers who have "failed to ensure . . . the new type of leadership" required to take the place of the old type of foremanship. In this there is some truth; but to suggest that "the first step towards improving labour relations . . . is to improve the standard of foreman" is unfair to management, workers and, not least, to foremen. The root of the malady lies much deeper.

Where employers and employees become grouped in large Unions and Federations with controls, procedures, committees, experts, etc., piled in rival pyramids, discussions vitally affecting the "factory floor" take place in a stratosphere from which not only foremen, but junior managers and even managers of works are inevitably excluded. How then can these be expected, however well trained, to become the dynamic force for practical good which your article envisages? Concentrate as you will on one minor section of its anatomy, the foreman, you will never get the vital spark into the body of industrial democracy until its two main organs, employer and employee, are given the chance to have at least one major common object. In a comparatively uninhibited capitalist system the prosperity of the individual firm, with dividends and wages both linked to profits, provides an effective common urge. In war (and in some countries in peace) fear is the common spur. In the Socialist welfare state "duty to one's neighbour" is proposed as the prime mover—but, alas, how little it moves.

Get back to the fundamental concept of master and servant (which is not so dead or outmoded as your article suggests), reinforce the "moral conscience" of employers with such legal safeguards as may be necessary, and then allow both parties to "do what comes naturally." Real dynamic co-operation is much more likely to be borne in such an atmosphere than in the make-believe world of the industrial democrat.—Yours faithfully,

EMPLOYER.

Sir,—I agree with the general survey of "Democracy in the Works" which you have recently published; the trouble lies, as your contributor has indicated, in the application of this generally accepted ideal. Neither 'side' in industry has any real wish to return to the old set-up, but there is no clear guidance for the future, at least so far as greater productivity allied with democracy is concerned.

It is, I feel, very largely a matter of a "change of heart" on the part of all, whether management or managed, and until there is a general recognition of this one may expect industrial democracy to remain in the doldrums, the object of a tolerant benevolence and nothing more. The key point lies in the frame of mind of the lower ranks of management, the supervisors, foremen and charge-hands, whose job is to interpret top-level decisions to the men at the bench. Equally important is naturally the calibre of the men appointed to such positions. Your contributor is, however, a little less than fair in his analysis of their position, as he makes no reference to two organisations which are doing admirable work to fit the 'foreman' for his job. These are the Institute of Industrial Supervisors (mainly educational) and the Association of Supervisory Staffs, Executives and Technicians, a recognised Trade Union for supervisory grades, both of which are doing good work in re-establishing a position for management.

There is another problem to be solved. Although in today's conditions of full employment the 'foreman' is not likely to be demoted except through his own fault, his position in such an eventuality has never yet been clarified. Does the possession of some rank in industrial supervision at bench level—agreed to be a major management function—militate against the man himself? The foreman appointed on the old franchise can return to his craft; the new-style supervisor "with one foot on the management ladder" may find it less easy.—Yours faithfully,

F. J. BLAYNEY THOMAS
Editor
Personnel Management and Welfare

Defence Priorities

Sir,—The emphasis in Mr Flower's letter of August 19th on the priority in the defence of Europe of anti-tank weapons in general tends to obscure his special plea for self-propelled anti-tank guns. A self-propelled anti-tank gun may be an imperfect substitute for an armoured tank carrying the same gun, but an ordinary trailer gun, such as may be understood in lists of "anti-tank weapons" without qualification, is not a substitute at all. I write with direct knowledge limited to a single incident but others with less negligible experience have confirmed my belief that not only is an ordinary naked anti-tank gun or even section with forward infantry cold comfort, but that it is not always fair to rely on gunners being brave enough to serve them and take the consequences when a troop of observant-looking enemy tanks appears.

On the general question of single versus dual purpose tanks a layman of the most limited experience, who has, however, seen a section of Shermans annihilated by a few rounds from German Mark IVs, may be allowed to wonder whether the tolerance in the controversy shown by those who have fought in tanks is influenced by the sort of loyalty which used to make sailors, some three decades ago, defend British battleship design. Another surprising feature of the controversy is the lack of reference to the German experience. A single instance (which I have not seen noted in this connection) is the extraordinary freedom from battle casualties of Tigers and Panthers in the Ardennes offensive.—Yours faithfully,

MICHAEL VYVYAN

The Divorce Laws

Sir,—In the recent discussions in the press on divorce problems one matter which was hardly ever mentioned is nullity. In the view of many, what most needs to be widened is not grounds for divorce, but grounds for nullity. There must be hundreds of marriages which, through no fault of either party, are marriages only in name. Impotence of the husband is now legitimate ground for nullity, but there are other cases of physical and psychological difficulty, both of the husband and the wife, which can destroy a marriage and which, though not intentional "cruelty," nevertheless can cause untold suffering. Such cases are surely not beyond medical and legal competence to define. Should there not be some means whereby medically invalid marriages can be honourably annulled without stigma or publicity?—Yours faithfully,

FRANK P. CHAMBERS

A Tax on Man Hours

Sir,—I read your letter of September 3rd entitled "Power and Progress" with joy because it seemed to me that at last Britain had come to a full realisation of what an attempt to raise the British average standard of living involves.

However, if this new way of thinking is to bear full fruit, may I be permitted to make a suggestion? The inelastic factor in an economy is man-hours. The Labour Theory of Value is invalid, but surely a Labour Theory of Cost is to some extent valid? There is a fixed "national income" of man-hours, and it has to be "spent" to the best advantage if the national standard of living is to be raised.

In America, high wages force employers to "spend" man-hours to the best advantage. Wages are so high that employers are compelled to use their workmen as productively as possible by installing the most up-to-date equipment.

We cannot, however, do that in this country because of the danger of inflation. But would it not be possible to tax man-hours? Thus employers would be induced to spend man-hours to the best advantage, and would be compelled by the resultant economic circumstances to instal more modern equipment. Hence the tax would in effect be a tax on inefficiency.—Yours faithfully,

A. J. A. PECK
22 *Lauriston Place, Edinburgh*, 3

Books and Publications

On a Wide Canvas

The British Overseas. By C. E. Carrington. *Cambridge University Press.* Illustrated. 1092 pages. 42s.

Mr Carrington has vision and wide knowledge and both were essential for the successful fulfilment of his formidable task. To complain that a book of over a thousand pages is too short may seem in the last degree unreasonable, but it affords at least most convincing evidence of the range and importance of its theme. It is with the British people and not with the historian of their migrations that responsibility for the length of this history lies. The population of rather less than seven million which inhabited the British Isles in Tudor times has multiplied in the course of four centuries to some 140 million, the great majority of whom live far away from the homelands of their forefathers. The chronicle of their deeds of exploration, of conquest, of settlement, of their trading and not least of their missionary enterprises in almost every part of the world—and Mr Carrington does not restrict his survey to the artificial frontiers of Empire—make a fascinating but highly discursive story. To compress the whole of it without sacrifice of colour and illuminating detail into one volume, however long, demands careful selection and a high degree of compression. As it is Mr Carrington has included no account of English attempts at colonisation in Ireland—an important omission as he frankly recognises—and he might with advantage have devoted a good deal more space to an appreciation of the general consequences of this unparalleled dispersal of a people over the face of the globe. Without it the non-specialist reader for whom the book is primarily intended is not unlikely to get lost, albeit happily, among the trees.

The form and content of Mr Carrington's book is determined by his approach, which is that of the older school of political historians. The orderly narrative of events is at once its aim and its outstanding virtue. While the results of recent research are for the most part duly incorporated the outline conforms to the traditional pattern. The great, familiar events are recorded once again but always with a vivid appreciation of their significance.

Nor are the men who made the Empire forgotten. Many names neglected in more academic histories are here justly recalled, while the more famous are given a greater place than is generally fashionable in this dull, determinist age. Here we have again Sir Walter Raleigh, seen through the eyes of a contemporary 'a tall handsome bold man but . . . he was damnable proud'; Warren Hastings who 'never lacked Roman virtue and could forgo ambition with the piety of Cincinnatus' retiring for the last twenty years of his life to the quiet peace of the Worcestershire countryside; Lord Durham leaving Quebec for the last time through crowded streets in which in deep silence every hat was raised in the general grief at his departure; and Cecil Rhodes writing with boyish enthusiasm 'We are the first race in the world and the more of the world we inhabit, the better it is for the human race.'

Mr Carrington is too balanced to subscribe even to Rhodes' exalted racialism. But he, too, unmistakably shares the prejudice, or the proper pride, which inspired it. For him the British people had a great mission thrust upon them and on the whole they discharged it faithfully and with a high sense of duty. His admiration in earlier times is for the younger son of parsonage and manor house, later for the adventurous middle classes who moved, and still move, around the Commonwealth as much at home in Capetown or Toronto or Auckland as in London. He is restrained in his criticisms of the darker side of the Empire's story though he does not overlook it; but he can hardly conceal his impatience with nationalists in South Africa, in India and in Ireland who preferred, if need be, to run their own show indifferently rather than to have the British continue to do it well for them.

Mr Carrington recognises, not without nostalgic regret, that whatever the future may hold for the British peoples, their great period of expansion overseas would seem to have ended. For the post-Statute of Westminster Commonwealth —'Ramsay Macdonald's Statute of Westminster' as in one place he oddly terms it—he has a flagging enthusiasm and perhaps it is not reasonable to expect the historian of the British people overseas to rejoice in the successive transformation of British Empire into British Commonwealth and then into a Commonwealth that is no longer predominantly British at all. He has told his story with the warmth and the richness it deserved. Its strange sequel is still unfolding though even now one can say with assurance that its character will be determined by something that is implicit in almost every page of Mr Carrington's book—the essential unity of the English-speaking world.

The Traveller's Guide

The Middle East. A Political and Economic Survey. *Royal Institute of International Affairs.* 496 pages. 35s.

Few parts of the world have been so widely "written about" as the Middle East, but never before has there appeared anything as complete and as exhaustive as this latest Chatham House publication, which will clearly become the standard work of reference on the whole or any of the many component parts of the Middle East for many years to come. Every student of the Middle East, all serious-minded travellers, many diplomats and business people will find it a fount of information, objectively approached, sedately written, and accurate. If it is not entirely up to date in all respects, such a venture would have been well-nigh unattainable in a book which has taken five years to compile. It is questionable whether anyone but a student requires quite so much historical detail, which he could obtain from more scholarly sources, but, on the other hand, if this is to be—as it obviously is—the one authoritative guide to the whole of the Middle East, means should be found of keeping it up to date, by the publication, say, of half-yearly addenda.

Most of the writers, (there are two notable exceptions) are the last survivors (in time, not in age) of the class of Englishman and Englishwoman which settled in the Arab countries during the 19th century and eventually knew not only the history of his particular area, but often the full names of all the sheikhs and many of their more important lieutenants. But the sheikh's importance is gradually receding, tribesmen are migrating to the towns and the beginnings of a new, and far less glamorous, middle class are to be seen. It is this class that will one day wield the power—but it is not a very interesting phenomenon and few writers seem to have studied it at all carefully.

An effort to assess the essential nature and scope of the trades union movement in the Middle East, or at least to have compiled a list of the various groups and unions and indicated their affiliations, relations with the local Communist parties, etc. would have made a welcome addition. Information on this increasingly important subject is difficult, almost impossible to obtain. It has been studied and reported upon by the Labour section of the British Middle East office, but this information is considered the exclusive property, and presumably the exclusive interest, of His Majesty's Government. Thus the results of lengthy and painstaking research into social conditions in the Middle East are not available to those who most need the information—students, writers, and businessmen.

This excellent work also tends to slide over "growing female unrest" which is in fact discernible in all Moslem countries, not excluding Jordan and Saudi Arabia where the blatant tones of the radio owned by the local café or tribal leader penetrates the harem. In the cities the politically conscious women are generally turning left, and in the large universities of Cairo and Beirut, at least, Communism is rife amongst the girl students.

Perhaps, however, the most serious omission is that of a study of the social reforms to which the Middle East governments are being driven by a few idealists backed by the universal fear of Communism. The rural social centres of Egypt are a beginning which

merit more attention than the two and a half lines given to them on page 172, for they might well be a prototype for similar centres in other Middle Eastern countries.

Finally, the reader is given no clear picture of the difficulties now experienced by the traveller in this area caused by postal and cable censorships, the endless red tape of visa and passport formalities, and the inordinate delays caused by a mixture of xenophobia and sheer inefficiency. Many of the restrictions were imposed during the fighting in Palestine, but a number of them seem to be becoming permanent additions to the amenities of Middle Eastern travel. These criticisms should not detract from the admiration one must feel for a monumental piece of work, nor from the utility it will have for anyone interested in the Middle East.

Temps Retrouvé

Last Essays. By G. M. Young. *Hart Davis.* 288 pages. 9s. 6d.

Mr G. M. Young has come to occupy a very special place of his own in the firmament of English historians. His name does not stand to important volumes of original research like Neale or Powicke or Clapham, nor like G. M. Trevelyan to great works of popular enlightenment. He is rather a researcher into the process and meaning of history, not following the path of Collingwood or Oakeshott in using the philosophical method to extract new meaning from history, but as an inquirer into the quality, the taste and sound of time past and its relation to time present. In his *Portrait of an Age* Mr Young pinned down, as no other book on no other period has so successfully done, that most elusive of butterflies, the atmosphere of Victorian England. Although he has never subsequently attempted a *tour de force* upon the same scale, his volumes of essays have shown him to be preoccupied with the same problem: how to get inside the skin of past ages, how to trace the thread of development which links the present day to the remote past, and how to apply the permanent lessons of English history as an index to the shape which the English society must or should assume in the future.

Most of the essays in this volume are concerned with the same beneficent preoccupation. "Scott and the Historians" traces the influence of Sir Walter in turning the paths of scholars from the arid highway of great events to homelier records, "knowing that the object of history is nothing less than the setting forth of entire culture." There is an admirable outline of the development of political institutions in his essay on "Government." His own particular form of magic is at work in "The Origin of the West Saxon Kingdom" where the reader finds himself transported to Wilton in the 9th century as naturally but as completely as if he had taken a railway journey through time. There is a castigation of Basic English, and a sharp note to Ruskin for never having applied to England the powers of observation which he used abroad. There is also a review of Mr G. M. Trevelyan's recent autobiography which is a model of all that an informative review should not be.

The most important essay in the book is that called "Continuity," which is a powerful plea for a closer and more profound study of the history of ideas. "I must assert," he says, "that the historic view is not an amiable indulgence of human fancy, but a dominant and imperative necessity of thought." The only basis for a federation of western Europe, the Atlantic community or any other association which demands an extension of individual sympathy and understanding, is a closer study of the origin of the ideas and actions of other people and peoples. Mr Young is a Victorian liberal-conservative who, because he knows the strength of the roots of European culture, has greater confidence in the future than most of his contemporaries. It is fortunate that he is a writer of such vitality as to make it almost certain that the title of his volume, "Last Essays," will prove misleading.

Temps Perdu

Manchester Made Them. By Katharine Chorley. *Faber.* 288 pages. 12s. 6d.

"Sometimes it is only when you have lost some good that you begin to understand its quality." For this reason Lady Chorley has described, with care, honesty, and much charm, the society in which she grew up, seeking to recapture for the record the qualities of middle-class life as it was practised by a certain group of prosperous and civilised Manchester people in the early years of the century. She observes today "the near collapse of English middle and professional class civilisation on its qualitative side." Her concern is that something should be preserved from the wreck of a lost art of living—or at the least that the character of the lost art should be perceived so that a changed society may salvage what it can adapt for use under a changed set of social laws.

Beneath the general purpose there is inevitably a personal motive, the impulse to disentangle the threads of memory. Sentiment no doubt has exercised its prerogative of selection and arrangement, deflecting analysis. The Edwardian figures that pass across the hall into the dining-room are somewhat more than life size, as they might be seen from a child's hiding-place over the stairs. Which elements in the serene picture are cold fact, which arise from the mellowness of recollection? That the society she saw in her childhood was only one of a dozen aspects of the Manchester society of the time Lady Chorley concedes; some of the other aspects were cruder and more cruel. The men and women she describes, leaders in affairs and the stand-bys of a score of distinguished voluntary institutions that have given Manchester its character in the world, exercised great influence through private initiative and example, but on the whole they failed to play their due part in the corporate politics of their city. Much in their elaborate code of behaviour could be related directly to a personal and economic security that their class has since ceased fully to enjoy. When the security was undermined the codes may have begun to crumble. But when all is said, it remains that in this commercial society a form of life did flourish that was ordered, civilised, and productive, and the writer's plea that something should yet be learnt from it is a just plea.

Tax Appraisal

Taxes and Economic Incentives. By Lewis H. Kimmel. *Washington, D.C.: The Brookings Institution. London: Faber and Faber.* 217 pages. $2.50.

In recent years British economists and politicians have devoted increasing attention to the disincentive effects of high levels of taxation. It is not always realised, however, that the problem is by no means confined to this country. It has also emerged in the United States, where roughly one quarter of the national income is absorbed by federal, state and local taxation.

This book is a study of the effects of the existing American tax system on economic incentives, designed to serve as a background for the revision of tax policy. The chief types of taxation employed are corporate income taxes, personal income taxes, property taxes, sales taxes, and payroll taxes. Mr Kimmel discusses the incidence of each, and analyses its effects on the incentives to start new businesses, to expand existing businesses, to invest money savings, and to work. The analysis of both incidence and incentive-effects relies heavily on the results of a questionnaire survey of one thousand manufacturing corporations undertaken in June, 1948. This evidence is not too reliable, since not all companies have the same tax problems and in 1948 few American businesses were greatly worried by the burden of taxation, but Mr Kimmel uses it with appropriate caution.

The chief conclusion which emerges from the study, that "the encroachment of taxes on incentives is primarily an income-tax problem," is not unexpected; nor are the proposed remedies, which relate largely to the elimination of double taxation of corporate income and the introduction of greater flexibility with respect to depreciation allowances and loss carryovers. The conclusions on incidence are more interesting, and in some respects contradict the conclusions on incentives. If it is true, for example, that taxes on corporate and managerial income tend to be passed on to the consumer in the price of the product, what becomes of the argument that such taxes damage incentives?

On the whole, this is a disappointing book. Like other recent publications of the Brookings Institution, it contains some interesting ideas and many useful facts, but no very original or penetrating conclusions. The limited scope of the study is particularly depressing: surely analysis of the effects of taxation on economic incentives should be concerned with the level of taxes as well as the form in which they are collected?

AMERICAN SURVEY

Congress's Contribution

Washington, D.C.

THE harshest judgment passed upon the Eighty-first Congress, now within sight of its end, came the other day from one of its members. "This Congress," said Senator Humphrey, a Democrat, of Minnesota, "has done an awful lot to destroy the faith of the American people in representative government." He was speaking, with considerable bitterness, during the Senate's remarkable debate on the McCarran Bill, a document by coincidence eighty-one pages long, which exhibited the extremes to which those Senators who sponsored and supported it were prepared to go to "control" Communism in a time of national neurosis. The Bill did not actually provide that certain radio performers who had once advertised Polish hams should be held suspect; but since a recommendation to that effect had already been made (according to *Time* magazine) by a group of unofficial witch hunters, this specific threat seemed to be in hand anyway.

It was clear from the debate that the Senators had been receiving a great many letters from their home States, and that they had been left in no doubt that a large and articulate section of the voters who would be exercising the highest privilege of a free democracy on November 7th this year were now angrily demanding that the Communists in America should be slapped down hard. And it was easier and safer to obey this instruction than to explain that what was being demanded might compromise and could seriously imperil many of the liberties which make a free democracy worth protecting from Communism.

That point was in Senator Humphrey's mind too; but what he was complaining about particularly was the "cheap politics" that had led to the use of the Eighty-first Congress as a libel-proof platform from which to confuse and frighten the electorate with charges, unsupported by any real evidence, of disloyalty among high officials of the executive branch of the Government. "The irresponsible, unfounded and foolish charges made in the second session of the Eighty-first Congress," said Senator Humphrey, "have done more to harm American government than (has) the Communist Party."

It may be that in calmer days to come Senator Humphrey will be shown to be right. Since the beginning of 1949, when it assembled in Washington, the Eighty-first Congress has passed many laws and refused or failed to pass many others. But it may be that its best-remembered contribution to American history will be the accusations which Senator McCarthy of Wisconsin and his imitators stirred into a devil's brew of confusion and suspicion at a time when the paramount national need was for sanity and unity.

This was a Congress which came in with President Truman and showed on paper a comfortable Democratic majority. Its predecessor, the Republican-dominated Eightieth Congress, had been denounced by the President as the "second-worst" Congress the United States ever had. (Mr Truman counted as the worst of all Congresses that which in 1868 impeached President Andrew Johnson, one of his personal heroes.) Much had been expected of the Senators and Congressmen who assembled on Capitol Hill in January, 1949, but it is going to be difficult, in retrospect, to argue that their legislative record can be easily distinguished from that of the despised Eightieth.

What Mr Truman and his friends mainly held against the "second-worst" Congress was that it passed the Taft-Hartley Labour Act (to "control" the trade unions) and reduced taxes by $4.8 billion. Yet it also passed the European Recovery Act, supported the President over aid to Greece and Turkey, extended the reciprocal trade agreements programme, revived conscription and voted a lot of money for rearmament. The complaint was that, although its heart turned out in the end to have been in the right place when massive measures of foreign policy were being decided, it maintained a reactionary indifference to the social reforms the President desired to see accomplished.

*

Even a bald summary of the legislative achievements of the Eighty-first Congress ought to sound very different. The perception that in fact it does not is now a matter for some rather gloomy comment in Washington. This Congress has done nearly all the President asked of it in the field of foreign

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policy, carrying on the Marshall Plan, agreeing to unprecedented foreign military aid, further extending the trade agreements programme, and providing immense sums for rearmament. The Senate has ratified the North Atlantic Treaty and the International Wheat Agreement. An unbeautiful Displaced Persons Act has become more presentable.

But the two-year-old predictions that the new Congress would accept Mr Truman's return to the White House as a mandate to forge ahead with the Fair Deal have been badly falsified. Social security has been extended to cover some millions of workers who were previously outside the scheme: beyond that there is little indeed of the handsome programme of social reforms, set before it by Mr Truman, which the Congress can claim to have translated from aspiration into action. The Taft-Hartley law, abolition of which was one of the Democrats' most ringing election pledges, is still unrepealed. The health insurance plans of the President have never come within sight of enactment. Mr Truman's civil rights proposals, which seemed once to hold out a promise of notable improvement in the prospects and status of Negroes, could not get past a filibuster by Southern Senators. The Brannan farm plan remained at the starting post; neither the plans for "middle income" housing nor the hopes of retaining watertight Federal rent controls finished the course; and Federal aid to education has run into a complex traffic jam.

In May, when the President was conducting his "non-political" tour, the widely heard argument was that the failure of Congress to bring the Fair Deal to fruition—a failure due, as people could see, to the machinations of a reactionary coalition of Republicans and conservative Southern Democrats and their fellow-travellers—would once again provide the Democrats with a rip-roaring election issue. But all that was before the Korean war began.

Nobody can now believe that the electorate is intensely interested in health insurance, or even that it cares as much as it did a few months ago about the repeal of the Taft-Hartley law. The members of the Eighty-first Congress who in the last few weeks have swiftly voted $16 billion for arms at home and abroad, have turned a tax-reduction Bill into a tax-increase Bill and have thrust upon the President powers (which he had not sought) to impose economic controls appropriate to wartime—they know well enough what people are interested in.

People are interested in whatever will help to win the Korean war, and they are prepared to be angry over anything or anyone that can be shown to be hindering that objective. The great virtue of the Eighty-first Congress is that it understood and, in its way, nourished and satisfied the new American determination to exercise international responsibilities such as no other Congress ever had to wrestle with or even to comprehend.

American Notes

Dropping the Jonah

The replacement of Mr Louis Johnson by General Marshall as Secretary of Defence is a master-stroke on Mr Truman's part. Mr Johnson had become so heavy a political liability that any change would have been welcome to most Democrats. But in General Marshall the Administration has a man whose record, both in peace and war, inspires confidence at home and abroad, and who is not implicated in the disillusionment over the American performance in Korea and its partisan exploitation. Moreover, General Marshall can be relied upon to work with, rather than against, the Secretary of State. The only bar to his appointment is the clause in the Unification Act which provides that anyone who has seen active military service within the past ten years is ineligible for the post, and the fear that once the door is opened the military might usurp what should remain a civilian office. In General Marshall's case, and in a time of such tension, an exception is likely to be approved by Congress.

Ever since the outbreak of the Korean war, Mr Johnson has shared the Republican fire that previously had been concentrated upon the Secretary of State. He has been attacked for carrying out defence economies that weakened the effective strength of the forces, and ridiculed for a boastfulness and complacency that misled the public. His strong-arm tactics were notorious and his lack of tact hardly less so; he possessed none of Mr Truman's engaging willingness to confess an error, which was demonstrated in the President's brush with the Marines.

But it would be wrong to conclude that Mr Johnson has been sacrificed to propitiate the Republicans. No one knows better than the President that, in enforcing economies upon the services, Mr Johnson was carrying out the President's own instructions, though his open relish for the job was certainly unfortunate. Nor is it Mr Truman's way to desert his friends in time of trouble, particularly when it is likely to give the Republicans something to crow about. Mr Johnson's real crime was that, at a time when it was vital for the Defence Department and the State Department to pull together, he was a focus for disaffection against Mr Acheson. The tug-of-war inside the Cabinet gave rise to uncertainties and the fear that foreign policy was being shaped in the Pentagon and in Tokyo rather than in the State Department. Moreover, if the columnists are to be believed, Mr Johnson was not above trying to deflect criticism from himself by secretly handing out ammunition to Mr Acheson's critics. General Marshall, during and after his mission to China, mapped out the policy which has since governed the Administration's relationship with the Nationalist Government. When he was Secretary of State, he worked closely and harmoniously with Mr Acheson. General Marshall's appointment should therefore end a potentially dangerous rift on foreign policy and strengthen Mr Acheson's own position.

* * *

Mobilisation Gathers Speed

From President Truman's recent broadcasts it appears that by next summer the defence programme will have doubled in size since the Korean invasion, both as regards men in service and money being spent on armaments. America's mobilisation is getting up steam for a longer and faster journey than was expected two months ago, mainly because it is now realised that the international situation requires greater military strength in Europe as well as in Korea and at home. Once the train is travelling full speed ahead at the rate now scheduled, more powerful brakes than were originally planned will be needed to keep it on the rails.

Even the President himself has tacitly admitted that the price and wage controls which he is so reluctant to apply will ultimately be unavoidable. He has ordered businessmen to preserve their records for the month preceding the Korean outbreak, which will be the base period for such controls under the Defence Production Act. And he has set up an Economic Stabilisation Agency, with an administrator, a director of price stabilisation and a wage stabilisation board. To begin with, attempts will be made to hold prices and wages in line without compulsion; if these attempts fail, selective controls will be tried next. The compromise finally agreed by Congress allows such controls to be put on individual products, but in each case price and wage controls must come hand in hand. It is doubtful whether this will turn out to be either practicable or effective and general controls may have to be used before they are really needed, unless the new Congress amends the legislation.

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

Meanwhile, the post-Korean rise in the cost of living has been checked for the moment, but too late to prevent the second round of inflation, a rush of wage increases. No one in fact tried to prevent them. The Administration wants to keep its labour supporters happy until after the election, at least; employers dare not risk either the loss of the skilled men who are already becoming scarce or strikes at a time of overcrowded order books; trade unions are hurrying to get into the most favourable possible position before wage controls begin. The famous General Motors' contract, with its flexible cost of living clause, looks like such a position, in view of the President's admission that wage increases are, and will be, excused if they are needed to cover the cost of living.

Employees of the General Motors Corporation have already received an increase of five cents an hour since Korea under this escalator clause, and the Chrysler Corporation has more than matched this by giving its work-people increases of from ten to fifteen cents an hour without being asked. The Ford Company, with its existing contract not due to expire until next year, nevertheless leapt to its traditional place at the head of the automobile wage scale with a new five-year contract combining the Chrysler increase, the General Motors' escalator clause and the promise of an annual increment of four cents an hour. The bandwagon is rolling out of Detroit well ahead of wage control, and other unions and companies are climbing on to it as fast as they can. The steelworkers will have their chance in November, when their contract can be reopened, and Mr Lewis is not likely to allow his miners to be left behind.

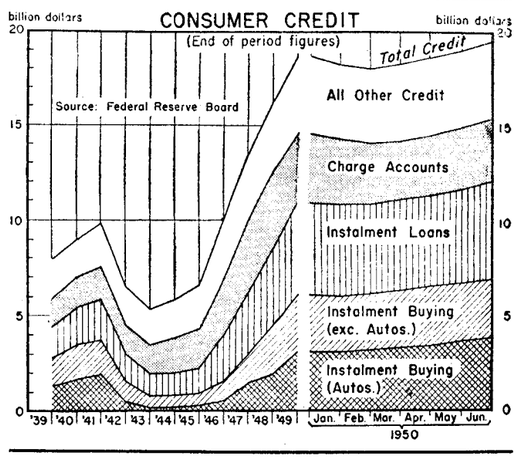
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Keeping on the Rails

The President has lost no time in using the other powers given him under the Defence Production Act, the powers that he asked for. The terms on which instalment purchases can be made were at once controlled by the Federal Reserve Board; these new regulations are not as strict as those during the war, but "no down payment and three years to pay" is over for the time being. The very liberal terms of some hire purchase agreements had been causing concern even before Korea; although the total volume of outstanding consumer credit was exceptionally high (and went up to over $20 billion in July as the result of the scare buying), it was not in itself unhealthy when related to the growth in population and in disposable personal incomes. The FRB has also been given authority to restrict credit on new construction; the Board has long been critical of the ease with which mortgages have been obtainable.

Such indirect curbs on civilian consumption, however, need to be supplemented for the present by direct controls if adequate materials and industrial facilities are to be available for defence production, although eventually there may be enough for everyone as the result of industrial expansion. Whether the necessary allocations and priorities should be established on a voluntary or a mandatory basis in the first instance is already being discussed with the industries concerned by Mr William Harrison. He has been brought from the presidency of the International Telegraph and Telephone Company to head the new National Production Authority in the Department of Commerce which will be responsible for most industrial controls. Other government agencies, such as the Departments of Agriculture and the Interior, have also got some say in the matter and Mr Stuart Symington of the National Security Resources Board is to act as co-ordinator. If, as happened at the beginning of the last war, too many governmental cooks are found to be spoiling the mobilisation broth, he will presumably be appointed head chef with full powers.

Increased production and the prevention of inflation should enable the economy to achieve the defence programme without going off the rails, but the journey must be paid for. Congress recognises this as clearly as does the President and one of the unexpected results of the Korean



outbreak looks like being a reduced deficit, or even no deficit at all, at the end of the current fiscal year. The high level of business activity means that receipts are running above original estimates and the emergency increases in taxation will be bringing in additional revenue before the full effects of the rearmament programme are shown in government expenditure. Congress is pledged to a further instalment of tax increases, to include the excess profits tax which has so much political appeal that even the President is now ready to turn a blind eye to its economic defects.

* * *

Dewey *ex Machina*

The Democratic machine in New York has only itself to thank for recalling Mr Dewey to active political life—a cause for acute private mortification, but a considerable public service. It was Mr Flynn, the astute boss of the Bronx, who was credited with persuading Mr Truman to swallow his pride and set the stage for a special mayoralty election in New York City by offering Mr O'Dwyer, the Mayor, the Ambassadorship to Mexico, as a handsome inducement to go away quickly. This plum normally would not have dropped into the mouth of a Democrat who had deserted Mr Truman in the dark days of 1948. But the Democratic strategists calculated that a mayoralty election this year would bring out the vote in New York City, which is overwhelmingly Democratic, and sweep the party's candidate into the Governor's mansion in Albany. It would also make it easier for Mr Lehman to retain his Senate seat. Control of these two vantage points would be of material aid in capturing New York's vital electoral vote in the Presidential year of 1952. Mr Truman lost it last time.

But the calculations of the machine backfired badly. Mr O'Dwyer took his exit line with all speed, but the Republicans have proved that in an emergency they can hear the call to duty as clearly as any Democrat. Mr Hanley, the politically ineffective Lieutenant-Governor, who on

Mr Dewey's retirement had hoped to come into his long-deferred reward, heard it and, after some soul-searching, announced his willingness once more to step aside. Mr Dewey heard it on his farm at Pawling; with no noticeable soul-searching at all, he decided that in the country's crisis—and his party's—he could not refuse to serve again. For his self-sacrifice, Mr Hanley has been awarded a consolation prize of doubtful value; he will run against the popular and experienced Senator Lehman.

Meanwhile, the Democrats are hoist with their own petard. The Democratic vote in New York City will have to be heavy indeed to wipe out the lead Mr Dewey has shown he can pile up "upstate"—that is, in the rural areas. Nor have the Democrats, bedevilled by the necessity, real or imagined, of placating the labour vote, the Italians, the Irish Catholics, the Jews, and the local pride of the New York boroughs, found a champion worthy of Mr Dewey's metal. Representative Lynch, from the Bronx, is a Fair Deal regular, which is important to a machine that had its first choice vetoed, with embarrassing publicity, by the New York Congress of Industrial Organisations. But he is almost unknown and has little time to remedy this fault. Worse still, in the New York City election for Mayor, the Democratic vote will be split by a disgruntled independent, and a Negro candidate put up by the Communist-dominated American Labour Party.

The Democrats have chosen as their chief target the bankers who, they allege, control the Republican party, and who, it is said, finally persuaded Mr Dewey to run. Mr Dewey has already trained his guns on the record of the Administration in foreign policy and defence, though from a platform considerably more elevated than that favoured by the Wherrys of his party. Already there is speculation whether the choice of such issues, following his return to politics, means he will have a third try at the Presidency in 1952, and whether the Old Guard would permit it.

Shorter Notes

Congress is now looking favourably on the universal military training which the President has long advocated, but this change of heart comes too late. Today both military camps and training personnel are otherwise occupied and there is no immediate urgency about a Bill which would require all youths to undergo six months' military training. Most of them will now have to do active service for far longer. The Senate has therefore reluctantly agreed to the President's suggestion that action on stand-by UMT legislation should be postponed until the next session.

★

General Bedell Smith, a former Ambassador to Russia, has very suitably become head of the Central Intelligence Agency, which co-ordinates all military, diplomatic and foreign intelligence activities. He succeeds Admiral Hillenkoetter, who was anxious to get back to sea even before his agency's failure to warn Congress of the imminence of the Korean invasion brought a hornet's nest of criticism down upon his head.

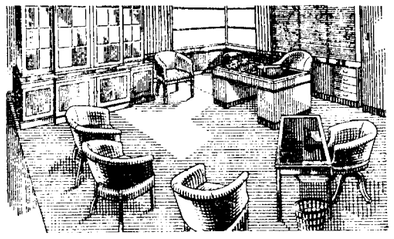
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When the Federal Government builds and staffs army camps and government factories, local schools have more pupils and less revenue than before, since state taxes are not paid on Federal property. In order to meet this difficulty, Congress is about to authorise Federal grants for the construction, maintenance and operation of schools in such areas.

★

In the last fifty years, America's automobile factories have produced over 108 million vehicles and there are now about 45 million actually registered. There are nearly 60 million registered drivers in the country and one out of seven employed persons is occupied in road transport.

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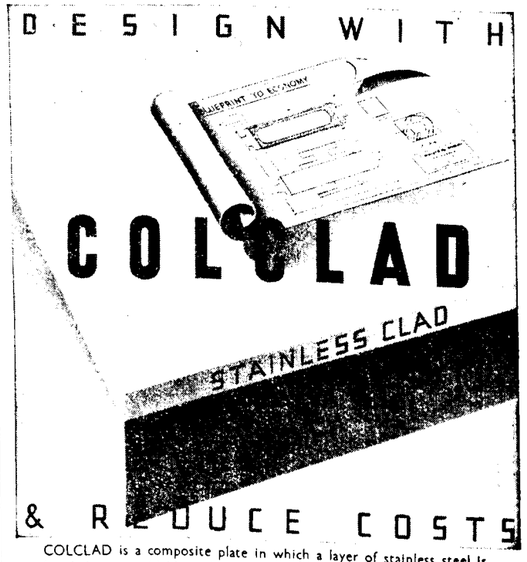
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THE WORLD OVERSEAS

Strasbourg in Retrospect

(By Our Special Correspondent)

THE aim of the Council of Europe is to achieve a greater unity between its members for the purpose of safeguarding and realising the ideals and principles which are their common heritage and facilitating their economic and social progress.

This aim shall be pursued through the organs of the Council by discussion of questions of common concern and by agreements and common action in economic, social, cultural, scientific, legal and administrative matters and in the maintenance and further realisation of human rights and fundamental freedoms.

Matters relating to National Defence do not fall within the scope of the Council of Europe.

So runs the Statute of the Council of Europe signed in May, 1949, in London by the ten then participating powers. Two questions arise in the infinitely more dangerous world of the autumn, 1950. Is the aim of the Council, "the greater unity between its members," being achieved by it at all? Is "greater unity" being achieved fast enough by all available means, including the Council? It is important to separate these questions. For to assert that European unification is happening too slowly is not or should not be to condemn the Council of Europe. It may well be that the Council, while having little practical or institutional bearing on the achievement of indispensable short-term concrete results in economics and defence, is nevertheless absolutely necessary as a focus of enthusiasm and intellectual magnet to the achievement of these results. In other words, the "greater unity" of conscience and attitude, which is now growing within the Council and which develops at its own speed, contributes decisively to the "greater unity" of action which must, inside or outside the Council of Europe, be attained at all costs here and now.

European Atmosphere Created

There is no doubt at all that the Council of Europe is achieving a greater European unity. Last year its machinery had a trial run. There was a healthy airing of international and inter-party differences and—largely because of the presence of Mr Churchill, the chairmanship of M. Spaak and the verve of the French delegates—a European atmosphere was created in Strasbourg. Following the work of the committees during the winter, the 1950 session has maintained this atmosphere and produced certain definite intellectual results.

This year two main and connected engagements have been fought within the Consultative Assembly: that between the opponents of the Committee of Ministers and its control over the Assembly and the supporters (avowed or unavowed) of ministerial control, and that between the European federalists and the "functional approachers" or inter-governmentalists. The chief success of the 1950 session has been the emergence of a real measure of agreement, or at least of mutual respect after an intensive breaking-down of these issues.

As to the attribution of "limited but real powers" to the at present purely consultative Assembly, the Assembly has passed a resolution, which requests the General Affairs Committee to submit a plan for the reform of the Statute itself before the next session of the Assembly, which is to be held before the end of the present year. Another constitutional resolution (passed by an overwhelming majority) required that the major resolutions of the Strasbourg Assembly should be presented to national parliaments, whereupon those M.P.s who had voted for them at Strasbourg should again do so in their own capitals. As to the first resolution, the Ministers will, when the draft reform emerges, presumably be asked to approve a new voting system, such as the weighted system proposed by M. Spaak, which would weaken their collective veto over the Assembly. These moves might succeed in giving a greater initiative to the Assembly, and thus an impetus towards its becoming eventually a European legislature.

The quarrel between federalism and functionalism had an interesting and important *dénouement*. Early in the session the British (with the exception of Mr Mackay) and the Scandinavians had declared the impossibility of a European Federation Now. The arguments against Federation Now, which were advanced notably by Dr Dalton, were that federation was definitely unwanted by the British Empire and Scandinavia and unnecessary in view of the successes of inter-governmentalism—witness the European Payments Union created by the OEEC. Dr Dalton's message to all Federalists was: "Good luck, get on with it, and keep off"! Any insistence upon Federalism within the Council of Europe would, he said, wreck it. M. André Philip, accepting Dr Dalton's farewell, sought finally to create a federation of all willing Strasbourg nations. M. Philip, supported by M. Reynaud, envisaged, it seemed, the extension of the limited pooling of sovereignty already contracted by the six signatories of the Schuman declaration both to other powers and to other nations. But this thesis (the "functional-federal" approach, which MM. Schuman and Monnet distinguish both from Inter-governmentalism and Federalism Now) did not prevail. This was perhaps the most important outcome of the 1950 session, since it assured both the continuation of the Council and Britain's continued participation in it.

M. Guy Mollet, fellow Socialist of M. Philip and French Minister of European Affairs, flatly refused to accept the idea of a truncated federal Europe. Unlike Dr Dalton, he regarded a partial federation without Britain both as impractical and as the end of the Council of Europe. The French Parliament, he said, would never accept it (M. Philip had, indeed in a moment of heat, claimed general agreement "or else we will make Europe elsewhere"). M. Spaak agreed with M. Mollet, stating in a final press conference that Europe could not be further mutilated by the exclusion of Great Britain or of any other part of it. M. Spaak's own position (he has been the life and soul of the 1950 session) has become increasingly clear. The most active opponent of the Committee of Ministers as at present constituted, he nevertheless rejects outright any schism within the Council's present membership upon this issue. The roof of Strasbourg must be kept over all European activities and beneath it all initiatives might continue towards the establishment of "specialised institutions in political,

economic, social, legal and cultural fields." (To this end the Assembly has passed a resolution asking the Ministers to allow the attachment to the Council of Europe of "functional-federal" schemes adopted by fewer than all its members. M. Bonnefous, Chairman of the Foreign Affairs Committee of the French Parliament, has already proposed the unification of European transport, a piece of federalism in which Britain can hardly be expected to participate!) M. Spaak has, in fact, stated the view that, while European unification is progressing with dangerous slowness (he at once spoke in favour of Mr Churchill's resolution that a European army should be created forthwith) the Council of Europe is none the less playing its part as well as could have been expected. "No one," concluded M. Spaak, "could seriously expect that the unification or federation of Europe could be realised during the month of August, 1950. Even if it had been possible to work out a federal constitution for the nations of Europe, that fact would not in any way have prevented the Russians, if such had been their intention, from launching their tank columns against western Europe."

It was in this mood of relative reasonableness that the Assembly was adjourned. What can be hoped of the next period of the Council's life? There are, of course, a number of technical items which have already appeared on the agenda of the Committee of Ministers such as the formulation of a multilateral convention on the reciprocal treatment of nationals of the member states, relief from double taxation and the alignment of social security schemes. But these matters are rather remote from the public imagination. So, also, is the subject of Human Rights which has for free Europe a somewhat negative tinge. On the other hand a definite symbolic value would attach to small achievements such as the production of a European postage stamp or a European passport. It would also be supremely worth while to hold a youth rally at Strasbourg during the next year's session of the Council, as was proposed by Mr Duncan Sandys and other delegates. It is of the greatest importance that youth, and in particular German youth, should be effectively associated with the Council of Europe. Anyone who has visited the Franco-German university in the Saar will be aware of the new spirit growing among continental youth, a sentiment which is far removed from ideology, national or Communist.

Czech Housekeeping

[BY A CORRESPONDENT RECENTLY IN CZECHOSLOVAKIA]

To the not over curious visitor Prague still maintains a certain amount of its pre-1948 atmosphere. Physically, it is still a provincial city of the old Austrian Empire, suddenly promoted to become the capital of a new republic without having really got over the shock. The old palaces on the left bank of the Vltava are still being used by government departments and foreign diplomatic missions; the trams still clang slowly along in tandem through streets hopelessly narrow and winding for modern traffic. The Wenceslaus Square is still lined by a hodge-podge of conflicting architectures and the good King himself continues to ride his horse valiantly at the top of the Square protecting the mass of the Museum behind him from all comers.

But this is only the façade of the great economic and social changes which have taken place during the past two years. To the onlooker the most noticeable change is in retail distribution. After the *coup* of February, 1948, the wholesale trade was nationalised, because, it was alleged at the time, wholesalers were deliberately withholding goods from the shops in order to sell them later at scarcity prices. It was for these same political allegations, rather than for any real economic reasons, that more recently nationalisation has been extended to retail trade, not only shops, but also restaurants, public houses, undertakers and the like, with only the very smallest units being excluded for the time being.

All socialised concerns are classed either under the heading *narodny podnik* (national enterprise) or *komunalny podnik* (communal enterprise), the former being centrally and the latter locally controlled. Shops come under the control of the various state or communal trading concerns specialising in different commodities—thus groceries come under *Masna*, general provisions under *Pramen*, electrical goods under *Elektra*, and so on. The only sector of the economy still remaining in private hands is that comprising professional services, and something less than 5 per cent of the working population is now employed by private employers.

Combined with this socialisation there has been a parallel emergence of the Communist Party (CSK) as the most powerful political force in the country, the other parties giving no more than a semblance of democratic opposition. Though every branch of the CSK and the Czechoslovak-Soviet Friendship Society exhibits on their walls constantly changing sets of photos depicting the wonders of the Soviet Union, the local citizens seem to find little time to stop and look at them. This is not to be wondered at, since both factory and office workers have a 5½ day-48 hour week, beginning at 7.30 a.m. In addition they are expected to put in about 10 hours shock-work a month, plus several more hours at Party or Union meetings. The salaries earned monthly vary tremendously, shockworkers, especially miners, earning up to Kcs. 10,000.* The top scale for office workers is about half this rate, and Kcs. 4,000-5,000 can be considered as average. From these wages are deducted at source not only income tax (which is fairly low), but also union dues and national insurance, the latter being apparently somewhat higher than that paid in this country, though varying with the salary paid. A married worker with two dependent children has about Kcs. 700 deducted from a salary of Kcs. 5,000.

High "Free" Prices

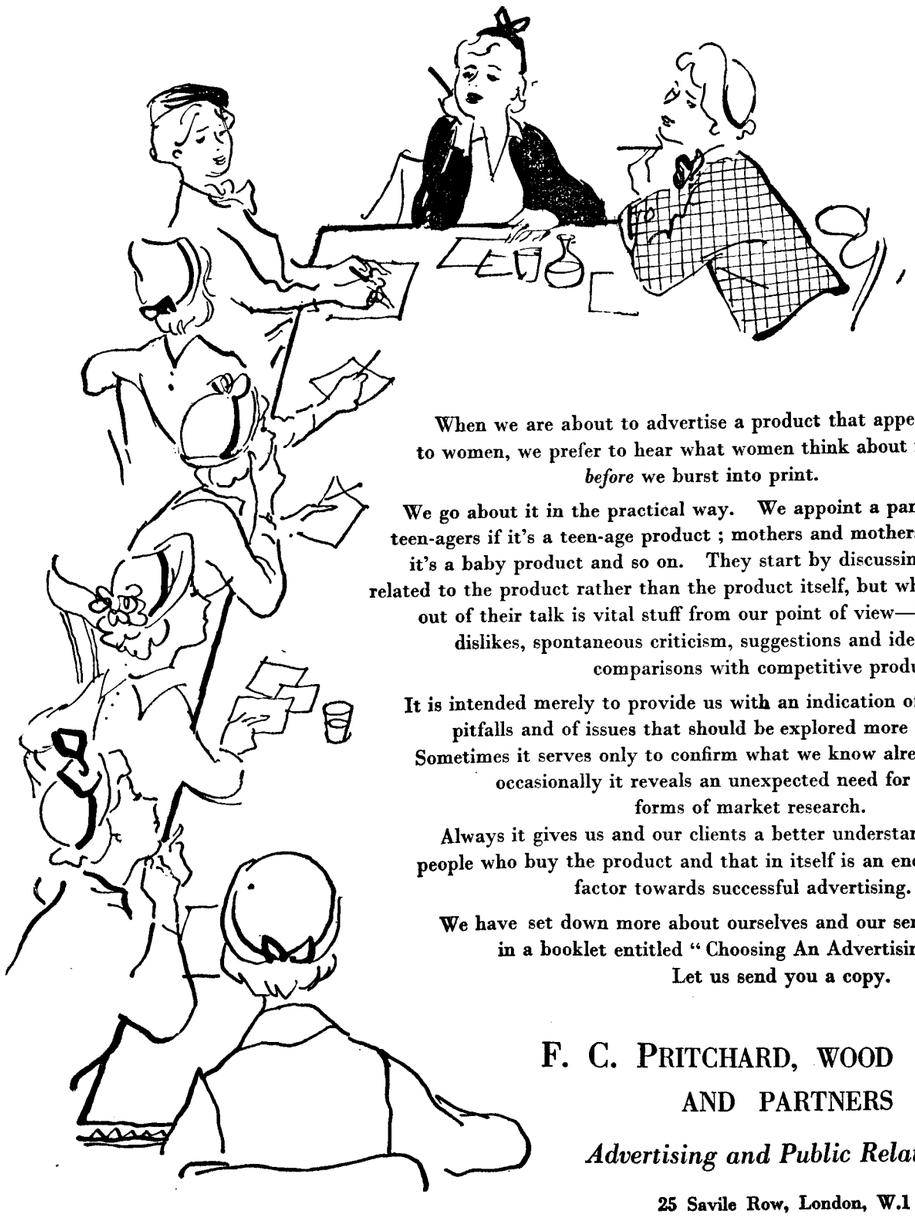
Direct income tax is low, but any inflationary pressure from shockwork earnings is absorbed by the high free market prices, indirect taxes and rail fares. The illegal black market has been replaced by an official "free market" in much the same manner as the two-price system in Poland which lasted until the ending of rationing there two years ago. The amount of food on coupons is being gradually reduced, bread and flour products being the main items removed recently. At present, the rationed foods comprise all kinds of meat (raw and cooked), fats and sugar (but not confectionery); these and all other foods are sold "free" at very high prices, which in practice are little effected by the much publicised reductions of last June. Free sugar, for example, was reduced from Kcs. 160 to Kcs. 140 a kilo, ten times the rationed price. "Free" meals can also be bought in restaurants by paying extra Kcs. 6 for every 50 grams of meat in the meal (the normal ration is 100-150 grams); this affects the cheaper working class restaurants far more than the large hotels. It is such high "free" prices not only of foodstuffs, but also of textiles, footwear, furniture, and so on, which accounts for much of the profusion of goods in the shops. One ironical feature of the system, which contains more than a hint of dumping, is that the Czech chocolate which sells in Britain at 11d. a block (about Kcs. 7 at the current rate of exchange) sells for Kcs. 50 on the free market.

Since official figures are lacking, it is difficult to get an accurate picture of the real standard of living in Czechoslovakia. Some indications are given, however, by the United States Department of Labour estimates of the work time required to buy food in various countries. From these

* The exchange rate of Kcs.140 : £1 is so artificial as to render translation into sterling values misleading.

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it seems that the hourly average earnings in Czechoslovakia at the end of 1948 only bought two thirds of the amount of food they bought in Britain, and this at rationed prices only. Though the figures have since changed, it seems reasonable to assume that the relationship is little different.

Against the mundane background of wages, prices and hours of work must be set the various campaigns of a more political nature, which, though apparently separate, are not altogether unconnected. There is the constant campaign to recruit more labour, especially for the mines. The appeals are for both men and women and it is said that in some industrial centres the shortage is so acute that a statute of 1945 is being invoked to conscript labour of both sexes. Linked with appeals for more labour are those for increased production and productivity from the existing labour force. A far more political campaign, linked with the potato shortage (reflected in the high price of Kcs. 5 per kilo) is the propaganda everywhere directed at "the American weapon against the people's food," the Colorado beetles allegedly dropped by US planes in western Bohemia, an area infested with the beetle. Another "hate" weapon against the Americans is, of course, "the brutal American aggression in Korea." There is also the Stockholm Peace Appeal, in connection with which a meeting was recently held in Prague of the Postal Department of the World Federation of Trade Unions, a meeting which has not received the attention from the west which it deserves. The Czech chairman, Jaroslav Kolar, speaking of the meeting's support for the Appeal, declared that it will seek means for post office and radio employees of the whole world "systematically and emphatically to express their genuine desire for peace by refusing to convey over the telegraph, telephone and radio all the lying and criminal reports and slanders spread by capitalist radio stations against the world camp of the defenders of peace." This may be perhaps one of the most significant actions to come from Prague, where the Soviet flag everywhere flies side by side with the red, white and blue of the formerly independent Republic of Czechoslovakia.

Marxist Shanghai—I

[BY A CORRESPONDENT RECENTLY IN CHINA]

AFTER a night filled with clatter, Shanghai woke to find itself liberated. Uniform of a slightly different shade was the first thing to distinguish the newcomers lying sweating in orderly rows on the pavements. "Pea-green incorruptibles" said a Chinese wit a few weeks later, and incorruptibility no one could deny when even the proffered cup of tea was refused because the army could take no gifts from the civilian population. The radio station had fallen early in the morning, but a scratch programme was already on the air. An underrehearsed chorus, an overworked piano, an eager leader: "Now let's try that just once more ; one, two, three,

The East is red, the sun is rising
China has produced a Mao Tse-tung. . . ."

and so it continued for weeks and months afterwards. In the newspapers, on the radio, in the streets, in the schools ; at public meetings and mass demonstrations ; everywhere the song and the dance seemed the first and remained the most lasting symbol of Communist leadership.

It was more difficult than usual for a foreign observer to perceive the Chinese reaction to this incursion. For once Shanghai had found something within its own borders to stimulate its interest and perhaps even to inspire it ; for once the foreigner and the glamour that still clung to him could be ignored. Backs were turned watching the interesting new spectacle, and the best one could do was to walk round on the outside and listen to the comments. After a long period of expectancy a *mystique* had certainly been built up. "Today I *saw* some, real ones," said one Chinese to another ; or, again, "have you met any yet?" Few had, it seemed, although speeches were made and delegate meetings held. Gradually news began to circulate of fellow-students at overseas universities who, returning to China, had thrown in their lot with the Communists ; now, after years in the hinterland, they had returned to the metropolis democratically clad in pea-green (in spite of the doctor's degrees) and were feverishly administering in back rooms. But it was not long before a new phase had taken for the educated classes the place of the singing and dancing which animated the "broad masses." If the party workers lived a closed life their doctrines were soon in circulation. *Kao t'ung* is not easily translated ; it conveys the sense of shaking up, of taking to pieces and thus by implication of reordering, of reintegrating one's thoughts. Coined in Shanghai and thus endowing Chinese with a new character, it was the key phrase of the mental struggle. One heard it daily. Reports of individuals followed. It was said of one that he was completely *kao t'ung* and had offered his services (and overseas training) to the party, another was on the brink, a third, quick to come to terms with the new doctrine, was wrestling with difficulties. He was doing his best to *kao t'ung* them. Never did one hear of hostility or even indifference springing from a mind already settled, from an existing or comprehensive doctrine. Everyone, it seemed, naturally accepted that one had to come to grips with the "new thoughts."

Crusade of Ideas

Turning away from the difficulties of assessing Chinese opinion, what could the eye record in changing Shanghai? There were the demonstrations of course. Banners, flags, slogans, fireworks, the traditional and popular animated dragons, encouraged with singing and interrupted with dancing for the young, the old, the workers, the petty *bourgeoisie* or the national *bourgeoisie*. "The Union branch at Messrs Blank had to order thirty people to turn out, they couldn't get any volunteers," it was reported, or, on the other hand, "It was magnificent—pouring rain but such a wonderful spirit—the enthusiasm!—and we didn't get back until three in the morning—everyone loved it." Both, one felt, were quite true. A demonstration, in any case, is not the most reliable guide to public opinion. What seemed more reliable and hardly less ubiquitous were the bookshops. As the decline in luxury spending, the blockade and to some extent Communist policy brought a decline to the shops of Shanghai the bookshops by contrast expanded and multiplied. They were invariably crowded with the young. Here, one felt, was the power of ideas most plainly illustrated. The section labelled political philosophy was usually the most prominent and, of course, exclusively Marxist, but looking at the section marked "novels in translation" one saw that the home of the new political philosophy was also in the lead. It is a predominance only partly explained by political sympathies. "How can you expect the Chinese to understand Jane Austen or Thackeray," remarked a Chinese friend, "whereas the background of the Russian nineteenth-century novel is something familiar to all of us."

Other observers have written of the new standards of honesty and efficiency which the Communist-led armies and administration have brought to the new China. But no impression could be more deep or more lasting than that of the immense evangelical force of the movement. As one sees it in Shanghai it is a pill presented with a little coating of jam. The attack is insistent, for new hearts go hand in hand with new thoughts and in this process of regeneration "self-criticism" plays so large a part and seems to be having so considerable an effect that it deserves at least closer attention than the slightly sneering tone in which it is often dismissed in the western press. Above all, is this true of a country with none of the organisations, religious or semi-religious, in which such processes may find a traditional expression? The harassed foreigner reading the wall-newspaper while waiting in the corridors of the police station for his personal letters and photographs to be inspected (before taking them out of the country) may indeed smile at the revelations of a police-

man who was "unable to get to sleep until four or five in the morning" through anxiety lest his "self-criticism" had been "inadequate," but he will none the less agree that he has a much better chance nowadays of recovering his stolen property when before his only hope was bribery. And it is not a new police force though it may be under new direction. After the experiences of Kuomintang rule the earnest puritan atmosphere seemed welcome to the foreigner no less than to the Chinese, though one might well fear the results of such an atmosphere allied to a rigid doctrine. One is glad to be able to record that the Chinese sense of humour, that most endearing of their traits, seems to persist. At a performance of the traditional Peking opera, the story concerned a long lost son who had unwittingly stolen his father's much prized horse. In the happy reunion of the last act the son does obeisance to the horse. "How very *feudal*" interpolated the father with a wink at the audience which roared with delight at this reference to one of the four deadly sins of the new dispensation. At a modern communist-inspired play, on the other hand, the foreman of the cotton mill having treated his workers in the wrong manner and aroused their hostility proclaims his errors and his salvation in the final scene with the cry "How faulty are my bureaucratic thoughts!" a cry echoed by cheers from many of the audience—another soul, one felt, had been saved for the cause. Does one see a contrast in this? Was the audience at one theatre very different from that at the other? I doubt it. It would not be impossible to imagine the same audience reacting similarly to each play.

Rumours of Chiang's Return

The modern theatre and the film, as one might expect, have both become largely propagandist. They had long had links with the left but the Communist wish to maintain and develop the traditional popular art of the Peking opera has been aided by the proclaimed adherence to the new regime of such well-known protagonists as Mei Lan-fang and Ch'eng Yen-ch'iu. "The Song of the Red Flag," mentioned above, is a play dealing with a cotton mill. It is aimed particularly at the Shanghai proletariat who are by no means the most easily won to the cause. "They are contaminated by capitalist thinking, it will take time," one union official remarked. One should mention and in doing so risk the generalisation, that the *mystique* of Communism was more commonly found in the middle classes. Amongst the unorganised workers Chiang Kai-shek remained, for some months after the fall of Shanghai, an omnipotent figure. "He will be coming back in September" said one rumour basing itself on confident leaflets scattered by aircraft from Formosa. Such rumours continued throughout the autumn of 1949 though the prophecies remained unfulfilled. By December the new doctrines had begun to seep into the whole population and many of the early fears had been dispelled, but it was the intensified bombing by the Kuomintang in the New Year which finally destroyed any doubts. It did more. In the press these raids were represented as being quite as much the work of the "American imperialists" as that of the "reactionary, remnant lackeys" of Taiwan, and while the raids drove out any faith in Chiang which might remain amongst the less educated they no less effectively drove out any faith in America in quarters where it was still harboured.

There was certainly every encouragement to the doubters and the hesitant. Questions were answered on the radio each night, on the back pages of the newspapers and in numerous weekly periodicals. Hitherto disagreement seems to have been treated sympathetically and with patience ; light, it seems to be suggested, can be brought to even the darkest heart in time. Questions on relations with Russia are asked and answered though one suspects not always to the satisfaction of the questioner or even to the answerer. One thing at least seems clear in the midst of all this propagation of a new faith—the New Democracy is confidently propounded and by now confidently accepted as a Chinese answer to China's needs.

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THE BUSINESS WORLD

Business Notes

Bank and Fund Meetings

The fifth annual meetings of Governors of the International Monetary Fund and International Bank in Paris last week brought together the customary galaxy of financial eminence. There were many matters for discussion, though the weightiest of them did not appear on the agendas of the meetings. Of overriding importance is the new trend in world economic affairs set in motion by Korea and its aftermath of intensive rearmament. M. Gutt, chairman of the Fund's executive board, did not flinch from dealing with the subject, though it was inevitably absent from the report of the Fund, covering operations for the financial year to April 30, 1950. M. Gutt spoke of the need to minimise the risk of inflation, but he was careful to point out that "it would be criminal to suggest that the peace-loving nations should reduce their defence programmes because of the danger of inflation." His prescription for the situation is one that deserves—but may not get—general approbation. It is: "increased taxation, investment and credit restricted to essential purposes, Government and private expenditure reduced in accordance with an inflexible schedule of urgency and necessity." M. Gutt described this as a "hard programme" and appeared to have little confidence that inflation could be altogether avoided. The extent to which the dose can be administered to the countries represented at the Paris meeting should surely have provided the substance of this year's discussions behind closed doors.

Two topics falling more specifically within the Fund's agenda have caught the limelight and the headlines. They are the parity of the Pakistan rupee and the currency price of gold. No decision on the Pakistan parity had been announced by the time this issue of *The Economist* went to press, but it is difficult to believe that the Fund could give its approval to the present disparity between the Indian and Pakistan parities. It can hardly extend its benediction to both. Mr Havenga, of South Africa, returned to the charge, begun last year, for a "more realistic" price of gold. He was again voted down, though he received some guarded approval from representatives of European countries such as Belgium and France, where free markets for gold flourish. The main resistance was again provided by the United States, where the authorities are unlikely to accept a proposal for increasing the price of gold at a time when their main concern is to curb the forces making for inflation.

* * *

Exchange Freedom

The annual report submitted to the Governors of the International Monetary Fund is chiefly remarkable for its analysis of the factors responsible for the widespread devaluations of September, 1949. It marshals its explanation in a far-ranging retrospect of the deterioration of the non-dollar currencies against the dollar. It dismisses the American recession of 1948-49 as a relatively unimportant factor in the events of September, 1949. In its explanation of why the dollar problem should have been focused on Europe it emphasises, first, that much European trade with non-dollar countries has to be settled in dollars, and, secondly, that Europe had to meet the impact of the dollar needs and disequilibrium of the large areas for which European countries act as bankers.

All these questions, however, are small beer compared with the issues that were in the offing when the previous meeting of Governors took place a year ago in Washington. If the latest meeting of the Fund and Bank can offer a challenge to its predecessor in point of general interest it is in the discussion of freedom of exchange transactions and more particularly of discrimination against the dollar. Many voices in Paris urged that the justification for any discriminatory application of exchange control has now disappeared. The one voice raised in opposition to the early removal of controls is said to have been that of Britain—though some of the delegates who remained silent were unquestionably on Britain's side. The main issue before the IMF is no longer the disparity of price and cost structures or the consequent artificiality of exchange rates; it is whether most of the members should continue to seek the protection of those transitional provisions of the IMF agreement that allow them for a time to maintain restrictions on their current payments with other members. That debate has only just begun.

The affairs of the International Bank have, as usual, proved decidedly less charged with polemics and politics. The report of the Bank surveyed a year of modest activity, with loans totalling $166,345,000. A long passage of the report is devoted to explaining why the Bank has set such high standards of security for lending operations. The cost of the Bank's loans is to be somewhat reduced in future as a result of concessions in the interest charged during the period intervening between the conclusion of a loan agreement and the time at which the funds are actually paid out.

* * *

New Aircraft for Defence

The exhibition of the Society of British Aircraft Constructors at Farnborough showed that the past year's developments have added new categories to the modern aircraft available for the services—which are still equipped in many branches with machines dating from the last war. The development of jet night fighters by de Havilland and Armstrong Whitworth, of a ground attack version of the Meteor by Gloster Aircraft and of a number of specialised naval and anti-submarine aircraft by Hawker, Blackburn, Westland, Short, and Fairey are cases in point. At least one heavy jet bomber was expected to fly this summer, but none has yet appeared.

The sharp increase in the power of the standard engines in production was demonstrated in the flying display, particularly in the rate of climb of some of the aircraft. Less easy to demonstrate was the power to be expected from such new engine designs as the big Rolls-Royce Tay, the Bristol Proteus and the most powerful jet of all, the Sapphire, which was started by Metropolitan Vickers and completed by Armstrong Siddeley; each of these was fitted in an aircraft used as a "flying test-bed" only, since the airframes for which the engines are planned are not yet complete.

The appearance of a small rocket motor for aircraft, the joint work of the Ministry of Supply and Fairey Aviation, suggests what the industry's next line of development will be. The specially designed airframe in which the rocket has been flying was not exhibited. It would have been interesting to compare its performance with that of Vickers

Armstrongs' Supermarine 535, the fastest machine at the show. The Hawker Siddeley Group has interested itself in the development of rocket driven aircraft, but every firm is anxious to stake some kind of claim in this field.

If the aircraft industry is to expand its output—as it must if the flow of standard Meteor and Vampire fighters is to be maintained and new types brought into production—then questions of capacity arise. Some firms working largely on development contracts have factory space that could be used to assemble other companies' designs. But the fact that—with the exception of de Havilland's—all jet fighters have Rolls-Royce engines already throws a heavy strain on one company's engine producing capacity; a bottleneck could occur here.

* * *

Civil Aircraft at Farnborough

Military developments have tended to overshadow the work done in the past year on civil aircraft, which has been mainly concerned with bringing last year's prototypes to the point at which they qualify for a certificate of airworthiness. This is a vital stage to the aircraft companies, who cannot hope without a foreign market to cover the expense of civil developments, even with Ministry of Supply assistance. Until aircraft have such certificates, foreign buyers are reluctant to commit themselves. Moreover, in spite of their unqualified admiration for the new aircraft, foreign operators tend to believe that the British firms are asking too high a price for the aircraft and are exploiting their position as sole suppliers of them. There are signs of a tacitly organised buyers' strike on the Continent.

It is still not settled whether the Brabazon is to be considered as a civil aircraft or merely as an exercise in aeronautical engineering, providing data on large structures. Valuable experience has undoubtedly been gained in constructing and flying the Brabazon I, but the commercial possibilities of the undertaking cannot be judged until the Brabazon II flies in 1952, nor will the prospects of a C of A be seriously considered until then. The future of an airliner of this size may depend on whether operators prefer the high speed, high flying Comet type of aircraft for their long distance operations. Their decision may be influenced—one way or the other—by the degree of success that attends the further experimental work now being done on engines for the Comet.

* * *

Scrap Shortage Ahead?

Events in the last few months have given steelmakers in Britain and in other European countries fresh reason for concern about their supplies of scrap. The British steel industry has had more success in 1950 than in any recent year in getting supplies from abroad; about 1,500,000 tons of iron and steel scrap was imported in the first seven months, most of it from west Germany. The import programme of about 2,000,000 tons in the year seems assured. But the prospect for 1951 begins to look bleak. Even before the aggression in Korea the American steel industry was operating at full stretch, the demand for materials was rising, and so was the price of scrap. By August 22nd the price of heavy melting steel scrap in Pittsburgh had reached the fantastic level of $45.75 a long ton.

It is not surprising that American steel firms should seek to resist prices of this sort by bringing in scrap from Europe; accordingly, American interventions in the German scrap market have been renewed. As an example, the US Steel Corporation has made contracts for the delivery of 200,000 tons of European scrap (mainly from Germany and France) in the last four months of this year, at a price said to be "competitive" with current American prices. The effect for European industry may, however, be unfortunate. The Düsseldorf *Handelsblatt* points out that Germany is now being pressed not only to export more scrap but also to export more steel, and that the two demands may defeat one another. Of the 550,000 to 600,000 tons of steel scrap arising monthly in west Germany, the German steel industry itself now requires (in this German estimate) about 500,000 tons a month to feed the production capacity that has lately been attained. The chances are that German steel output will rise further—though to a modest extent in view of the heavy investment required to bring more plant back into service. Still, the exportable surplus of scrap is more likely to fall than to increase, and 100,000 tons a month is its probable limit.

Heavy American purchases in Europe can have no other effect than to divert scrap supplies from the European—and in particular the British—steel industries at a time when these industries will be called upon to meet sharply increasing demands. It seems doubtful, to say the least, whether it is in the wider American interest to draw steelmaking materials away from Europe at the present moment.

* * *

Wool and the Australian £

The auctions held this week in Australia have shown a continuation of the sharp rise in the price of wool. Prices paid for fine merino wool are now approaching the unprecedented and fantastic level of £1 a lb. If anything like these prices can be held, the wool cheque that Australia will receive for the current year's clip is likely to reach the record figure of £A500 million (which compares with total Australian imports running at £A550 million a year). The impact of this boom in wool prices on the Australian balance of payments has combined with other factors to revive discussions of a revaluation of the Australian pound. The subject does not appear to have been mentioned at this week's meetings of the International Monetary Fund in Paris, but it is still under discussion within the Australian Cabinet, where a complete cleavage of views is apparent. Mr Fadden's Country Party is unwilling to sanction any exchange adjustment that might deprive the farmer of any part of the high income he is now receiving, while the Prime Minister's party is more aware of the inflationary dangers and would be prepared to restore the Australian pound in the direction of parity with sterling. There is no sign yet that these differences can be sufficiently reconciled to permit any definite action; but some consideration is apparently being given to a compromise arrangement involving the imposition of an export tax on wool.

Meanwhile, the Americans—who have been among the principal buyers at the wool auctions—are becoming restive at having to pay these inordinate prices. According to reports from Australia, the United States administration has made tentative proposals for the abandonment of the present auction system and for its replacement by bulk purchase through the Australian Government, which would then distribute the wool in accordance with the directives of a Combined Allocations Board analogous to the machinery set up for this purpose during the war. The purpose of this American proposal would be not only to prevent the abnormal inflation of wool prices, but also to ensure that undue quantities of wool do not get into Russian hands. The Australian reception of this proposal, needless to say, is reported to have been extremely cool. The Australians contend that, in view of the immense variety in qualities of wool offered for sale, the auction system is the only satisfactory means for the disposal of the clip. Well behind the times and overtaken by events of the past few months are the plans for holding a Commonwealth Conference in London at which a price support scheme for wool is to be discussed. The Commonwealth Minister of Commerce, Mr McEwen, is on his way to attend this conference. He will find the agenda strangely altered when he reaches London.

OEEC on International Investment

In this first phase of the western world's new plunge into defence economics, many of the studies now reaching fruition are perforce dominated by assumptions that are fast becoming out of date. This is certainly true of the report on International Investment approved by the OEEC Council on September 4th. The report envisages a continuation of a world dollar shortage that has to be met in the main by substantial exports of capital—if possible, private capital—from the United States. It emphasises that only in such conditions will the countries in receipt of Marshall Aid be able to contemplate a return to completely multilateral trade and convertible currencies. Starting from this basic (if now somewhat questionable) assumption, the report makes certain recommendations which would encourage the export of American capital. Some of these recommendations are aimed at the prospective borrowing countries, others at the lender. To encourage private investment, the OEEC countries are advised to give continuous attention to the possibility of relaxing their controls on foreign investment, especially those concerning the repatriation of dividends and capital and the transferability of securities held by non-residents. The report points out that much has already been done in this field. The most recent example of such relaxations is that provided by Britain's recent concessions on the "switching" of sterling securities held by non-residents.

So far as the lenders, and in particular the United States, are concerned, the report makes many constructive suggestions. The United States should encourage its nationals to invest overseas by such specific measures as preferential tax treatment of investments in areas other than the western hemisphere, a reduction in the cost of registration of investments by the Securities and Exchange Commission, reduction of underwriting charges, and greater co-operation with borrowing countries in the field of double taxation. The most important recommendations made in the report are those referring to the removal or reduction of the non-commercial risks in foreign investment. In the main these are transfer risks and risks arising from political developments such as nationalisation and expropriation. The responsibilities in this particular sphere lie with the Governments of both borrowing and lending countries. The duty of the former is to maintain general economic stability and to pay fair compensation if foreign property is taken over by the authorities. That, however, is highly generalised advice. Of much more specific character is the suggestion that the United States Government should be prepared to underwrite the transfer risk inherent in all foreign investment as it already does for investments made with ECA guarantees. The practice should be extended and carried into the post-ERP period. The report also comments on the lending policies of the Export-Import Bank and International Bank. In particular it recommends that Export-Import Bank loans should be "untied," and that the cost of borrowing from the International Bank should be reduced. All this is unexceptionable advice that deserves to be followed—even if the dollar gap, on the existence of which the whole of this report is predicated, does not remain the world's principal economic problem in the years to come.

* * *

Debenture Placings

Several separate questions are raised by the recent private placings of large debenture issues by industrial giants; since it is unlikely that such placings are at an end, it is important not to get these questions mixed up. The fact that these placings have been of debenture capital need excite little comment; preference or ordinary capital issues would attract Profits Tax at the higher rate on the dividends, and there is no reason why companies should reduce their reserve provisions to satisfy the arbitrary incidence of Profits Tax if they can avoid doing so. That point would be equally true of a public issue of new debenture capital. It happens, in addition, that the private placing offers other material advantages to large borrowers and to institutional lenders; they can avoid all the costs and complication of a public issue, and the institutions immediately acquire large blocks of high-grade stock on favourable terms free of expenses.

Thus both sides to such transactions are well pleased. It is not merely the avoidance of fiscal frictions, such as Profits Tax and the 2 per cent. Stamp Duty, that makes them so. The fact that no public dealings are involved in the placed stocks is no hardship to the private subscribers, for their particular requirements are well satisfied with relatively short-dated stocks that they are quite prepared to hold for the full term, at yields fully comparable with those obtainable in the market. To argue that it is inappropriate for borrowers and lenders to seize such advantages would be absurd. Yet the new method has its dangers. Within the last week or two some £30 million has been so placed—a total almost as great as the whole of the debenture borrowing on the open market by British industry this year. The recent placing of £20 million 4 per cent. unsecured loan stock 1958-60 by Imperial Chemical Industries has been followed by an issue by Distillers, similar in its main elements but containing certain special features. This consists of two series of unsecured loan stock, the first of £4,000,000 3½ per cent. stock issued at par and redeemable in four equal annual instalments from 1952 and the second of £6,000,000 3⅛ per cent stock repayable in six annual instalments from 1956. Conceivably there are other large companies in need of new finance—Unilever may be one—that may have operations of this sort in mind.

From the viewpoint of the capital market, the short-circuiting of such valuable business into private channels is obviously unwelcome. The machinery of the market is not what it was and it may occasionally have lost business on that account. To regain something of its former efficiency, the market needs more business, not less; there may, therefore, be something in its point that by taking the direct route to institutional investors, the industrial giants may obtain a present advantage at the risk of doing permanent damage to the established machinery for providing industrial finance. Of course, the situation would be immediately changed if the inequities and anomalies of the Profits Tax were removed, and if the cost of new investment (particularly the heavy burden of stamp duty) was lower. Then, presumably, industrial borrowers would be prepared to consider equity or preference issues on their own merits, without having their minds made up for them by the arbitrary impact of prejudicial taxation. But the question would still remain whether, in the absence of sufficient institutional support (which presumably would be more difficult to attract to equity issues comparable in size with that of these recent debenture placings) the personal investor would provide sufficient savings to fill the need.

* * *

Permanent Settlement with Egypt?

There can be few tasks less congenial than that which is likely to confront the British negotiators in the discussions on a "long term or permanent settlement of Egypt's sterling balances," planned to start in November. These balances amounted at the end of last year to £322 million, of which £253 million was blocked. The Egyptians' efforts recently have been directed not so much to securing releases from this blocked account (since they have plenty of sterling in their Number One account already) as to securing convertibility of their sterling into dollars and to getting "essential goods" (including oil) from the sterling area. When the long term negotiations

A sensible policy for process steam No. 18

Thermostatic control simplified

BY SPIRAX

The reason why so many heating and cooling installations are still controlled (neither well nor economically) by hand, is an impression that the cost of providing thermostatic control would be out of proportion to the gain. The impression is more often wrong than right.

But it must be said there are other reasons, notably a somewhat quaint refusal to recognise the obvious. (*As an aside from steam we might mention the single large example of controlling Diesel engine cooling.*)

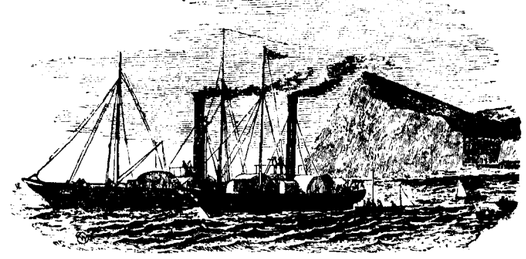
The point emphasised by our notes this week is that for a wide range of steam and allied applications in heating and cooling there are simple thermostatic control systems and devices that are both reliable and comparatively inexpensive.

A great advantage is their self-operating, direct-acting principle; which means they are capable of quite heavy duties without needing any auxiliary power and are just as effective at 0°F. as at 300°F.

Correspondence to: **Spirax Manufacturing Co. Ltd.** (Economist Enquiries), Cheltenham, Glos.

NOTES ALREADY APPEARED: *Jan.* 14, "A sensible policy for process steam"; *Jan.* 28, "Who controls your steam costs?"; *Feb.* 11, "Do you get full value from your steam?"; *Feb.* 25, "What steam-testing will tell you"; *March* 11, "Meter your steam to get the facts"; *March* 25, "Why have a boiler-house?"; *April* 8, "Four pillars of process steam wisdom"; *April* 22, "Process heat transfer decides plant earnings"; *May* 6, "Resistant films v. process economy"; *May* 20, "The air film handicap on output"; *June* 3, "Removing the air film handicap"; *June* 17, "Water film against process output"; *July* 1, "Individual steam separation"; *July* 15, "How are your steam traps chosen?"; *July* 29, "Better steam trapping, better output economy," *Aug.* 12, "The steam circulation system"; *Aug.* 26, "Steam pressures under control." **STILL TO APPEAR:** *Sept.* 23, "Intelligent use of 'waste' heat from steam"; *Oct.* 7, "Flash steam on the agenda"; *Oct.* 21, "Better condensate return systems"; *Nov.* 4, "A place for the automatic pump"; *Nov.* 18, "Heat-transfer smoothing up"; *Dec.* 2, "The more you know about process steam"; *Dec.* 16, "Two instructional courses for steam executives"; *Dec.* 30, "For advice on process steam problems."

Illustrated London News, Sept. 7, 1850



From such small things

Will it work? Shall we be in touch with Calais to-night? These thoughts must have filled anxious minds 100 years ago, as from Dover there started the first attempt to create telegraphic communication with France. The giant drum on the deck of the paddle tug "GOLIATH" coiled with 30 miles of wire began to turn. Within ten hours the cable had been laid successfully and the submarine telegraph had triumphed.

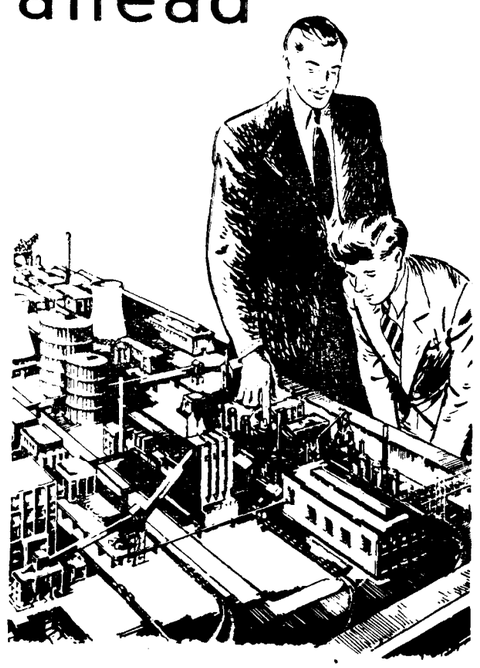
To-day the 155,000 miles of ocean cables, owned and maintained by Cable & Wireless Ltd., are constantly humming with news flashes, business deals and communications of State. The Company operate overseas telegraph stations in the Crown Colonies and many foreign countries. Their cables link United Kingdom postal telegraph offices with the commonwealth cable network.

CABLE & WIRELESS LTD

Cable & Wireless Ltd., Electra House, Victoria Embankment, London, W.C

CVS-185

Steel looks ahead



NEW MACHINES

NEW METHODS for a new world

Progress in the British Steel Industry is shown by the remarkable increases in steel production achieved by managements and workers since the war

This progress must continue. A million pounds a week is being spent on the development of the steel industry — new steel works in the right places for efficient and economical working, new machines and new methods to keep production up and costs down.

Expanding exports and full employment at home calls for the initiative and enterprise of a progressive steel industry.

STEEL is serving you well

BRITISH IRON AND STEEL FEDERATION

start in November the precipitate demands for convertibility should be countered by a British demand for scaling down the debt, which is, after all, largely the consequence of the bill that Britain in effect paid to Egypt for saving Cairo from Axis occupation.

Pending the conclusion of these long term negotiations, the Anglo-Egyptian Financial Agreement of 1949 will remain in force "merely as a working arrangement." Apparently, therefore, Egypt will not be granted any new sterling releases or dollar drawing rights in the remaining months of 1950. Britain has agreed, however, that it will facilitate the supply of £7,500,000 of petroleum products to Egypt in 1950 and that Egypt will be able to buy £43 millions of "essential" and £9,000,000 of "inessential" goods from the United Kingdom this year.

* * *

Canada's Defence Budget

The Canadian rearmament effort launched since Korea is expected to lay claim to another 3 per cent of gross national output—much the same order of magnitude as the claim likely to be made in the end by the new defence measures now projected in Britain. The Canadian Minister of Finance has estimated that the additional expenditure to be incurred this year may reach $244 million; it is to meet this immediate expenditure that he introduced a new "pay-as-you-go" Budget last week. This Budget contains proposals for a 5 per cent increase in corporation income tax and in the excise tax on automobiles. In addition, a heavy new tax is to be imposed on sales of soft drinks, candy and chewing-gum, the tax on alcoholic beverages is to be increased, and a number of "inessential" consumer goods are to be brought within the orbit of new and higher indirect taxation. Personal income tax is to remain unchanged at the moment; this important potential source of additional revenue, the Minister sombrely warned, is to be kept in reserve for the present.

The new tax proposals would provide revenue estimated at $59 million for the rest of this year and at $189 million for a full year. Set beside the immediate estimated increase of $244 million in defence expenditure, these figures might suggest that Canada is relying on hope (and on inflation) for the finance of a large part of its defence programme. Against this, however, many Canadians believe that the original Budget for 1950 was drawn up on over-pessimistic assumptions; revenue, production and overseas trade figures are currently soaring well above estimates. Moreover, the Canadian Government intends to set afoot immediate measures to reduce consumer credit and the mounting volume of cheap loans for housing and farm improvements. From this side of the Atlantic British observers might therefore be wise to refrain from drawing too much attention to a certain mote in their brother's eye.

* * *

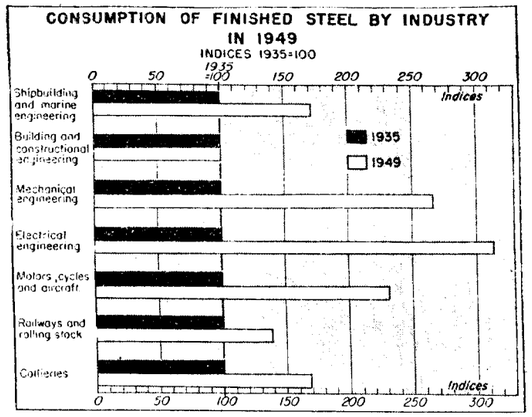
Survey of Steel Usage

The British steel industry is now engaged in drawing up the further development plan—designed to provide the efficient capacity required to meet demand for steel products in 1960—that will need to be undertaken when the industry's present expansion programme is completed. A useful by-product of this work is a survey of the pattern of steel consumption last year, which the Iron and Steel Federation has made as "an essential preliminary to the detailed assessment of requirements" in ten years' time. The results were reviewed in the federation's *Statistical Bulletin* for July. Because of the arbitrary character of the classifications used by the now defunct steel distribution scheme, "estimates of industrial usage based on the old distribution statistics can make no claim to precision"; the federation has made arrangements with steel producers and users which will, it thinks, produce better statistics in future. In the meantime it has arrived "by various laborious processes" at a set of estimates which it thinks are reasonable of the steel deliveries to broad industrial groups in 1949.

FINISHED STEEL DELIVERIES TO INDUSTRIES, U.K., 1949

	'000 Tons	Per cent
Shipbuilding and marine engineering	925	9·0
Building and contract (road engineering)	1,390	13·1
Mechanical engineering	2,430	22·8
Electrical engineering	960	9·5
Motors, cycles, aircraft	1,045	10·2
Railways and rolling stock	850	8·5
Collieries	555	5·4
Hardware, hollow ware, etc.	980	9·5
Rivets, bolts, nuts, springs, etc.	500	4·9
Wire and wire manufactures	685	6·7
Other	475	4·6
TOTAL	10,270	100·0

The accompanying chart and table give an idea of how, in the federation's estimates, the pattern of steel usage in Britain has been changing. It confirms what common observation would have suggested. The demands of mechanical engineering, of the road vehicle and aircraft industries, and of electrical engineering have increased immensely. These metal-using industries are bearing the brunt of the export drive; they have provided for the heavy investments in industrial plant since the war; they are furnishing the equipment for the electric power programme. In contrast the use of steel for building (for example) has been immobile. The increase in "automotive" uses for steel reflects a world-wide trend; already these uses take about a quarter of the entire consumption of steel in the United States, while in Britain they take about a tenth. The collieries, though they produce less coal than formerly, have been investing largely in machinery and they are using more steel and less timber for supports. Apparent consumption of steel per head in Britain rose from about 326 lb. (ingot equivalent) in 1924 to 409 lb. in 1935 and 642 lb. in 1949. This is nearly twice the western European average, but not much more than half of the consumption per head in the United States.



* * *

Odeon Retrenches

The Odeon group is making a first beginning on the long task of restoring a sounder trading position after its disastrous adventures in large-scale film production. New policies of retrenchment have begun to show results—satisfactory as far as they go but not sufficient to demonstrate that the group is now fairly set on a course to financial recovery. The main emphasis in the past year has been the reduction in film-making commitments—"at the same time preserving a nucleus production organisation geared to a modified production programme." To reduce heavy bank borrowing, the group has been putting "non-essential" properties on the market; the Shepherd's Bush studios were one of these. The management has conducted a campaign to reduce overheads.

Film productions are valued in the group's balance sheet dated end-June at £7,050,237; a year earlier the figure was £10,713,579. The basis of valuation—"the estimated ultimate net producer's share of film revenue"—is unchanged, and it is remarked that the aggregate valuation thus determined is less than the films cost to make. There is no hint that production might be made to pay; it is merely being reduced in scale, and the cuts would no doubt have been greater if the precipitate shedding of these commitments were not a costly operation in itself.

If the storm raised three years ago (when Odeon Theatres was saddled with the production commitments of General Cinema Finance Corporation) has abated, the calm is still uneasy. Outside ordinary shareholders in Odeon Theatres, who have watched their shares oscillating between 7s. 6d. and 15s. in the past year, will hardly enjoy the exercise of attempting to learn from the accounts what their position might have been without the GCFC attachment. As it is they have received no dividend and to hold the shares now at 13s. 3d. surely represents a great act of faith, hardly justified by last year's performance. The consolidated trading profit of the Odeon group after production and other losses was £3,293,426—on the face of the figures, more than twice the trading profit of the previous year. But this is not the right point of comparison; even after adding in £1,082,298 profits on the sale of fixed assets, special credits and items relating to prior years, with a further sum of £622,084 from various sources, an adverse balance of £124,828 remains on the year after the deduction of all charges, including taxation and minority interests in subsidiaries.

The group's bank indebtedness has been reduced from £16,286,581 to £12,950,036; of this amount £5,350,000 arises directly and other amounts indirectly in respect of "film production and distribution." It may seem strange that a group already indebted on this scale should be proposing to render financial as well as technical assistance to independent producers. But the financial help takes the special form of distribution guarantees, which have become one of the standard services supplied by distributors to the industry. Such arrangements help to keep the group's cinema screens filled and its studios and film-making equipment in use. But the accumulated burdens of the group and the past year's indifferent experience on the cinema side (no longer, it seems, the handsome profit-earner even when it is not overwhelmed with demands to finance film production) suggest that there is a long way indeed to go before the group can claim that its financial stability is assured.

* * *

Prospect for the Radio Industry

The intention of the Radio Industry Council in holding its annual exhibition this year in Birmingham was to stimulate sales of television receivers in the Midlands, where they have been slower than in London. No doubt the exhibition will provide that stimulus. Television manufacturers are reported to have planned an output of 60,000 receivers a month in the autumn; output for the year will be about 500,000 receivers. The question now is what effect the defence programme will have on production next year; none is likely to be felt in the few months that remain of 1950. Apart from any direct orders for military equipment that might be placed with the radio firms, the flow of components may well be interrupted. There are 200 in an average television receiver. The component manufacturers will become increasingly occupied with defence orders because they supply vital parts not only for radar and similar equipment, but for control mechanisms which are now being more widely used on weapons and equipment of many kinds.

There is little immediate threat to the television transmission expansion schemes. Transmitters for the new stations have been ordered and at least two have been delivered and are now in storage. The transmitters themselves and the network of radio relay links and co-axial cables which will run between them are so valuable an asset to communications in war that no obstacle is likely to be placed in the way of their rapid completion. As transmission is expanded the potential market for television receivers will expand. But it may be questioned whether receiver production will keep step.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement.

Prices, Year 1950 Jan. 1 to Sept. 13 High	Prices, Year 1950 Jan. 1 to Sept. 13 Low	Name of Security	Price, Sept. 6, 1950	Price, Sept. 13, 1950	Net Yield, Sept. 13, 1950 (n)	Gross Yield, Sept. 13, 1950
		British Funds			£ s. d.	£ s. d.
101¾	100⅛	War Bonds 2½% Aug. 1, 1949-51	100⅞	100⅜	0 5 9	1 11 3
100⅛	98⅜	War Bonds 2½% Assented	99⅛	99⅛ xd	1 8 8	2 11 1
102	101⅛	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	0 15 4	1 18 1
102⅜	100⅜	War Bonds 2½% Mar. 1, 1952-54	101⅛	101⅜	0 18 10	1 19 4
101⅛	100	Exch. Stk. 2½% Feb. 15, 1955	101⅛	102⅛	1 0 8	2 3 3
103⅛	100⅛	War Bonds 2½% Aug. 15, 1954-56	102⅛	102⅜	1 4 1	2 9 6
102⅜	101⅛	Funding 2½% June 15, 1952-57	102⅛	102⅜	1 5 6	2 12 8
104⅛	102	Nat. Def. 3% July 15, 1954-58	102⅛	103⅛	1 6 1	2 12 5
104⅜	101⅜	War Loan 3½% Oct. 15, 1955-59	103⅛	102⅜ xd	1 6 1	2 12 5
101⅜	96⅜	Sav. Bonds 3% Aug. 15, 1955-65	100⅜	100⅜	1 12 1	2 19 2
100⅛	97⅜	Funding 2½% April 15, 1956-61	99⅛	99⅛ xd	1 8 8	2 11 1
99⅛	95	Funding 3% April 15, 1959-69	98⅛	98⅛ xd	1 15 3	3 2 4
109	104⅛	Funding 4% May 1, 1960-90	108⅛	109	1 5 10	3 1 10
98⅜	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	97⅛	98	1 15 6	3 2 11
95⅛	91⅜	Sav. Bonds 2½% May 1, 1964-67	94⅛	95⅛	1 14 10	3 3 11
110⅛	106⅜	Viet. Bonds 4% Sept. 1, 1920-76	108⅞	109⅛	1 10 0	3 3 11
96⅛	91⅜	Sav. Bonds 3% Aug. 15, 1965-75	95⅞	96⅛	1 16 8	3 4 5
105⅛	100	Consols 4% (after Feb. 1, 1957)	103⅛	104⅛	1 10 10	3 6 9
97	91⅛	Conv. 3½% (after Apr. 1, 1961)	95½ xd	96⅛ xd	2 0 0	3 12 7
72¼	66⅜	Treas.Stk.2½% (after Apr.1,1975)	70⅝ xd	72¼ xd	1 18 1	3 9 3
85	79⅜	Treas.Stk.3% (after Apr.5,1966)	83xd	85xd	1 18 9	3 10 5
104⅛	99	Treas. Stk. 3½% June 15, 1977-80	103⅛	104⅜	1 15 2	3 6 3
92	86⅜	Redemp. Stk. 3% Oct. 1, 1986-96	90xd	92xd	1 18 2	3 6 9
95⅛	90	War Loan 3½% (after Dec. 1, 1952)	94⅜	95⅜	2 0 6	3 14 0
72⅜	68⅛	Consols 2½%	71xd	72⅛ xd	1 18 0	3 9 0
97	92⅛	Brit. El. 3% Gd. Apr. 1, 1968-73	95½ xd	96⅜ xd	1 16 7	3 4 1
95⅛	91⅛	Brit. El. 3% Gd. Mar. 15, 1974-77	94⅛ xd	95⅜ xd	1 17 2	3 5 0
103⅛	99	Brit.El.3½% Gd.Nov.15, 1976-79	102⅛	103⅜	1 15 10	3 7 0
93⅜	86⅜	Brit. Tpt. 3% Gd. July 1, 1978-88	92⅛	95⅜	1 18 0	3 6 6
96⅛	92⅜	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	95⅝ xd	96⅛ xd	1 16 9	3 4 3
93⅛	85⅜	Brit. Gas Gd. 3% May 1, 1990-95	91⅛	93⅛	1 17 11	3 6 10

Prices, Year 1950 Jan. 1 to Sept. 13 High	Prices, Year 1950 Jan. 1 to Sept. 13 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Sept. 6, 1950	Price, Sept. 13, 1950	Yield, Sept. 13, 1950
		%		%				£ s. d.
					Other Securities			
100⅜	95½	(d)		(d)	Australia 3½% 1965-69	99	99	3 6 5†
101¼	99⅜	(d)		(d)	Birmingham 2¾% 1955-87	100⅜	100⅜	2 13 0†
	8⅞	50	c	60	c Anglo-American Corp., 10/-	7	7⅛	4 0 7
	5⅜	5	a	25	b Anglo-Iranian Oil, £1	5⅜	5⅜	5 3 0
78/3	67/9	5	a	10	b Assoc. Electrical, Ord. £1	76/6	76/6	3 18 5
87/-	71/6	7½	a	15	b Assoc. Port. Cem., Ord. Stk. £1	84/3	84/6	5 6 6
28/-	17/0½	40	c	*40	c Austin Motor, Ord. Stk. 5/-	27/3	27/9	4 16 3m
70/7½	66/-	7	b	7	a Barclays Bank, Ord. 'B' £1	67/6	67/6	4 3 0
145/-	129/-	†19	b	†5	a Bass Ratcliff, Ord. £1	138/1½	139/4½	3 8 9†
98/-	87/4½	12	b	8	a British Oxygen, Ord. £1	96/-	96/6	4 2 11
39/3	32/1½	2½	a	5	b Courtaulds, Ord. £1	37/-	38/6	3 17 11
19/5½	16/6	5	a	15	b Distillers Co., Ord. 4/-	18/9	19/-	4 4 3
32/9½	28/9	8	c	8	c Dorman Long, Ord. £1	31/9	31/9	5 0 9
63/6	59/-	15	c	15	c Dunlop Rubber, Ord. £1	61/-	61/6	4 17 7
44/3	39/6	3	a	7	b Imp. Chem. Ind., Ord. Stk. £1	41/10½	42/9	4 13 7
109/4½	95/-	18½	b	13½	a Imperial Tobacco, £1	105/7½	108/1½	5 18 6
37/3	29/7½	10	c	5	a Lancs. Cotton, Ord. Stk. £1	36/-	36/-	5 11 1
44/6	38/1½	10	c	10	c Lever & Unilever, Ord. £1	40/-	40/-	5 0 0
63/-	51/9	15	c	15	c London Brick, Ord. Stk. £1	53/9	53/9	5 11 1
82/9	69/6	15	a	45	b Marks & Spencer ("A") £1	76/6	78/-	3 16 11
43/9	33/3	7½	a	17½	b P'chin J'nson, Ord. Stk. 10/-	40/-	40/6	3 1 9
49/9	41/-	8	a	4	b P. & O., Def. Stk. £1	49/-	49/-	4 18 0
33⅜	27½	†77½	c	†77½	c Prudential, 'A' £1	30½xd	31xd	2 9 9†
70/2½	59/3	†12½	a	†5	b "Shell" Transpt., Ord. Stk. £1	56/-	56/-	4 9 3
56/7½	50/-	12½	c	12½	c Stewarts & Lloyds, Det. £1	63/1½	62/6	2 8 0†
6⅜	5⅛	12½	b	12½	a Tube Invst., Ord. Stk. £1	6½	6⅝	4 0 9
×5/3	3/3	3½	a	11½	b Turner & Newall, Ord. Stk. £1	80/-	81/-	3 14 1
34/1½	27/-	8	c	8	c Union Castle Ord. Stk. £1	33/6	33/6	4 15 6
48/4½	41/9	27½	b	15	a Woolworth (F. W.), Ord. 5/-	43/3	43/3	4 0 11m

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (n) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield. * Assumed average life 14 years 1 month

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly (l) To latest redemption date. † Free of tax. (m) Yield basis 35%. (n) Yield basis 26⅔% after capital bonus.

CROPPER AND COMPANY

(Carton Manufacturers)

ANOTHER SUCCESSFUL YEAR

MR FRANK W. J. SMITH'S STATEMENT

The fifty-third annual general meeting of Cropper and Company, Limited, was held on August 31 at the registered office of the company, Tha.cham, Berkshire, Mr Frank W. J. Smith (chairman and managing director) presiding.

The following is the chairman's statement circulated with the annual report and accounts for the year ended June 30, 1950:

You will have noticed from the report and the accounts submitted herewith that the company has had another very successful year, and with one exception, the year under review has proved to be the best in the company's history. The net profit after making all deductions except for taxation, amounts to £203,141, which is approximately £41,000 more than for the previous year.

In view of the increased profit and the strength of the financial position, the directors recommend that a dividend of 15 per cent. and a bonus of 10 per cent. be paid on the issued ordinary share capital, which, you will recollect, was increased during the year by a bonus of one share for every four shares held.

We have added to reserve, out of the profit for the year, the sum of £44,552, thus replacing the amount withdrawn from reserve on the distribution of the bonus shares, to which I have already referred, and we have added £10,000 to reserve for replacements.

For several years past large sums have been added to reserve each year out of profits with a view to strengthening the financial position of the company instead of distributing such profits by way of dividend. In my opinion the shareholders are entitled to reap some reward for this, and there is ample justification for the payment of an increased dividend this year.

CONTAINERS LIMITED RECORD YEAR

Our wholly owned subsidiary company, Containers Limited, has just completed the best year in its history, both for profit and tonnage of output. The profit is included in the consolidated accounts printed herewith, but we have only brought into the accounts of Cropper and Company, Limited, the actual amount of the dividend received from our subsidiary company.

Colthrop Board and Paper Mills, Limited, in which this company has a large financial interest, has also had a very satisfactory year.

At this point I should like to draw your attention to the fact that the value of our investments in Containers Limited, and Colthrop Board and Paper Mills, Limited, stand in our books at only £138,395, although the actual value is, of course, much greater. Also, you have probably noticed that the current assets amount to £704,358, against current liabilities and provisions of £223,568.

Our company and Containers Limited, have received delivery during the year of additional machinery, which has been on order for some time and the purchase of which has been financed entirely out of profits. Some of this machinery is not yet in operation. More machinery of the latest type is on order, and I am confident that we may expect satisfactory results in the future, providing the demand for our products is not interfered with by events beyond our power to control.

Mr Digby L. Cropper, who has been connected with the company for 54 years, tendered his resignation as a director as from June 30 last. The directors appreciate the loyal service rendered by him to the company extending over such a lengthy period and have accepted his resignation with much regret.

In conclusion, I must thank my colleagues on the Board and the staff and employees for their work during the year. The increased profit is almost entirely due to increased output, and this in turn is due to their unceasing efforts.

CHAIRMAN'S REMARKS

Addressing the meeting, the chairman said: The directors are very pleased to be able to place such satisfactory accounts before you and they trust that you are just as pleased to receive them. Whether we examine the parent company's accounts or the consolidated accounts everything appears favourable, and so far as I can see the outlook is good.

You are doubtless aware that, as requested, we limited our dividend during the last two years to the amount distributed in the previous year. We could easily have declared a higher dividend, as in fact we placed no less than £130,000 to various reserves during those two years. Now we think the time has come to increase the dividend. This does not mean that we are neglecting the reserves, as we are transferring over £54,000 this year, and as the dividend we propose is covered three times by the parent company's profits or four-and-a-half times by the consolidated profits, the distribution is well within our resources.

The report and accounts were unanimously adopted, and the dividend and bonus as commented were approved.

The chairman, in moving a resolution approving the grant of a pension to Mr Digby L. Cropper, said that as shareholders would have seen from the report Mr Cropper had been in the service of the company for 54 years, and he had been a director for the last 34 years. He had always been a full-time executive officer and had been mainly connected with the selling end of the business. Not unnaturally, after such a long time he had expressed a wish to retire and had tendered his resignation as at June 30th last. The directors had accepted his resignation with great regret; and in order to mark their appreciation of his long and loyal services it had been decided, subject to shareholders' approval, to grant him a pension for the remainder of his life.

The resolution was carried unanimously. The retiring director (Mr J. R. Henry, O.B.E.) was re-elected, and the remuneration of the auditors (Messrs Deloitte, Plender, Griffiths and Company) was fixed.

TRIBUTE TO DIRECTORS AND STAFF

Mr E. A. B. Cansdale, in proposing a cordial vote of thanks to the chairman, directors and staff, said he had held shares in the company for thirty years and he was sure all shareholders had complete confidence in the management. He considered that the balance sheet showed a marvellous state of affairs. The issued capital was small, there were no debentures or even a mortgage, and the land on which the premises had been built stood in the balance sheet at cost, £940; as the company had been running for 52 years, he was sure it was worth very much more than that figure. The same remark applied to the shares in Containers, Limited,

which stood in the balance sheet at £69,202, and, according to his calculation, the investment in Colthrep Board and Paper Mills, Limited, was worth about £130,000, against a balance sheet figure of £69,193.

He concluded by expressing his gratitude to the directors and also to the secretary.

Mr E. Royden Alltree, in seconding the motion, expressed the opinion that the continued success of the Group was due to virile leadership, and the fact that the company had experts in charge of every department of the business, and a very hard-working and loyal staff.

The resolution was carried unanimously, and after a brief acknowledgment by the chairman the proceedings terminated.

JAMES HOWDEN AND COMPANY, LIMITED

(Boiler, Auxiliary and General Engineers)

A SATISFACTORY YEAR

RECORD ORDERS ON HAND

MR CRAWFORD HUME'S STATEMENT

The forty-fourth annual general meeting of James Howden and Company, Limited, was held on September 6th at 195, Scotland Street, Glasgow, Mr Crawford W. Hume, M.I.N.A. (chairman of the company), presiding.

The secretary (Mr James S. Niven) read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement, which had been circulated with the report and accounts and was taken as read:—

The accounts for the year ended April 30, 1950, have been drawn up on the same lines as before, and you will be gratified to see from these that this has again been a satisfactory year. The profit, before taxation, amounts to £324,234, as compared with £278,822 for the preceding year, and has enabled the directors, so far as taxation will allow, to consolidate still further the company's position.

Provision has been made in the accounts for profits tax for the year to April 30, 1950, as well as a reserve for income tax on the profits for the year to April 30, 1950. The sum of £175,447 has been appropriated for this purpose.

GENERAL RESERVE £350,000

The general reserve account has been increased to £350,000 by the transfer of £40,000.

The directors recognise that the nominal amounts which have appeared in the balance sheet for a number of years under the headings goodwill and patents have been completely unrepresentative of their true value which is very great indeed in a business such as this. They consider that these nominal values should now be extinguished from the balance sheet, and they have applied £60,000 to write these off completely.

The directors recommend that the dividend for the year be maintained at the same rate as last year by the payment of a final dividend of 22½ per cent. (£33,784), making with the interim dividend of 7½ per cent. (£11,261) a total dividend for the year of 30 per cent. (£45,045).

After making these appropriations the balance carried forward amounts to £46,522 as against £42,780 last year.

CONSOLIDATED BALANCE SHEET

Referring to the consolidated balance sheet, it will be seen that there is an increase of £258,119 in the item sundry debtors which, together with the increase of £106,778 in stock in hand and work in progress, is the result expected from the increase in production at the main works and Craigton factory. These increases are also reflected

on the liabilities side by an increase in sundry creditors and accrued charges of £57,154 and a bank overdraft of £96,516.

Both buildings and plant have been maintained at a high standard of efficiency and new plant is being installed as required. The new research buildings referred to last year are now practically ready for use and will be valuable in providing facilities for the technical development of the company's products. Provision has been made in the accounts for depreciation including initial allowances on buildings and plant added during the year.

INCREASED DEMAND

The orders on hand constitute a record and the company continues to benefit from the increasing power consciousness to which reference was made a year ago. The demand both at home and overseas for its special equipment used in power plants both on land and sea continues and increases. This is in direct proportion to the realisation that the standard of living depends not only on the good will and enthusiasm of each individual producer but on the power available behind him to harness to his special production requirements. This realisation is no longer restricted to a few minds in what used to be considered the main industrial countries of the world. Fortunately, in these countries it is now widespread and in this country, at least, it is no longer largely affected by political bias but is recognised as an economic fact. The realisation of this fact is now growing also in countries which used to be considered as overseas providers of raw materials and consumers of finished goods. This overseas awakening increases the demand for the power equipment we make and, it is hoped, should continue to do so because it will be a long time before many of these overseas markets in which we participate will produce or will want to produce the special kind of equipment they obtain from the older industrial countries.

TRIBUTE TO STAFF AND WORKPEOPLE

Close personal touch continues to be maintained with our overseas branches and representatives with results beneficial to the company's business.

It is a pleasure to record again that the company continues to enjoy the loyal co-operation and support of the administrative and executive staff and the workpeople. I should not like to let this opportunity pass without thanking on your behalf every employee for his faithful and friendly service.

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

The retiring directors, Mr J. J. Craik Henderson and Mr James S. Niven, were re-elected; and the remuneration of the auditors, Messrs. Wm. Hart Jr. and Wilson, having been fixed, the proceedings terminated.

BOULDER PERSEVERANCE LIMITED

DIFFICULT CONDITIONS CONTINUE

The twenty-sixth annual general meeting of Boulder Perseverance, Limited, was held on September 14th in London. Dr K. B. Edwards, B.Sc., Ph.D. (London), F.R.I.C. (chairman and managing director), presided.

The following is an extract from his circulated statement:—

During the period under review the operations of your company and its subsidiary company, Kalgoorlie Enterprise Mines, Limited, have been carried on under very trying conditions. In May, 1949, underground operations on the Perseverance Mine were brought to an almost complete standstill by the breaking of the pinion shaft of the main winding engine. No damage to property or personnel ensued and by very creditable efforts by your staff a repair was made and the stoppage of operations was confined to ten days.

In September, 1949, the devaluation of British currency in terms of the dollar increased the price of gold to £15 9s. 10d. in Australian currency. The price of gold in dollars still remained unchanged and the spiral of inflation continues unchecked with costs chasing wages. The price for gold in Australian currency is now 73 per cent. above the average price obtained in 1938, but any change in the value of Australian currency to British currency will materially affect this figure.

LABOUR TROUBLES

For the first time since the company was re-formed in 1923, labour troubles on the mines themselves arose at the end of January, 1950. In all mines on this field, most of the underground work is done by contract, which is a form of piecework. The contractors refused to continue work on the existing terms and demanded very large increases.

A settlement has been finally arrived at, involving a very material increase of rates, and therefore costs. At the end of the period under review the minimum wage for any worker on the mine was £9 4s. 8d., which is 89 per cent. increase on 1938. Figures recently supplied showed that contract workers on the new rate were making an average of £17 10s. per week, while still further increases of day wages are being granted.

Increases in wages continue to be made at regular intervals, and further wage demands are under arbitration at the moment; therefore it is not possible to make any accurate assessment of the results of future operations, as the price of gold is still fixed and its use and possession subjected to confiscatory regulation.

The report was adopted.

GOLD COAST SELECTION TRUST, LIMITED

MAJ.-GEN. W. W. RICHARDS' STATEMENT

The twentieth annual general meeting of Gold Coast Selection Trust, Limited, was held on August 31st in London.

Major-General W. W. Richards, C.B., C.B.E., M.C., chairman of the company, presided.

The following is an extract from his circulated statement:—

Dealing first with our accounts, it will be seen that on the revenue side we received £78,167 as dividends and interest, and we made a profit on sales of investments of £22,760. The net result for the year was a profit of £71,130. The credit on profit and loss account carried forward is £323,742.

Our investments are represented by shareholdings in Amalgamated Banket Areas, Limited, Ariston Gold Mines (1929) Limited, Bremang Gold Dredging Company, Limited, Gold Coast Main Reef, Limited, and Marlu Gold Mining Areas, Limited. The book value at September 30, 1949, was £1,623,241 and the aggregate value at Stock Exchange prices on that day was £2,262,334.

All five companies are now making very good progress. The net aggregate profit of these companies in 1949 was £415,144, which compares with a net aggregate loss in 1948 of £12,331. There is every indication that the figure for 1950 will exceed that of 1949.

Shortage of labour, and in particular in the underground sections of the mines, has been a difficult problem for most mines.

The chairman announced an interim dividend of 7½ per cent., less tax, for the year.

The report and accounts were adopted.

THE MORGAN CRUCIBLE COMPANY LIMITED

TRADING AND PROSPECTS

MR P. LINDSAY'S VIEWS

The sixteenth annual general meeting of The Morgan Crucible Company Limited will be held on September 27th at Battersea Works, Battersea Church Road, London, S.W.11.

The following is an extract from the statement circulated with the report and accounts by the chairman, Mr P. Lindsay, O.B.E., M.C.:—

The wide range of products of your company has helped in the past to cushion our overall trade against adverse trends in particular lines. This cushion has worn thin nowadays, owing to the fact that current world political factors have so large an influence on national and international trade. Even so, we still experience relative improvement in one section of the business and the reverse in another; this must be taken into account in any general observation I make on trends and prospects.

In my last report I mentioned a droop in the curve of sales which became apparent towards the end of that (1948/49) financial year. This reached a low ebb by the middle of the year under review, after which the tide turned. Curiously enough, whereas the fall applied to home sales and was counteracted to a considerable extent by export sales, the reverse trend set in during the last half of the financial year. The slight fall in our export sales (still an appreciable proportion of total turnover) is due partly to a natural shrinkage of postwar abnormal demand, coupled with more active foreign competition. A more potent factor however results from the national import licensing policies of many of our overseas customers. In many cases such customers, though in urgent need of our products, have been unable to obtain licences to import, in spite of persistent appeals. Against this, thanks to the quality of our products, we have been fortunate in being allocated still a certain volume of business from buying agencies of countries behind the iron curtain.

The nett result of these favourable and unfavourable trends is a drop in turnover, resulting in a reduction of £60,000 in trading profit before taxation. Our barometer of profit is particularly sensitive to changes in turnover, as the capital necessary for the conduct of a business such as ours is relatively high in relation to sales turnover, and the ratio of our indirect to our direct expenses is high also.

Current depreciation of postwar industrial profits disregards the sombre implication of the mountain of postwar fixed or indirect expenses which, like production costs, have been seriously increased by general inflation, new factory legislation and social reform but which, unlike production costs, do not ebb and flow with sales turnover.

It is fair to say that had not an exceptional turnover produced a good profit rate during the period of the postwar sellers' market there would be a record of losses throughout industry under normal market conditions such as now are beginning to be experienced.

Far from being opportunist during the postwar boom, most manufacturers—ourselves included—have been quixotic in not raising prices to keep in step with rising costs; a laudable policy perhaps, but fraught with unpleasant consequences when markets shrink and industry, impoverished by taxation, faces deflation. Subject to this, we are not apprehensive as to future prospects, thanks to the goodwill of our customers and the hope that capital recently spent and reorganisations effected will reduce our marginal cost.

THE TATA IRON AND STEEL COMPANY LIMITED

INCREASED PRODUCTION AND PROFITS

Presiding at the annual general meeting of the Tata Iron and Steel Company, Limited, held on August 24th at Bombay, Mr J. R. D. Tata in his opening remarks referred to the loss sustained by the company and the nation in the death of Sir Ardeshir Dalal, vice-chairman of the company, and to the welcome return to the board of Dr John Matthai, until recently Finance Minister of the Government of India.

ECONOMIC SITUATION

In a review of the economic situation, Mr Tata referred to the taxation relief in the current year's Budget; to the persistence of the severe financial stringency; to the Nehru-Liaqat Ali Pact; to the check imposed in the previous year on inflationary tendencies which, however, were reappearing with the increase in the international tension; and to the temporary spurt given to the export trade by devaluation, the full effects of which were, however, frustrated by the political and trade difficulties between India and Pakistan.

PRODUCTION

The company's production and profits for the year had increased by about 56,000 tons and Rs.75 lakhs (£562,500) respectively as compared with the previous year. Negotiations were still proceeding with Government over the scheme to increase the output of the plant at Jamshedpur from its present capacity of about 750,000 tons of finished steel to about 935,000 tons, at a capital cost of about Rs.12 crores (£9,000,225) excluding skelp and tube mills, and about Rs.16 crores (£12,000,300) including them. Government was also still giving consideration to its own project for the construction of one or two new steel works.

DEPRECIATION ALLOWANCES

Mr Tata dwelt at some length on the need for Government to revise the method of granting depreciation allowances to the industry for tax purposes. As the existing special depreciation allowances were granted only in respect of new plant, and in any case did not exceed 100 per cent. of the original cost, they did not help to solve the problem of replacing old plant at two or three times the original cost. To the extent that deductions allowed for tax purposes did not cover the current replacement value of old assets, the present system resulted in taxing non-existent profits. Mr Tata suggested a special depreciation allowance on plant installed before 1940 approximating to the average increase in costs since the war, such special allowance to be used solely for renewals and replacements. Government should appoint a committee to advise on a solution to this problem.

CONVERSION SCHEME

The scheme for the conversion of deferred shares into ordinary shares, which could not be put through in the previous year, was under active reconsideration at the express request of Government. Shareholders were assured that the board had no intention of raising fresh capital in the immediate future. As regards the conversion ratio, the board were considering a procedure of quasi-arbitration by an independent party to whom representatives of both classes of shareholders would present their case.

The report and accounts were adopted.

NU-SWIFT LIMITED

ADVANTAGES OF PRESSURE-OPERATED FIRE EXTINGUISHERS

APPROVAL BY FIRE OFFICES' COMMITTEE OF PRINCIPAL MODELS

Mr A. Harland, the chairman, presiding at the seventeenth general meeting of Nu-Swift Limited, held at the Nu-Swift Factory, Elland, Yorkshire, on July 10th, said:

The accounts for 1949 justify the policy of intensive research pursued since the company in 1943 came under new management. The new Air Foam Extinguisher, which, like all the other types of extinguishers manufactured by us, is operated by a sealed carbon dioxide charge, has been described by one fire-fighting authority as "the one outstanding advance made during the last 50 years in first-aid fire-fighting of inflammable liquid fires." The Air Foam Extinguisher is protected by master patents throughout the world.

The advantages of operating fire extinguishers by means of sealed pressure charges are enormous. Instantaneous action, increased reliability and fire-fighting efficiency and low maintenance cost are among the valuable features of Nu-Swift pressure-operated extinguishers. Your company is to-day the only concern able to supply such pressure-operated extinguishers for each of the three chief fire risks. All our extinguishers are operated in an upright position. The advantages of a uniform and easy method of operation are self-evident, particularly where several models have to be installed to cover different risks.

Our principal models are now made to British Standard Specifications, and after tests by the Department of Scientific and Industrial Research and the Fire Offices' Committee Joint Fire Research Organisation have been fully approved by the Fire Offices' Committee.

Exports continue to absorb a large proportion of our output, and Nu-Swift Extinguishers are on sale in 32 countries. We are still seeking to extend our overseas representation to countries or territories where we are not represented. We are proud to be able to continue to state that Nu-Swift serve "In Every Ship of the Royal Navy." Nu-Swift Extinguishers are also standardised in the Commonwealth Navies, in several foreign navies and in the fleets of many progressive shipowners. Through our Toronto subsidiary, Nu-Swift (Canada) Ltd., we supply the Royal Canadian Navy.

In every part of the British Isles there is now stationed a Nu-Swift man ready and able to advise industrial and commercial undertakings as well as the general public on their fire-fighting problems. It is true that first-aid fire-fighting appliances cannot put out large fires, but a small fire tackled in its early stages by a rapid, efficient and reliable extinguisher may never become a big one. Unfortunately, few people realise that it is before, and not after, they have a fire that our service to them in checking whether their fire-fighting equipment is efficient and up to date is likely to be of most value.

On the proposal of the managing director, Mr F. Graucob, the retiring director, Mr G. W. Smith, F.C.A., was re-elected, and the report was adopted.

WM. CORY AND SON, LIMITED

LARGER PROFIT

The Rt. Hon. Lord Leathers, C.H., presided on August 24th at the fifty-fourth annual general meeting of Wm. Cory and Son, Limited, held in London.

The following is an extract from his statement circulated with the accounts:—

The net profit for the year is £652,789, representing an increase of some £22,000 over that of the previous year. The year showed a slight fall in the total tonnage of coal distributed by the company in this country, but the volume freighted by our fleet of coasting vessels was greater than in the previous year. Our river discharging stations were helped fully to maintain the previous year's tonnage by a greater number of bulk cargoes other than coal.

COAL AND OIL

While exports of coal from this country were greater in 1949, and were substantially towards the higher target, this year is not so promising, and with additional allocations for domestic and industrial requirements at home, exports are bound to suffer unless the output can be stepped up. It is mainly by a substantial increase in output that our coal-mining costs can be reduced to give this country a better chance to hold its markets overseas in the years immediately ahead, and the miners' response should be in full measure, since their stake in the success of the industry is the major one.

The oil department tonnage in the year covered by this report was 15 per cent. greater than in the previous year, itself a record. In addition to the increase in the bunkering side of the oil department, successful efforts have been made in other branches of the industry.

THE SUBSIDIARIES

The Cory Group's subsidiaries in South Africa had a much improved year in 1949, railway wagons being in more adequate supply both from the Natal Collieries to Durban and from the Transvaal Collieries to Lourenço Marques. In addition to the normal coal exports we are participating in large contracts for shipment to Australia and Pakistan.

The company's subsidiary operating in South America, while active in other directions, has suffered in its coal operations through the greatly reduced coal imports permitted by those countries.

John Kelly, Limited, of Belfast, and its subsidiary companies, which business was acquired jointly by Powell Duffryn, Limited, and your company, continues to maintain its trading with satisfactory results.

The report was adopted.

NOTICES

APPLICATIONS are invited from graduates, preferably in Science, Textiles or Economics, for appointments as a Lecturer on various aspects of Wool in all types of Schools, Training Colleges, Adult Clubs, and Retail Stores throughout the country. Lectures are illustrated with film strips, and the work entails considerable mid-week travelling. Training will be given after appointment. Salary from £400 per annum with superannuation (after qualifying period), subsistence allowance and travelling expenses.—Applications should be made to the Director of Education, International Wool Secretariat, Dorland House, 18-20, Regent Street, London, S.W.1.

THE greatest "names" in business are those whose directors realise—and apply—the power of advertising. Under the direction of highly skilled and experienced Agency executives, Samson Clark's advertising brings *results*.—Museum 6050.

ANGLO-GERMAN legal qualifications and experience offered for Banking, Legal or Commercial post by British Barrister, aged 37. Foreign Office employment just terminated. Good knowledge of both English and Continental business conditions.—Box 492.

COMPUTING and statistical help by experts. Data of all types analysed, with statistical tests if required. LAN. 1187.

Statistical Summary

EXCHEQUER RETURNS

For the week ended September 9, 1950, total ordinary revenue was £57,647,000, against ordinary expenditure of £55,746,000 and issues to sinking funds £380,000. This, including sinking fund allocations of £8,113,000 the surplus accrued since April 1st is £91,818,000 compared with £25,198,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950 51	Receipts into the Exchequer (£ thousand) April 1, 1950 to Sept. 9, 1950	Week ended Aug. 26, 1950	Week ended Sept. 2, 1950	Week ended Sept. 9, 1950
	£'000				
ORDINARY REVENUE					
Income Tax	1388000	352,244	14,269	23,668	8,004
Sur-tax	120,000	32,300	1,100	600	900
Estate, etc., Duties	195,000	81,350	3,900	2,800	5,500
Stamps	50,600	21,800	1,035	1,000	800
Profits Tax	270,000	140,420	6,200	8,000	7,800
E.P.T.		7,100	1,000	...	600
Other Inland Rev.	500	50	...	...	...
Special Contributn.	4,500	2,555	80	100	75
Total Inland Rev.	2028000	598,019	27,584	35,968	21,479
Customs	870,650	381,219	11,243	23,762	16,768
Excise	713,150	314,400	16,547	14,963	4,190
Total Customs and Excise	1583800	695,619	27,590	38,725	20,958
Motor Duties	56,000	10,029	...	...	427
Surplus War Stores	35,000	10,488	7	...	1
Surplus Receipts from Trading	85,000	30,974	...	...	...
P.O. (Net Receipts)	...	4,700	800	*Dr1000*	*Dr 300*
Wireless Licences	13,000	3,750	...	650	...
Sundry Receipts	27,000	16,533	...	1,547	8,766
Miscell. Receipts (m. Crown Lands)	70,000	32,926	1,395	4,068	6,216
Total Ord. Rev.	3897800	1,403,038	57,376	79,958	57,547
SELF-BALANCING Post Office	172,150	70,400	3,200	2,500	4,000
Income Tax on E.P.T. Refunds	5,700	4,339	245	156	165
Total	4075650	1,477,777	60,821	82,614	61,712

Expenditure	Estimate, 1950 51	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1950 to Sept. 9, 1950	Week ended Aug. 26, 1950	Week ended Sept. 2, 1950	Week ended Sept. 9, 1950
	£'000				
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	490,000	231,717	1,407	36,781	3,460
Payments to N. Ireland	36,000	15,949	2,477	...	1,281
Other Cons. Fund Services	11,000	4,173	114	56	5
Total	537,000	251,839	3,998	36,837	4,746
Supply Services	2918069	1,051,267	41,880	39,943	49,000
Total Ord. Expd.	3455069	1,303,106	45,878	76,780	53,746
Sinking Funds	...	8,113	80	2,915	380
Total (excl. Self-Bal. Expd.)	3455069	1,311,219	45,958	79,695	54,126
SELF-BALANCING Post Office	172,150	70,400	3,200	2,500	4,000
Income Tax on E.P.T. Refunds	5,700	4,339	245	156	165
Total	3632919	1,385,958	49,403	82,351	58,291

In the week ending September 9, 1950, after increasing Exchequer balances by £91,973 to £3,165,598, the other operations increased the gross National Debt by £5,817,737 to £26,217 million.

NET RECEIPTS, Week ended September 9, 1950

£ thousand	
Land Settlement (Facilities) Acts 1919 and 1921	8

NET ISSUES, Week ended September 9, 1950

£ thousand	
P.O. and Telegraph (Money) Act, 1948	925
E.P.T. Refunds	203
Export Guarantees Act, 1949, s. 3(2)	410
Housing (Scotland) Act, 1944, s. 4(2) & Housing (Financial Provisions) (Scotland) Act, 1946 s. 13(2)	91
Local Authorities Loans Act, 1945, s. 3(1)	3,200
New Towns Act, 1946, s. 12(3)	24
Miscellaneous Financial Provisions Act, 1946 :— s. 2(1) War Damage: Board of Trade	1,000
War Damage Commission	3,000
Finance Acts, 1946 and 1947, Post-war Credits	301
	9,154

CHANGES IN DEBT
Week ended September 9, 1950
£ thousand

Receipts		Payments	
Treasury Bills	314	Nat. Savings Certs.	1,200
Other Debt :—		2½% Def. Bonds	80
Internal	19	3% Def. Bonds	365
Treasury Deposits	25,000	3½% Ter. Annuities	1,770
		Tax Reserve Certs.	1,536
		Ways & Means Advances	14,565
	25,333		19,516

FLOATING DEBT
(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
Sept. 10	2430·0	2238·5	357·8	0·8	1078·0	6105·1
1950						
June 17	3090·0	1784·8	411·9	2·0	370·0	5638·7
„ 24	3100·0	1769·7	421·4	4·0	350·0	5645·1
„ 30	4856·9		404·2	12·5	350·0	5623·6
July 8	3120·0	2054·9	387·4	...	375·0	5917·3
„ 15	3120·0	2046·9	380·9	5·0	366·5	5919·3
„ 22	3130·0	2025·9	396·2	...	380·0	5932·1
„ 29	3140·0	1969·4	382·8	...	405·0	5897·2
Aug. 5	3140·0	1934·9	374·4	...	405·0	5854·3
„ 12	3140·0	1936·0	373·7	...	405·0	5854·7
„ 19	3140·0	1921·2	416·8	...	430·0	5902·0
„ 26	3130·0	1920·6	401·2	...	450·0	5901·8
Sept. 2	3120·0	1897·8	423·1	8·8	450·0	5899·7
„ 9	3120·0	1898·1	417·3	...	475·0	5910·4

TREASURY BILLS
(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
Sept. 9	230·0	280·6	230·0	10 3·23	76
1950					
June 9	240·0	317·8	240·0	10 3·08	67
„ 16	240·0	299·6	240·0	10 3·33	75
„ 23	240·0	315·4	240·0	10 3·06	68
„ 30	240·0	302·4	240·0	10 3·21	73
July 7	240·0	306·4	240·0	10 3·19	72
„ 14	240·0	327·1	240·0	10 2·90	63
„ 21	240·0	335·4	240·0	10 2·78	60
„ 28	240·0	340·8	240·0	10 2·72	58
Aug. 4	250·0	335·7	250·0	10 2·81	64
„ 11	240·0	304·8	240·0	10 3·32	73
„ 18	240·0	312·8	240·0	10 3·23	70
„ 25	230·0	294·9	230·0	10 3·48	73
Sept. 1	240·0	333·5	240·0	10 2·90	62
„ 8	240·0	313·4	240·0	10 3·22	70

On September 8th applications for 91 day bills to be paid from September 11th to 16th were accepted dated Monday to Saturday as to about 70 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million are being offered for September 15th. For the week ending September 16th the banks will be asked for Treasury deposits to a maximum of £30 million; £10 million at 1½ days and £20 million at 182 days.

NATIONAL SAVINGS
(£ thousand)

	Week Ended Aug. 19, 1950	Week Ended Aug. 26, 1950	Week Ended Sept. 2, 1950
Savings Certificates :—			
Receipts	1,350	1,400	1,300
Repayments	2,500	2,600	2,600
Net Savings	*Dr1,150*	*Dr1,200*	*Dr1,300*
Defence Bonds :—			
Receipts	325	335	280
Repayments	880	780	835
Net Savings	*Dr 555*	*Dr 455*	*Dr 555*
P.O. and Trustee Savings Banks :—			
Receipts	10,551	11,234	11,659
Repayments	12,814	13,249	12,420
Net Savings	*Dr2,263*	*Dr2,015*	*Dr 761*
Total Net Savings	*Dr3,968*	*Dr3,660*	*Dr2,616*
Interest on certificates repaid	555	577	577
Interest accrued	2,417	2,417	2,417
Change in total remaining invested	*— 2,106*	*— 1,820*	*— 776*

BANK OF ENGLAND RETURNS

SEPTEMBER 13, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—			
In Circulation	1294,187,440	Govt. Debt	11,015,100
In Bankg. Department	56,169,383	Other Govt. Securities	1335,618,537
		Other Secs.	702,999
		Coin (other than gold)	2,663,364
		Amt. of Fid. Issue	1350,000,000
		Gold Coin and Bullion (at 248s. 0d. per oz. fine)	356,823
	1350,356,823		1350,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	548,561,441
Rest.	3,934,693	Other Secs.:—	49,464,950
Public Deps.:—	260,622,150	*Discounts and*	
*Public Accts.**	*14,103,620*	*Advances*	*24,519,065*
H.M. Treas. Special Acct.	*246,518,530*	*Securities*	*24,945,885*
Other Deps.:—	379,375,994		
Bankers	*283,235,097*	Notes	56,169,383
Other Accts.	*96,140,897*	Coin	4,290,063
	658,485,837		658,485,837

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS
(£ million)

	1949	1950		
	Sept. 14	Aug. 30	Sept. 6	Sept. 13
Issue Dept. :—				
Notes in circulation	1269·7	1302·0	1299·0	1294·2
Notes in banking department	80·6	48·3	51·4	56·2
Government debt and securities*	1349·3	1347·8	1347·1	1346·7
Other securities	0·7	0·7	0·8	0·8
Gold	0·2	1·9	2·4	2·4
Valued at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	8·7	12·8	13·4	14·1
Treasury Special Account	9·7	246·5	246·5	246·5
Bankers	291·5	278·8	279·1	283·2
Others	91·3	95·7	95·1	96·1
Total	401·2	633·8	634·1	639·9
Securities :—				
Government	303·6	539·2	549·6	548·6
Discounts, etc.	6·5	23·4	22·2	24·5
Other	23·8	35·9	24·6	24·9
Total	333·9	598·5	596·4	598·0
Banking dept. res.	85·8	53·8	..	60·4
"Proportion"	21·3	8·4	8·7	9·4
	%	%	%	%

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,300 million to £1,350 million on June 27, 1950.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Sept. 6, 1949	Aug. 22, 1950	Sept. 5, 1950
Cereals and meat	139·2	150·1	150·8
Other foods	147·3	156·0	162·5
Textiles	177·0	247·1	259·8
Minerals	244·2	291·1	290·3
Miscellaneous	146·6	174·0	175·6
Complete Index	**165·6**	**195·0**	**198·8**
1913=100	*227·8*	*268·4*	*273·5*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce.

From August 24th to September 13th the price of silver was unchanged at 72⅛ cents per lb in New York and 63¼d. per lb in London.

The prices of gold and silver in Bombay are given below.

	Silver per 100 Tolas	Gold per Tola		Silver per 100 Tolas	Gold per Tola
	R. a.	R. a.		R. a.	R. a.
Aug. 24	177 7	113 5	Sept. 4	Market	Closed
„ 25	177 7	113 5	„ 5	Market	Closed
„ 26	177 15	113 3	„ 6	179 11	112 12
„ 28	178 3	113 5	„ 7	180 7	113 13
„ 29	179 6	113 10	„ 8	181 5	113 0
„ 30	179 6	113 8	„ 9	180 11	113 5
„ 31	179 4	113 1	„ 11	181 0	113 2
Sept. 1	180 2	112 15	„ 12	Market	Closed
„ 2	180 4	112 10	„ 13	182 4	113 4

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Mr Attlee's Responsibility

THE debate on the nationalisation of steel on Tuesday followed the expected course to the expected end, strictly party speeches leading to a strictly party vote. The Government, as it will on every grand occasion of which due notice has been given, got its tiny majority. The debate, in fact, served very little purpose but to reveal how completely the Government's decision to hurry on with the nationalisation of the steel industry has broken the sense of national community which had been growing all through the summer—and of which Ministers and their party were inevitably the beneficiaries—and has brought back the dark atmosphere of the bitterest party conflict.

It would be unjust to the Prime Minister to suppose that he did not know that this would be the effect or that he was indifferent to it. He may well have felt that an outburst of bitterness over the steel industry was inevitable at some time in the next twelve months. He naturally intends to remain in office, with or without an election, throughout next year, and to defer the nationalisation of steel beyond December 31, 1951, would require the initiative of an amending Bill, which would be distasteful in the extreme to his party. If an intense party squabble cannot be avoided, there is something to be said for getting it over as soon as possible in the hope that it will soon be forgotten. If this was the reasoning that prompted the decision, it somewhat palliates the immediate offence—but only at the cost of revealing in what a narrow cell Mr Attlee has imprisoned himself and how little freedom he gives himself to do his duty.

It is as well to be clear why the Government's decision is so very wrong. This journal has never held the view that the Act that is now to be enforced would have disastrous immediate effects upon the iron and steel industry. The talk of disturbance and uncertainty is greatly overdone. The very tight central control already exercised and the loose form of nationalisation laid down by the Act together ensure that there will be very little perceptible difference for some time to come. Indeed, now that it is clear how ludicrously weak the Corporation will be, it seems probable that any change is likely to be towards more, not less freedom of action for the steel companies, in fact if not in law. Certainly the vesting of ownership of the steel industry in the state will in no sense be an industrial disaster.

Nor can it be argued that the Labour Party is not within its formal rights. The nationalisation of the steel industry has long been one of its cherished projects, and it made quite a concession to the Opposition in accepting a Conservative amendment, when the Bill was before the Lords last year, to defer its operation until after the election. The Labour Government is correct within the letter in claiming that it has fulfilled those qualifying and delaying provisos which it accepted as reasonable, and that there is now no reason why the process of nationalisation should be further delayed. Ministers of the Crown with a majority in the House of Commons have a clear right, by every rule of the party game, to do what they think wise.

What is very shocking is not that they are doing what they think wise, but that they think it wise to do something to which such a very large proportion of the people —almost certainly a majority—very strongly object, at a time when harmony is unusually desirable. What really disturbs the onlooker is not any violence that Ministers are doing either to the national economy or to the constitution, but the insight that they have given into the state of their own minds and the sort of things they deem important. We are apparently governed by men whose scale of values is very seriously warped—and that, at any time and in any country, and to men of any party, must always be an alarming discovery. Mr Attlee was obviously stung, a few weeks ago, by Mr Churchill's charge that he was sullenly resolved to lead less than half the nation; but he has now himself provided the proof. The Government, which is in the course of appealing to the public to make sacrifices in a common cause, has given half the nation the best possible excuse for non-co-operation and passive resistance. Mr Strauss accused the steelmasters of going on strike against the Government. Why is he either surprised or indignant?

There is nothing undignified in concessions by a Government, even a clear majority Government, to its opponents. Indeed, forbearance by the majority is an even more essential part of free democracy than rule by the majority. Mr Clement Davies, in a most impressive speech, quoted the precedent and the example—the sacrifice by the Liberal Government in 1914 (long before there was any thought of a coalition) of two measures for which it had an unchallengeably clear mandate from the people. That was statesmanship; what we have now is tawdry politics. Indeed, every detail of Ministers' proceedings in the matter seems to be designed to illustrate the levity and irresponsibility with which they approach it. Their speeches were couched in a mixture of flippancy and mock outrage, and the nominations to the Corporation confirm the impression of an elaborate practical joke. The Government professes to be honestly concerned about the quality of management now present in the industry, to be really anxious about the problem of reconciling steel production policy with its own wider economic objectives, to be eager to increase the flexibility, the co-ordination and the efficiency of the industry—and then it hands these enormous tasks over to a scratch collection of mediocrities with very little experience of industry and even less knowledge of the particular trade concerned.

The decision, however, is now presumably beyond revoking. It remains to deal with the bitterness it has left behind. Far worse than anything it will do to the steel industry is what it has done to politics. If Mr Attlee's calculation is that the storm will die down, he is very probably wrong, for within six months there approaches the task of deciding on which sections of the population the burden of increased defence shall be placed, and by what means. This would be a delicate matter even if the government of the day enjoyed wide support. It will now clearly be approached with the utmost suspicion, and with the conviction in the minds of half the people that the Labour Party will exploit the emergency of defence, as they have done the steel industry, as an opportunity to victimise their opponents.

If there were any way out of the very dangerous *impasse* into which British politics have degenerated, then clearly it would be the duty of all patriotic citizens to ensue it. But the tragedy is that none of the obvious remedies seems at all likely to be effective. A national government, or coalition of the parties, is out of the question; the Labour Party will not hear of it. Even if they would formally agree to sit in a coalition government, very little purpose would be served so long as they are in their present mood of refusing to meet anybody halfway.

Many people believe that the way out of the mess is by another general election. An election campaign by itself merely sharpens the party controversies and silences any traces of harmony there may be. It would be worth paying this price only if there were a real prospect that the election would produce a substantially different state of affairs. But would it? Is it at all likely that the Labour Party would improve on its poll of 1945, when it was only 47 per cent of the total? If, without a majority in the country, the accidents of the poll gave the Labour Party a working majority in Parliament, is there any reason to believe that it would stop dividing the country by using legal power without moral authority? Is it likely that the Conservative Party would poll a clear majority of the electorate? Or that they could govern with authority if they had just such a slim and accidental Parliamentary majority as Mr Attlee has now?

If any of these questions can be answered with an honest affirmative, then the sooner the election is held the better. But if not, then the present poisonous paralysis seems fated to continue, horrible though that prospect is. Mr Attlee could have made it otherwise. Even three weeks ago, and even on his tiny majority, he could have built up a policy of national leadership, to which the people would have responded—as, in not dissimilar circumstances, the American people have responded to Mr Truman. He has chosen not to do so. What a heavy responsibility he bears.

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Leadership in the Free World

IN the weeks before the assembling of the Foreign Ministers, the prospects for an agreed, rational and joint policy in the West had begun to look somewhat bleak. The United States and Britain could not agree on the representation of China in the United Nations, and, to make matters worse, an influential group in Congress, wholeheartedly supporting General MacArthur, seemed determined to invite war with Communist China over the issue of Formosa. In Europe, the allies were in disagreement on the question of rearming Germany, and it was widely believed that the American military authorities were prepared to station more American troops in Europe—which every allied nation wanted—only in return for the embodiment of a number of German divisions—which most allies did not want at all. Western opinion was still further shaken when, one weekend, the American Secretary of the Navy hinted at the possibility of preventive war, and declared that under certain circumstances, Americans might find it their duty to be "aggressors for peace." Worst of all, more and more circumstantial reports came out of Washington suggesting that the "Asia-firsters," the friends of Formosa, the proponents of a re-established *Wehrmacht* and even the advocates of preventive war had something of an ally in the Secretary of Defence, who agreed with the Secretary of State on nothing and was quite prepared to work with the Republican opposition to lever him out of office. The Republicans in their turn seemed as ready to use even the most delicate issues of international diplomacy as open opportunities for electoral propaganda.

On the eve of the Foreign Ministers' meeting, however, the Washington scene underwent one of those sudden transformations which give American politics, particularly under Mr Truman, a uniquely unpredictable and exhilarating quality. The Secretary of Defence, Mr Johnson, resigned and General Marshall was called back from retirement to take his place. The President's choice was masterly. Every European member of the great alliance was reassured by the return to office of the American they had learnt to know and trust implicitly in the preparation of the Marshall Plan. The fear lest the United States would be involved in war with China was dissipated by the assumption of authority by the statesman who, in 1946 and 1947, had passed judgment on Chiang Kai-shek and found him wanting. Above all, a man had returned to office whose stature, character and record made it impossible—whatever the efforts of certain Republican senators—to accuse him of crypto-communism or to drag him and all his policies into the vortex of an American election. A week before, Washington had begun to resemble "a darkling plain . . . where ignorant armies clash by night." Now, with a flick of the political kaleidoscope, it had become once again the responsible centre of a great alliance.

*

The effects of the change in terms of practical politics can hardly be apparent all at once. The first and most notable consequence is naturally a badly needed restoration of confidence. This is not the only result that is already visible. It is permissible to believe that the measure of understanding reached on the question of Germany at the Foreign Ministers' meeting this week and the decision to postpone the question of a German army for further examination are due in part to the greater ease with which Mr Acheson can negotiate now that he no longer feels the presence of a hostile cabal at his elbow, waiting to pounce on any concession as "weakness" and exploiting any modification as a "betrayal." The question of Far Eastern policy in general and of China's representation cannot be thrashed out in a few days. Here again, however, the decision of the General Assembly to refer the question of Chinese representation to a presidential committee gives time for further negotiation.

In spite of this immediate improvement in the diplomatic atmosphere of the alliance, the experience of recent weeks cannot fail to leave behind a number of queries and hesitations in the minds of America's friends. It was not, apparently, for reasons of high world policy that the President made up his mind to replace Mr Johnson by Mr Marshall, but (so it is reported) on issues of personal loyalty. The benefits to the world alliance were thus in a measure, accidental, and chance might work the other way. Or what if no statesman of General Marshall's standing had been available to accept the President's invitation? Would every issue of American defence and foreign policy then have been dragged through the hustings with every mark of disunity and opprobrium? No nation can rely upon an indefinite supply of General Marshalls. It is indeed very fortunate if such a man appears once in a lifetime. Is the office of Secretary of State or of Secretary of Defence to carry no safeguards in itself? Are foreign policy and defence policy to be as thoroughly immersed in local politics as those domestic issues which concern the United States alone? It is true that no great officer of state should be immune from criticism and the more important the post, the more vital that it should be competently and adequately filled. But there is all the difference in the world between reasonable and responsible criticism and the kind of assault made on American foreign and defence policy in recent months. To measure the difference one has only to compare the conduct of the Republican opposition under Senator Vandenberg's leadership and the confusion that has prevailed since ill health removed him from the scene.

Many Americans will, no doubt, resent the fact that critics in other countries express their doubts about the handling of American foreign policy in Washington. "What," they may ask, "is it to do with other nations how we choose to conduct our affairs? The results after all stand the test of scrutiny. What nation has done more in the last five years than the United States? If we choose to accompany our statesmanship with a good deal of rough and tumble, that is our affair." The crux surely is, however, that it is no longer purely America's affair. The method and manner of American defence and diplomacy are now decisive in every capital in the free world. It is as well to be perfectly clear about the task upon which the free nations are engaged. It is a long task which may last out this generation. It is a

supremely difficult task since it involves containing Soviet power by holding together an alliance of very different outlooks, powers and capacities, in a single and sustained effort. In this alliance there is one unquestioned leader—the United States—and on the quality of its leadership, the stability of the alliance must depend. It may seem, superficially, that this is not a new situation. Ever since 1941, it can be argued, the United States has been, in war and in peace, the leading power in the free world. But the circumstances of the war and even of the Marshall Plan are subtly different from those prevailing in this new phase of the alliance. In the early years of the war and in the economic crisis of 1947, the Americans still had the formal liberty to stand aside and the other nations' need for American help was so desperate that Congress could virtually state its own terms. It is to the eternal credit of America's leaders that that freedom of action was kept within such reasonable bounds and took so much account of the needs and sensibilities of the allied nations.

Today, however, it is not an imminent crisis that is at issue but a long sustained effort of co-operation of a steady and unsensational kind. Moreover, although it may seem to American opinion to be the old story of American benefactor and grateful clients, it does not seem so to other people. Other countries may, in fact, be deriving more benefit from American policy than America itself ; but they do not all think so. They may not in fact have any freedom of action ; but some of them think they have. Indeed, to many of them the picture is that of America urging upon them a policy about which they have grave doubts. The Communists are never tired of proclaiming that the United States is settling its own scores with Russia although it uses Korean—or German—territory for the purpose. It is not enough, therefore, that American statesmanship should be sober, co-operative and unaggressive. It must also have an element of courtship to which Congress is wholly unaccustomed. In the long alliance that lies ahead the moods, the views, the interests and the efforts of America's allies cannot be thrust to one side. To secure their understanding and support is as vital to the success of the alliance as it is to achieve domestic unity in Congress and the United States. It is a commonplace that the national politics of a great nation cannot be conducted in precisely the same spirit as the politics of the small town and the corner store. But in comparison with the immensity of the task world leadership has thrust upon the United States, domestic American issues are becoming " small town " issues while Washington is becoming the capital of the free world.

Whenever nations are at the zenith of their power and influence, they have to discover ways and means of securing continuity and strength in their conduct of foreign affairs. America is not the first to make this discovery and in many ways the task of providing continuity in foreign policy and of giving the necessary leadership to the free world is more arduous than it has ever been before, since the alliance that must be held together now circles the globe. But the difficulty of the task and the burden of the responsibility make not one jot of difference to the basic fact—that the free world's alliance will be dominated by the clarity and strength of American leadership. From the uncertainties of recent weeks the only people to profit are the Soviets and their satellites. Faction in American foreign policy is becoming a luxury which neither the United States nor the free world can afford.

NOTES OF THE WEEK

Two Proud Armies

By any standard the American feat of landing two divisions at full strength at Inchon is remarkable. The Marine division had come virtually round the world, from the Mediterranean ; the other had been made up of troops assembled from points all over the Pacific. Men who had been fighting on September 11 at the southern front in Korea were advancing five days later on Seoul, 150 miles to the north. And all this was done by 300 ships assembled from here, there and everywhere. Such a demonstration of mobility by sea and of American ability to improvise against the unexpected has made a deep impression in the world. It will not fail to impress the planners in Moscow, who have even now not ceased marvelling at the scale and success of the sea-borne operation Overlord six years ago. It will reassure every possible victim of cold-war aggression which has access to the sea. The lie has been given in bloody but heroic fashion to the Communist taunt that the " Anglo-Saxons " grudge the *contribution de sang*.

All that can be said with confidence in this fluid and transformed situation is that the United Nations' forces are breaking more quickly than expected out of their defence box through the key point of Waegwan. There the main road and railway line from Pusan to Seoul crosses the river Naktong. The fact that such a key point has been defended with less than the usual fanaticism may indicate a withdrawal by the north Korean forces. There is so far no evidence of any major collapse, although one would expect some weakening of morale among the Communist battalions. For the Americans claim—and are telling them in leaflets—that their industrial potential is destroyed, that vital supplies are not coming through from the north, and that the *elite* of their army—possibly the very units that were hardened in the Chinese wars—has suffered disastrous casualties.

With command of the sea and air unchallenged there seems to be no reason why the operations against Seoul from Inchon should not build up a decisive threat not only to the rear of the main north Korean army but also to their lines of communication across the 38th parallel. But it must not be forgotten that the two United Nations' forces are still 150 miles apart. On Monday next it will be exactly three months since the Communist aggression began ; the more self-critical of western military commentators will doubtless refer to their files and wonder whether they have showed too little faith and too much critical power during those months.

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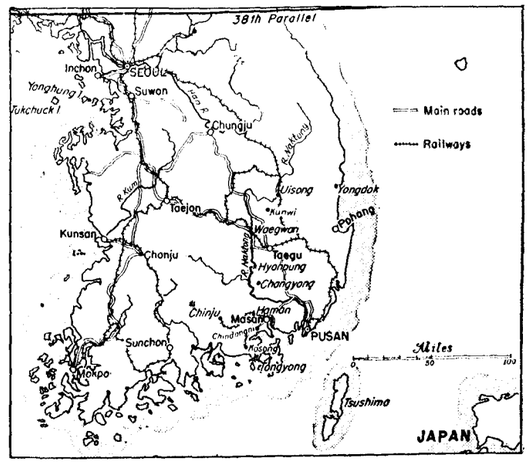
Over or Under the Parallel ?

The question now arises: will the Chinese and the Russians continue to watch the battle turning decisively against the north Koreans without giving greater and more overt assistance? The odds are that their decision will not be made until it is clear at what point the United Nations operations are to stop. It would pay the aggressors to keep General MacArthur guessing until the last moment just what risks he would run by taking his forces into the Communist-controlled North. Mr Syngman Rhee has said

that South Korean forces will cross the 38th parallel, but is not for him to make such a grave decision.

To say that these intricate and dangerous matters will be settled by the United Nations is to ignore the facts. They will not be unless the Russians publicly abandon their satellite. The decision to fight in Korea was made by the Security Council with the Russian representative absent. Now that he is back at the table he will veto any instructions that the Council may wish to give to General MacArthur. It is true that the Assembly, which set up the UN Korea Commission, is free of the veto, but neither the Soviet Government nor North Korea has recognised the existence or authority of that body. If Uno—as seems probable—is powerless to act, then the Americans may claim a right to decide future policy in consultation with those governments which have supported the military operations—and the most important of these is the British.

Here is a test of the ability of Washington and London to concert policy ahead of events. Presumably no one wants a fight to the bitter end up to the borders of China and Manchuria, or a sudden check at the 38th parallel which would simply restore the *status quo ante*. The political objec-



tive is surely to propose a settlement, a way to end fighting as quickly as possible, which would detach moderates and opportunists from the defeated North Korean regime and bring them together with the more creditable leaders of the south. This would mean strict guarantees against the paying off of scores, pledges of security against further aggression, and a programme of reconstruction for the embittered and devastated country. This in turn would mean long occupation by troops and officials representing the United Nations while the country was unified and found a new balance of political forces.

The prospect of such an onerous burden is deeply disturbing; it might even divide the governments which agreed on the broad principle of opposing aggression. But what alternative way is there of ensuring that Korea is demilitarised, reconstructed and eventually made free and united ?

* * *

The Special Session

The special session of Parliament has illustrated, more sharply than ever before, the permanent contrast in postwar British politics—fundamental agreement on foreign policy and disagreement on domestic policy. In the opening debate on defence, Mr Churchill was careful in expressing his " full accord with the Labour Party "; forty-eight hours later he was describing the Government's intention to put steel nationalisation into immediate effect as " a wanton and partisan act." The defence debate itself was one of the best parliamentary discussions in many years, since the Government were prepared to be reasonable and informative and the Opposition to be conciliatory and constructive in their comments. The two outstanding speeches were by Mr Gaitskell and Mr Eden, whose talents are best displayed in a factual and unrhetorical debate of this nature.

In the steel debate Mr Herbert Morrison signally misjudged the temper of the House and gravity of the issue. The most noticeable result of his jocular remarks was to sting Mr Clement Davies, the Leader of the Liberal Party, into making one of the most vigorous and effective speeches of his parliamentary career in which he all but hurled the Hansard for 1914, containing Mr Asquith's plea for national unity, at the Government front bench. At the end of the debate, when the halt and the fit had passed through the division lobbies to give the Government a majority of six, the course of rumour in the corridors of Westminster, which during the previous week had set strongly towards an autumn election, had begun to ebb, as the " usually well informed sources " busied themselves with spreading a denial.

One noticeable fact during the special session is the different effect produced by the absence of two of the great figures of the Labour quadrumvirate. On the one hand, a major alteration in economic policy has been made without the House having greatly noticed the absence through illness of the Chancellor, Sir Stafford Cripps, who, a year ago, was the centre of all economic discussion. On the other hand, the absence of Mr Bevin has once again made it impossible for the House to have any very profound discussion of foreign affairs. Members are becoming increasingly exasperated at their difficulty in finding a moment when Mr Bevin is not either away from duty or out of the country in which to discuss foreign policy with him.

* * *

Plots and Plotters

Mr Isaacs, the Minister of Labour, said nothing new in his statement last Friday on Communist activities in Britain. It has been common knowledge that ever since the inception of the Marshall Plan in 1948 the Communists have been trying in one way and another to disrupt the economy of the country. Mr Isaacs presumably made his statement chiefly—perhaps only—in order to persuade the strikers at the London bus depots that they were being misled and that they should return to work. At the same time, however, he implied by his dark hints of meetings during the weekend and the possibility of consequent trouble that the Communist plot had suddenly become more serious and more dangerous.

In the absence of further enlightenment from Mr Isaacs or the Home Secretary, it is impossible to say whether the warning was exaggerated or not. With a few exceptions, the Communists have not succeeded so far in causing serious interference. Their immediate aim has been simply to foment a strike on any pretext whatsoever in essential industries at critical periods in international affairs. The dock strike last May coincided with shipments of military equipment from America to Europe and with a critical phase in the campaign against Communist bandits in Malaya ; the Smithfield strike in July and the bus strike last week coincided with critical moments in the battle for South Korea. But no recent strike has been much more than an extremely unpleasant irritant to the national economy or, as far as is known, has in any way seriously affected Britain's international commitments. Moreover, the evidence of the past few months is that the Communists are losing the sympathy of the majority of workers, particularly of dockers and transport workers, and that strikes which are inspired solely by

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Communists are likely to be of shorter duration and more narrowly confined than before.

It may be that it is this very failure of the Communist Party in Britain, together with one or two other disturbing incidents, that has given rise to fears that the Communists are about to use more drastic methods to gain their ends. There has certainly been an unusual amount of coming and going of Communists between London, Paris, Warsaw, Prague and Moscow under the guise of "peace" rallies and other conventions. If the *agents provocateurs* are about to become *agents saboteurs*, Mr Isaacs was no doubt right to put the nation on its guard.

* * *

Mr Deakin Hits Back

Whether or not Mr Isaacs's warning was justified, the effect on good trade unionists has been unfortunate. Mr Deakin, the general secretary of the Transport and General Workers' Union, which has suffered more than any other union from Communist activities, stated his personal opinion at a press conference on Monday that the Communists should be banned. Indeed, Mr Isaacs himself, in answer to a supplementary question in the Commons, said that "if necessary" the Government would bring in legislation to deal with the situation.

It is not at all clear what precise measures either Mr Deakin or Mr Isaacs have in mind, but if they mean something like the anti-Communist Acts which have been passed in Australia and South Africa, they should be opposed from the outset. As long as there is any substantial support for the Communists or sympathy with them, anti-Communist legislation will do little to diminish such support and may even increase it; if, on the other hand, the active support for the Communist Party is as unimportant as it seems to be in Britain, then anti-Communist legislation is unnecessary. The police possess all the powers they need to deal with sabotage and treason. More important still, the domestic peace and internal security of this country entirely depend on the preservation of its liberal tradition. The sacrifice of that tradition, whatever the immediate advantage, would play directly into the hands of the Communists.

Mr Deakin himself has shown how Communists are best dealt with. His large union of nearly a million and a quarter members is a federation of some of the most important groups of industrial workers in the country. In particular it includes transport workers and dockers, both of which groups the Communists have long sought to control. For the best part of three years, and especially during the past twelve months, the Communists have tried to split the union by making the plausible though unfounded charge that it is too big to be able to keep in touch with its members and by infiltrating into local branches of its different sections. They hoped that out of the chaos which would result from the breaking up of the union they would be able to step in and assume control of the more important splinter groups.

The threat has been largely met by Mr Deakin's recent, energetic counter-attacks. He has met the Communists on their own ground; his union officials and the leaders of the different sections in the union have worked ceaselessly during the last few months, showing the Communists up for what they really are and giving the lie direct to Communist charges. The result has been a large falling off of pro-Communist support among the dockers and transport workers. It is tiring work and foreign to the heart of good trade unionists who dislike political activity, but it is the only way of combating Communism that is likely to meet with lasting success.

* * *

Decisions on Germany

Since the decisions announced on September 19 by Mr Acheson, Mr Bevin and M. Schuman meeting in New York, the defence of western Germany and its political development towards independence enter a new stage. The form and rate of change cannot yet be accurately judged; for there is much to be more closely defined in talks between the Allied High Commission and Dr Adenauer's government. The contribution that the Germans are to make to their own defence has still to be settled between the reluctant French, the somewhat impatient Americans, and the grudgingly realistic British. All that they seem to have agreed on so far is that it would be bad for Germany and for Europe to recreate an independent Reichswehr—which no important body of opinion has ever proposed—that mobile police formations some 30,000 strong should be formed under control of the States, and that the limit on steel production can be raised in cases "where this facilitates the defence effort of the west."

In one respect at least the decisions show real insight: the ministers have understood that the mass of Germans can be bound to western Europe only by ties of strong self-interest. The first necessity is, therefore, to show determination and ability to protect them against all the various forms of aggression that Communist ingenuity might devise. Hence the new security guarantee by the Big Three stating that "they will treat any attack against the Federal Republic or Berlin from any quarter as an attack upon themselves." The inclusion of Berlin is a necessary but bold move: how exactly would a *putsch* against the western sectors of the city by the Communist *Bereitschaften* be dealt with? To put an extra tooth or two into this guarantee the British and French will each send an extra division to Germany and the Americans—according to unofficial reports—two.

From now on the Bonn Government acquires a new authority, although the High Commission goes on. The state of war with the occupying powers will be terminated; a Ministry of Foreign Affairs comes into action with a few diplomatic representatives abroad; and there are to be "far-reaching reductions . . . in existing controls" of internal political and economic matters. Here is a lot to go on with: enough to weaken for the time being the political appeal of the nationalists and to facilitate that slight *rapprochement* between the Chancellor and Dr Schumacher which has recently been a gratifying feature of German party politics.

Printing Dispute

Hostilities have broken out again between the London Society of Compositors and the London Master Printers Association. Going to press later than most of its contemporaries, *The Economist* has been unlucky enough to be caught in the renewed dispute and this issue contains 24 pages fewer than was intended.

It is quite impossible to foresee what may happen next week. As our readers know, we are not a party to the dispute and are quite powerless to prevent these infuriating interruptions to normal publication.

German Vicars of Bray

There are ominous signs that the Evangelical Church in Germany may not prove a faithful ally for the west. In the Soviet German State, the Communists are able to claim increasing support from Protestant pastors, and even some bishops, for their National Front, and the "peace" campaign. Bishop Dibelius of Berlin has, it is true, made a valiant stand against the National Front in a pastoral letter and has committed the crime of visiting the United States. His attitude led Ulbricht to denounce him and his supporters, with the typical Communist threat that "we grant democracy only to progressive democratic forces, not to warmongers." But Communist action has been postponed until after the single-list elections of October 15. In the meantime a considerable number of Evangelical clergy apparently think that Bishop Dibelius has gone too far in defying the state.

In the west, a conference called recently in Dusseldorf by the Evangelical Church passed a resolution to the effect that Germans would never fight Germans, and a statement by one of the leaders condemned the approval of German aid in western defence, expressed by the Catholic archbishops. The protest made by the Bonn minister of the interior, Herr Heinemann, against Dr Adenauer's demand for a force to match the Soviet *Volkspolizei* was due, it is believed, to his leading position in the Evangelical church, as well as to the fact that the chancellor had omitted to consult him.

There are good reasons for this equivocal attitude on the part of the Evangelical church. From the days of Luther it has been taught to submit to the state, whatever its nature, in all but matters of creed. The Evangelical clergy tend to be narrowly nationalistic, as was shown by their widespread support for the Nazi state. At present, another factor makes the Protestants likely to fall victim to spurious propaganda on German unity from the eastern zone. The main strength of the Evangelical church lies in eastern Germany. Not long ago Pastor Niemoeller himself declared that there was nothing in the Bible to condemn Bolshevism and that Germans would prefer a country united under Communism to one permanently divided. It is on such confused thinking that the Soviet cause thrives.

* * *

The Defence of Egypt

The lesson of Korea—which is that defenders summoned from abroad take months to muster and arrive—seems to be sinking home in Egypt. Public men are at last beginning to admit that Russian expansionism is a menace, that Egypt is too weak to resist it singlehanded, and that a measure of military preparedness ought to begin now. Until recently, only the late Sidky Pasha was bold enough to say the words aloud. Everyone else merely whispered them, being frightened of the mob that has for some years been taught to boo the Anglo-Egyptian Treaty of 1936 and its provision for a British base in the Canal Zone—a symbol of the hated years of occupation.

The first to speak out was Sadek Pasha, commander-in-chief during the Palestine war. Although he had never been pro-British, he said at the end of August, he now thought the British alliance an "absolute necessity, but with certain reservations." He has been followed by Prince Mohammed Ali—the elderly and sensible heir to the throne—and by Ahmed Attia Pasha, who was Sidky's minister for war in 1946. But the government, with its public following to think of, cannot go so fast. It has reproved both the general and the Prince for speaking as they did. Nevertheless, it has for two months been treating with the British Ambassador, Sir Ralph Stevenson, on the subject of treaty revision. Both parties have now paused for thought while the Foreign Ministers concerned go off to Lake Success.

"Problems of great complexity" have arisen, according to the British communique. But they are surely even more complex for Egypt than for Britain. The Egyptians have been negotiating on the basis of a public longing for the fulfilment of Mr Attlee's statement made in May, 1946, that the British intended to withdraw their troops. But now that the Palestine mandate has disappeared, there is nowhere near by for these troops to go to. Is it really in Egypt's interest that they should go far away? What is the right answer to the British contention that times have changed, and that a free military partnership between equals might be to the advantage of both parties? The difficulty is that these thoughts that are crossing reflective Egyptian minds have not penetrated to the masses. The Egyptian delegate to the current Inter-Parliamentary Union meeting in Dublin has been fulminating against "unequal treaties" in familiar vein; Cairo radio often echoes his sentiments. A revised treaty is, therefore, not just round the corner. Indeed, it looks as if the Government will lack the courage to go ahead until impelled to do so by a danger so obvious that even the bird-witted Egyptian crowd can see it coming.

* * *

Racial Feelings in East Africa

Perhaps, after all, ministers responsible for colonial affairs should stay in London and not travel to the colonies. A Minister of State was appointed so that these visits could be made, with benefit, it was hoped, to both Great Britain and the colonies, but it cannot be said that the recent tour of Mr Dugdale in East Africa has been a great success. He may feel himself to be, and he may well have been, perfectly justified in his behaviour towards certain members of the Tanganyika European Council—from the press reports there appears to have been an unnecessary display of bad manners on both sides. But he may well also ask himself whether striking an attitude does not do more harm than good to the cause of better race relations.

The chief lesson, however, to be drawn from his visit is that the deterioration of race relations in East and Central Africa, demonstrated by his clash with the Tanganyika settlers, ought not to be allowed to go on. Hence the renewed suggestions for a commission to examine impartially the trend of colonial policy in these territories and determine whether it is in the best interests of all their inhabitants, African, European and Asiatic. Before the war, the immediate object of British policy was clear. It was to act as trustees for the African population and prevent their interests being subordinated to those of the far more advanced European minority. Today the position is reversed. It is the Europeans, alarmed at the political promotion given to the Africans in all the British dependent territories, who look to the British Government to preserve their rights. The implications of this reversal for colonial policy are still far from clear, and if a commission can disentangle the truth from prejudice it would be well worth having one. It is important, however, that it should be appointed quickly if it is to do any good. Otherwise prejudice in the territories concerned may reach a point where the impartiality of the members of the commission will be questioned from the start.

* * *

A Courts Martial Appeal Court

The announcement made by the Minister of Defence on Tuesday, that legislation to set up an appeal court for courts martial will be introduced next session, should be generally welcomed. The minister stated that the new court will cover all three services but that its details have still to be settled. What matters most is that the appeal court should be clearly a court of law. Courts martial have suffered in reputation, unjustly in most cases, because they have seemed to be associated as much with discipline as with justice. The court consists of serving officers. The confirming authority, the nearest approach to an appeal tribunal, is a military com-

mander, and the public is left with the impression that justice may be mixed with expediency. Magistrates are indignant when a petty sessional court is called a "police court." Courts martial need the same kind of rehabilitation. One way to make certain of this would be to give the Lord Chancellor responsibility for the appointment of the members of the appeal court, even if the court is under the administration of the Ministry of Defence. The day has gone when the service authorities could claim that no civilian lawyer could possibly appreciate the traditions of the service. There must be very few lawyers in practice today who have not spent long enough in one service or another to have a very fair idea of service discipline and life.

A second requirement is that the powers of the court should be at least as flexible as those of the Court of Criminal Appeal, and that it should not be compelled to quash a conviction on the ground that the court martial made some technical mistake in procedure unless it is satisfied that the accused has been seriously prejudiced by the mistake. The average member of a court martial has even less court experience than the average magistrate and procedure is bound occasionally to defeat them. It would be a pity if the appeal court became the happy hunting ground of the barrack-room lawyer.

Finally, it would seem most desirable that the appeal court should not consist of the one bench sitting only in London. The geographical distribution of men subject to military law is world-wide and so should the appeal court be. The history of the judicial committee of the Privy Council shows how immobility and a long waiting list can damage the reputation of a court, however, eminent its members and however sound its law. The Lands Tribunals provide a better precedent, for they are made up as required from members on a standing panel and they are intended to sit when and where they are needed. The establishment of an appeal court is not the only reform needed in military law but it will be a good step forward. It will also be a reminder that appeal courts from some of the other departmental tribunals are still a crying necessity for the protection of the ordinary citizen.

* * *

The Choice of School

The Ministry of Education has recently attempted to clarify, in a manual of guidance issued to local authorities, the vexed question of who shall decide, parent or local authority, the school to which a child may be sent. The freedom of choice conferred on parents by the 1944 Education Act is contingent on that choice being

> compatible with the provision of efficient instruction and training and the avoidance of unreasonable public expenditure.

The interpretation of this saving clause has varied widely with different education authorities. The Ministry's interpretation of this phrase means that there will now be a reasonable latitude within the state system. But those parents, however, who have sought to obtain financial help for educating their children outside the state system are doomed to disappointment. This manual is concerned only with day schools, and it is made clear that a parent is not entitled to claim the equivalent cost of education in a state school merely because he chooses to send his child to an independent school. Only if the local education authority recognises that the provision in its own schools is inadequate (and this usually means a deficiency of grammar school places) and has the desire or the means to supplement its own facilities by securing places in direct grant and independent schools, can a "free" place in these schools be secured.

Many parents do not necessarily want a completely free place but rather a contribution towards the higher cost of a place in an independent school. It is here that the greatest ambiguities in the regulations exist and that interpretation has most widely varied: the Ministry's latest effort does little to make the situation clearer. The only example quoted is the choice of an independent school on denominational grounds. In such a case, if no direct grant or maintained school of the denomination required were available locally the local authority would be entitled to give assistance with fees on the basis of a means test. There will be other special cases of this kind, but it is obvious that with the usual rigorous test of means, most middle-class parents cannot expect much assistance if they desire to educate their children outside the state education system.

* * *

India Slips to the Right

Because Mr Nehru's position has been undermined inside the Congress Party, it would be wrong to suppose that he is necessarily approaching the end of his premiership. But it certainly looks as if the period of his personal ascendancy may be drawing to a close. Mr Nehru bitterly opposed the recent election of Mr Purshottamdas Tandon as President of the Indian National Congress Party, which is to be interpreted as a major victory for the right wing of Congress. For Mr Tandon is an exponent of strict Hinduism, a representative of the religious as opposed to the secular element in the party, and is said to attend frequently extremist Hindu RSS meetings. His success portends a shift in the political balance, but what effect that has had at this week's meeting of the All-India Congress Committee at Nasik was not known at the time of writing. If Mr Nehru stays in office—as he well may, even after the elections next spring—it will be because he still wears, indeed always will wear, the mantle of Gandhi. But Mr Tandon's Presidency will last three years, and with a serious swing to the Right in Congress Mr Nehru might find himself becoming little more than a figurehead.

The unexpected election of Mr Tandon, after Mr Nehru himself and then Mr Rajagopalachari, the last Governor-General, had been rejected for nomination, has crystallised the division between Left and Right inside Congress. With party leadership falling to the Right the trends of the last three years are reversed, and this increases the possibility that the Congress Party will eventually split apart.

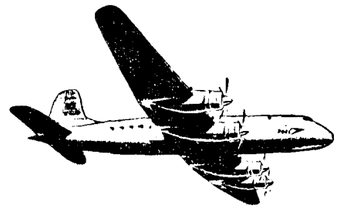
The effect on India of the rising influence of the right wing is likely to be unfortunate. It means a stiffer attitude to Pakistan, a retreat from state intervention in the industrial field, and an increased *malaise* among India's forty-million Muslims. Mr Nehru himself has issued a personal statement, making it clear that he stands by the secular state and challenges Hindu theocracy. Delhi's general foreign policy, however, is likely to be little affected.

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Rule of Law in South Africa

It is gradually becoming clear that the one thing that stands between the despotic powers with which Dr Malan's government has recently endowed itself and the people of South Africa is the judiciary. In a number of interesting judgments during the last few months, judges in the Provincial Courts, and especially in the Appeal Court, have shown that at least the administration of justice is beyond the influence of the Nationalist party and of the executive. The full bench of the Appeal Court, for instance, has laid down the doctrine that the duty of the courts is to protect all sections of the population, and that parliament must be presumed in all Acts to have willed the equal treatment of all races unless the contrary was specifically mentioned in the Act.

The existence of such laws as the Suppression of Communism Act and the Group Areas Act, therefore, makes the nature and the composition of the courts in South Africa a matter of supreme importance. The Suppression of Communism Act, for example, contains the clause:



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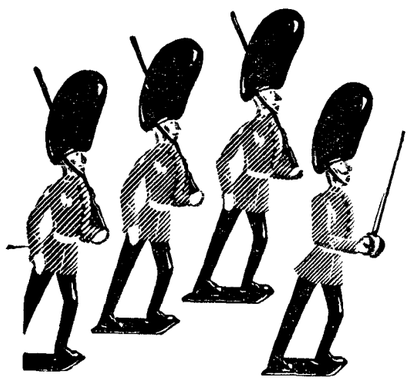
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Obviously such a clause could be used as a legal weapon against a large number of people who are not Communists and who have never had anything to do with Communism. The only safeguard against the abuse of such law is an impartial judiciary, and although Dr Donges, the Minister of the Interior, has reserved for himself the right to decide whether an individual is a Communist or not, it should nevertheless still be possible to bring the matter before the courts. The Nationalist Government may, of course, attempt to bring the judiciary to heel; but as long as the present judges and barristers retain their positions justice in South Africa may survive.

* * *

Norway Grasps the Nettle

If it is the fact that Norway has a common frontier in the north with the Soviet Union that has made its statesmen think so clearly and act so resolutely in defence policy, it is all the more to their credit for it would have been easy to loiter along the path of appeasement. It was Hr Lange, the Foreign Minister, who took the lead among the smaller powers during the early days of the North Atlantic Treaty Organisation; and now it is Hr Gerhardsen, the Labour Prime Minister, who has led the way towards a candid statement of what rearmament means for a social democratic country. Without such an approach it is difficult to imagine how the latest defence plans are to get far beyond the blueprint stage.

Hr Gerhardsen told the Storting last week in a special session to consider the Government's defence plans, that in the present crisis national unity must come before partisan politics; increased defence expenditure could not be met without reducing the standard of living of all. He said that the Government and the Labour Party wanted "to make their contribution towards making relations between the political parties as good as possible." As proof of this the Prime Minister announced that they would take no further action during the present term of office on proposals to nationalise sugar, solid fuel and medicinal supplies. Only the nationalisation of the animal fodder trade would be carried out, because of its great importance for agriculture and foreign trade.

Hr Gerhardsen said that increased expenditure must be met by increased taxation, by reduction in public and private investment, and by a cut in the import programme. Consumption would have to be decreased, and he appealed to all those taking part in the wage price negotiations, due to begin next month, to look at their problems "in a larger context and on a longer term basis, and not only think of immediate results."

In the interests of national unity, the Norwegian Prime Minister has deliberately laid aside the programme which he was elected a year ago—with an ample majority—to carry out. The people of Norway, who have lived far more austerely than their neighbours since the war, are asked to accept cuts in their standard of living, because, as Hr Gerhardsen put it "it is no sacrifice to do what is necessary to safeguard peace and freedom." That is a phrase that should be used at Westminster.

* * *

Clerical Statistics

The fourth biennial analysis of clerical salaries undertaken by the Office Management Association,* covering a small but growing sample of the whole clerical population of the country, is a document of interest to economists, statisticians, and employers. Salaries, particularly salaries paid by private enterprise to unorganised workers, constitute a notoriously dark patch on the statistical picture; the work for which clerical salaries in particular are paid is apt to be little susceptible to hard-and-fast definition. Within the limitations of a voluntary sample the Office Management Association's survey throws a great deal of light. Classifying clerical workers not according to seniority nor by the titles necessarily in use in particular establishments, but in grades corresponding to the work done and responsibilities undertaken, it analyses its material first in bulk, then by areas, then by industrial groups, and adds for perspective some figures relating to the salary scales paid by the Government and other large-scale employers of clerical labour.

On the whole the conclusions reached are in keeping with what one would expect from the general movement of earned incomes and from the commonsense generalisations of economics. There has, over the last two years, been a general increase in scales of pay, though slower than in the biennial periods previously covered; with this increase has gone a shrinkage of differentials, the lower paid and less responsible groups gaining on the senior staff and the women, to a lesser extent, on the men. Probably the greatest usefulness of this analysis will be for employers, and, where these exist, employees' organisations, anxious to see how the salaries which they offer or receive compare with others in similar industries or areas; and for students of the wage and salary structure who can set the information provided alongside that relating to wage scales and professional incomes.

*Clerical Salaries Analysis, 1950. Office Management Association, Ltd., Management House, 8, Hill Street, London, W.1. 85 pp. 21s.

Growing Multitudes

What will be the results fifty years hence, should our towns go on increasing as they have increased since 1800 . . . is not for us to predict. Far, however, from the prospect having in it anything to alarm us, it is full of hope, though necessarily vague and undefined. Within the last fifty years some of the most astounding inventions have been made that grace the intellectual faculties of man. Within those fifty years numerous arts have come into existence, or old arts have amazingly improved; the boundaries of knowledge of a useful kind have been rapidly enlarged, and it has been diffused amongst all classes. Within that period the progress of humanity has been as great as the progress of invention and the increase of knowledge. The civilised world has enjoyed peace and security, such as it never knew before, compared to which, the Augustan age, so much vaunted for progress and peace, was a state of retardation and war. . . . It seems quite certain that with the increase of the town population improvements in humanity and political organisation, such as those we have witnessed, will continue. The growing multitude will not be contented with the present accommodation, whether physical or moral, and present enjoyment. The prevalent disposition to defer to the popular voice, and promote the improvement and well-being of the multitude, will insure the requisite improvements, though what shape they may take cannot yet be known. From what has taken place in all these towns, we see that increasing wealth, and not increasing poverty, accompanies the increase of population. Not only a few are in the enjoyment of a great number of luxuries unknown to their ancestors, but the bulk of the people are much better provided with necessaries and comforts than were their predecessors; and the explanation of this fact is full of hope.

The Economist
September 21, 1850

Letters to the Editor

South Africa and the Commonwealth

Sir,—Will you allow an appeal for clemency? In your issue of September 9th, you made a most justified if somewhat bitter attack on Dr Malan's policies and government. That is only right and proper for a newspaper of your traditions, but what was an unpleasant surprise was to see you echoing the threat that South Africa should be thrown out of the Commonwealth.

You overlook—as do thousands of Englishmen who have the same idea—the fact that this is a government representing not only a small minority of the total population of South Africa, but even a minority of the European population. There are among us many liberal minded people who are even now hoping that we will be able to make a difference to the policies of this country towards its native peoples and so bring it more into line with the democracies of western Europe and America. One of the most important assets we have is the knowledge that we are part of the British Commonwealth which has the greatest of all liberal traditions. To eject South Africa from the Commonwealth would have a very adverse effect and, more noticeably, the English element in the country, from whom most of the liberals are drawn, would severely dwindle in numbers through emigration to Britain and the Rhodesias. What liberals want is a suffrage from which nobody should be debarred from any inherent trait—colour, creed, race, etc. If we achieve a small measure of success in this, you will realise that the political architecture of the country will be radically altered—perhaps against democracy and against the Commonwealth, but much more likely towards stronger ties with Britain.

Many will say in answer that if we are going to form our much vaunted republic anyhow, what matters it if we are thrown out instead of being allowed to walk out. Economically, we can stand on our own feet *now* but politically we are likely to face tremendous problems from opposition from the natives—which could cripple the economic structure of the country. It is possible that Dr Malan has thought of the repercussions of his threat of leaving the Commonwealth. We hope that he has done so, because a republic outside the Commonwealth would be a disaster—whether accomplished by free decision or duress. In short, liberals in South Africa look to your paper and others in Britain rather for constructive and helpful comment, not for articles which will hasten a catastrophe which seems all too imminent.—Yours faithfully,

Johannesburg. A. S. P. TUGMAN

Moscow and Islam

Sir,—Your paragraph headed "Moscow in Islamic Clothing" in the issue of August 26th caused some amusement here. You mention the appeals from Moscow to Islam and seriously warn your readers against writing off "all such matter as too contrary to fact to be effective." Yet in the very next paragraph you yourself "shrug off" the effectiveness of Abdul Krim of the Riff whose word according to you, "carries little weight."

I am afraid that is a view which would not be shared by the people out here whose job it is to observe these matters. Whatever he may be in London, Abdul Krim is a most important influence in North Africa and his messages, sent out regularly from Cairo in Arabic, are distributed and read widely throughout these countries while every statement he makes to the international press receives a very careful study in Paris and Washington. Abdul Krim's statements are certain "news" for the international news agencies and his opinions are always headlines in the Arabic and Islamic press from Casablanca to Indonesia. In fact it is difficult to think of a "name" from the Arab world which travels farther! While the immense respect in which he is held throughout North Africa and Asia (and also in America) and his remarkable grasp of international "situations" and flair for exploiting them make him a man very much to be reckoned with for those, like the French and the Americans, who are uneasy about the present state of the Arabic speaking world of North Africa.—Yours faithfully, MARGARET POPE

Tangier.

Books and Publications

Wealth and Illfare

The Social Costs of Private Enterprise. By K. William Kapp. *Harvard University Press (London: Geoffrey Cumberlege).* 279 pages. 30s. or $4.50.

It is doubtful whether anyone would have thought it worth while, in any country but America, to write this book; Mr Kapp accumulates what it is hardly impolite to call a gallimaufry of evidence, and displays considerable intellectual virtuosity, in order to achieve—what? Proof that unadulterated *laisser faire* fails to achieve the optimum use of resources and the correct imputation of real costs—a conclusion which has been common form with everyone but Professor Mises and the National Union of Manufacturers for at least a generation. Perhaps it is as well that the job should be comprehensively done by someone who, like Mr Kapp, really knows his classics and is not simultaneously trying to prove that some alternative system would automatically achieve that harmony which is impossible under undiluted capitalism. If so, however, it is a pity that Mr Kapp should lay himself quite so wide open to criticism as he does, and so run the risk of discrediting his argument.

For Mr Kapp is not content to demonstrate, inductively and deductively, that a progressive *laisser faire* economy is inherently unstable, concentrating the costs of progress on a fluctuating number of unemployed; or that individual firms unload on to the community at large the costs involved in air and water pollution; or that the time-horizon of the individual farmer, hunter, lumberman or oil firm, particularly in a new country, is likely to be disastrously narrower than what the community interest demands. These well-recognised generalisations he justifies afresh with an amount of statistical and factual evidence which remains impressive even when drawn from *ex parte* sources. Nor does he stop at the possibly still more damaging demonstration—not, however, equally generally accepted—that the degree of imperfection in competition, under no matter what legal system, is fatal to rationality, both in its direct effect on the distribution of resources and through its indirect stimulus to advertising wars. He goes on to load upon the shoulders of private enterprise as such all those costs that arise from lack of knowledge, or improvidence, on the part of consumers and workers; the entire cost, for instance, of industrial injuries and ailments and of the damage to family life involved in married women's work—as if, even under conditions of full employment and mobility, there were no such thing as the calculation of net advantages. He does his level best to demonstrate that technological progress is quite as likely to lead to a Marxian increase of misery as to higher standards. Despite, in fact, his disclaimer of having any political axe to grind, he gives the irresistible impression of regarding any stick as good enough to beat the capitalist with.

This is the more a pity because his final chapters, dealing with the place of the "social cost" concept in economic science and the place of the latter in the general science of society, are, although tentative, both stimulating and realistic. He does not, like so many critics of the existing order, take it for granted that planners will either be able to settle easily what the distribution of resources should be or to achieve that distribution in practice. He does not ignore, though he seems to underestimate, the difficulty of eliciting consumers' preferences outside the market sphere. In short, there is nothing starry-eyed about his attitude to collective action; and it would be a good thing were there a more general understanding on the Left of his reiterated demonstration that the problems of social accounting remain essentially identical whatever the form of society.

Benelux Examined

Les Unions Economiques. By Jean Van der Meusbrugghe. *Institute of International Relations, Brussels.* 396 pages.

Though the title of this work is quite general, its principal theme is the Benelux Union. "The lessons to be drawn from the experience of Benelux can be easily applied to the other unions" says the author. But a chapter is given to the proposed Franco-Italian customs union (presumed abortive), and another to the inconclusive efforts of the study group set up in 1947 arising out of Marshall Aid, and to the position of Great Britain in relation to a European Customs Union.

The story of the efforts made to give practical effect to the Convention of September 5, 1944, signed by the exiled Governments of Belgium, Luxembourg and the Netherlands, is clearly and concisely summarised. And there follows an account of postwar conditions and developments in the three countries, which is perhaps somewhat too long. The statistical and other material is interesting in itself, but not always directly relevant. The conclusion is that, to make the desired union possible, a uniform economic policy is needed, directed to reducing rigidities, to allowing the price system its regulative function, to avoiding both inflation and deflation, to gaining equilibrium in foreign trade by subjecting the national economy to international competition, and to using credit as an instrument of policy. The statistics and facts might have been handled more concisely and significantly if more directly related to these aspects of policy.

The original Benelux Convention of 1944 was primarily for a customs union, but it set up a *Conseil de l'Union Economique* to make recommendations for unifying the restrictions on imports and exports, and the quotas, licences, subsidies, etc. prevailing in the three countries. The customs union itself is not free from difficulty, but it is chiefly in these latter matters that the obstacles to economic union have been found. The problem has been to reconcile the "rigidity" of Dutch economic policy with the relative "suppleness" of Belgian policy. The Netherlands suffered more severely than Belgium from the war. The rigidity of Dutch policy became necessary because the free working of the price system could not enforce the requisite degree of austerity without social consequences which could not be faced.

An important section of the book treats of long-term problems, and indicates many of the measures taken or contemplated to bring the economic institutions of the Benelux countries nearer uniformity. But the author has singularly little to say about the rate of exchange between the Belgian franc and the Dutch florin. The agreement of 1943 continued the prewar rate, and the fact that prices and wages have risen in much higher proportion in Belgium than in the Netherlands would seem to show that this rate undervalued the Dutch florin. The devaluations of September 1949 accentuated the disparity. It has been found necessary to cover the adverse balance for the time being by a Belgian credit. Is not this one of those cases where depreciation of the money unit has been pushed beyond the limit within which it can have any remedial effect on an adverse balance?

Humanists on Trial

The Renaissance—Its Nature and Origins. By George Clarke Sellery. *University of Wisconsin Press.* 296 pages. $3.75.

The author himself states that he has written this book "to straighten out historians and students of European history, who have been and still are bedevilled by the theory that the Humanists were responsible for the upsurge of European civilisation in the so-called epoch of the Renaissance." His contention is that the real seminal force was the natural effort of men to achieve a more abundant life by the application of their wits to the problems of their environment, and that the modern age evolved from the mediæval, whose deep, emotional and creative currents, assisted no doubt by the Revival of Learning, themselves produced the Renaissance.

To prove his thesis, he examines every facet of urban life from the twelfth to the fifteenth century, and gives enlightening thumb-nail sketches, not only of the politics, economics, literature, history, philosophy, fine arts, inventions and discoveries, but also of the outstanding personalities of the period. Humanists are arraigned like prisoners at the bar, and overwhelmed by evidence of prominent witnesses who support the bias of the author, so that the book becomes a symposium of judgments by various authorities, proving beyond a doubt the erudition of the author, but expressing little original thought. The very meticulousness with which Mr Sellery acknowledges his indebtedness, even where no quotation is involved, robs his argument of force, since it would obviously be possible to collect an equally impressive body of witnesses in refutation.

Moreover, the horse is so very nearly dead that the flogging is superfluous. The artificial division of European history into Ancient, Mediæval and Modern, which the author deplores, has long been discarded by eminent historians, who have also abandoned considerations of direct cause and effect for the organic, evolutionary or analogical approach. Nevertheless, the book will prove interesting and provocative to the general reader; though the claim on the dust jacket that "no scholar of the subject will be able to ignore it" is excessive.

A Great Civil Servant

Dialogus de Scaccario. By Roger, Son of Nigel. Edited and translated by Charles Johnson. *Nelson's Medieval Classics.* 144 pages. 15s.

Forty-eight years ago Mr Johnson collaborated with two other scholars in producing the definitive Latin text of the Dialogus de Scaccario. Now he has produced the first translation into English of the whole work by a competent scholar. The translation is clear and surmounts all the difficulties presented by a technical work written by a mediocre Latinist, and the notes are very helpful. The long introduction also adds to our knowledge of the work, though it goes, perhaps, too deeply into certain technical problems of scholarship and does not always bear in mind the general reader for whom this series of translations is intended.

The Dialogus, however, deserves to be read by many who are not medieval specialists. This account of the workings of a government department by a high civil servant is unique in early medieval literature and the details of the financial system which it describes are full of interest. At the time fitzNigel wrote the Exchequer dealt with almost all the revenues of the richest kingdom in twelfth-century Europe (except Sicily, whose Exchequer had been developed with the help of English civil servants whom fitzNigel knew). Much of that Exchequer organisation had been developed in fitzNigel's lifetime, and the chief architect of the department had been his own father.

Much of the financial history of medieval England would be incomprehensible without the Dialogus as a guide, but it is far more than a mere handbook. It is a treatise in practical administration, and from it we can see how much hard thought and inventiveness went into creating an efficient system of account and audit, which would work even when dealing with illiterate officials.

Professorial Torpedo

Russia and the United States. By Pitirim A. Sorokin. Published under the Auspices of the London Institute of World Affairs. *Stevens.* 12s. 6d.

The author of this book is Director of the Research Centre in Altruistic Integration and Creativity at Harvard University. In a brief excursion into practical politics he was a member of the Kerensky Government which preceded Bolshevism in Russia. He was twice imprisoned by the Bolsheviks and once sentenced to death. He left Russia in 1922, and has since then lived mainly in America, with the result that he has now become a zealous advocate in America of American appeasement of Russia.

Professor Sorokin's book is a panegyric on Russia, past and present, in which historical facts are selected, falsified or ignored to suit his convenience. The historian will be surprised to learn from his pages that the Russian empire

has always been distinguished by the peaceful character of its expansion: that Russia between 1906 and 1917 was one of the most democratic countries in the world, and that Russia and the United States never had even a serious diplomatic conflict before the era of President Truman. Professor Sorokin deplores what he calls the "destructive phase" of the Russian Revolution, but he assures Americans that it was finished many years ago and that Russia would now be a land of civil and political liberty but for emergency measures imposed by the struggle against Hitler and by "the excessively tough policy towards Russia on the part of her war allies" (as exemplified, presumably, at Yalta and Potsdam). In any case, according to the author, it is not for Americans to talk about democracy, for the United States also restricted constitutional rights during the war. There is no incompatibility between American and Soviet ways of life greater than that between "advertisements for this or that brand of cigarettes"; on the contrary, America and Russia have a special "sociocultural congeniality" (whatever that may mean). Professor Sorokin presents himself to the American public with much highly coloured rhetoric as a noble-minded apostle of peace and reconciliation, but the only practical conclusion drawn from his lofty idealism is that all attempts to halt or contain Russian expansion, from the Truman Doctrine to the Atlantic Pact, are utterly wrong.

When the Bolsheviks put Professor Sorokin into an "inferno" of a prison, their *regime* was characterised by "barbarism and bestiality." But since he has been installed in the safety of Harvard University, he has been able to admire from afar the virtues of Russia as regenerated by Stalin. He has not, however, been moved to return there to taste the delights of the new Soviet life.

This book is of interest as showing how Russian nationalism can make a propagandist for Stalin even out of a man whom Communism has driven into exile. But just because the author is not a Communist, he can influence many people who would be quite immune to the Pritt-Gallacher approach. If a prize were to be awarded for the book of the year most helpful to the Kremlin's political warfare against the western world, this one would certainly have to be placed on the short list.

Ad Astra

Interplanetary Flight. An Introduction to Astronautics. By A. C. Clarke. *Temple Press* (Technical Trends Series.) 164 pages. 8s. 6d.

The supercilious reader can be assured at once that this is a sober and matter-of-fact little book; it deals almost entirely with the mechanics and logistics of high-altitude rockets, and the technical possibilities of attaining a sufficiently high speed to escape from the earth into outer space. Except for a fine purple chapter ("Opening Frontiers") to close the book, the author keeps his imagination firmly in check, though his enthusiasm and confidence in the ultimate achievement are plain to see. The book is very clearly written, and even an almost complete ignorance of mechanics should not prevent anyone from grasping the author's conclusions; he has, moreover, a light touch which makes this, for a text-book, very readable. To anyone whose curiosity has been aroused by the activities at the White Sands testing grounds, not to speak of Hollywood's latest offerings, this book can be recommended.

The Third Way

The Social Crisis of Our Time. By W. Röpke. *Hodge.* 254 pages. 15s.

It has been said with some justification that the trouble with liberalism in Great Britain is its concentration on the vain attempt to fit itself into a space, between the two major parties, which simply does not exist, that it lacks, so to say, intellectual *Lebensraum*. Any liberal-minded individual who is beginning to feel that this *Lebensraum* is not merely non-existent but inconceivable will be well advised to read Professor Röpke, whose new book, like his "Civitas Humana" which reached English-speaking readers some two years ago, combines philosophic breadth with earthy good sense, historical sweep with political acumen, and profound ethical conviction with the theoretical equipment of a top-flight professional economist.

The policy of "economic humanism," the "third way" of which Professor Röpke demonstrates the necessity and outlines the programme,

> offers battle on two fronts: on the one against collectivism and on the other against that brand of liberalism which developed and influenced most countries during the nineteenth century.

The battle against collectivism is emphatically not a battle against collective action, economic or other; in many fields the state, embodying the civic conscience and implementing civic choices, should be more, not less, active than it is today. *Laisser faire* was an aberration, historical capitalism a social monstrosity. Collectivism, on the other hand, is worse, being dehumanising, megalomaniac, in the long run inevitably tyrannical. Both stand condemned, not primarily on account of economic wastefulness, inefficiency or irrationality but because they destroy the quality of individual and community life; they both upset the delicate balance between the gregarious and the solitary aspects of the human character, the correspondingly delicate balance of idiosyncrasy and social obligation. They attack the living relationships of neighbourhood, workplace and family, everything, indeed, that is organic, spontaneous, and continuing in the social structure.

Again and again, Professor Röpke uses the simile of humus, the fruitful earth with its delicate living balance of organisms, built up over millennia, destructible by human unwisdom in a matter of seasons. It would, however, be wrong to write him down a mere conservative, a sentimental advocate of back-to-the-land. Outside a comparatively few types of industry, he maintains, technical progress coupled with genuinely free competition will not merely preserve but encourage the relatively small-scale production which is socially desirable. The apparent inevitability of mammoth productive and commercial units is a delusion sprung of faulty laws and the maldistribution of property. Where mammoth production is, exceptionally, inevitable, then by all means let it be state-controlled.

To summarise Professor Röpke's thesis is to do him little justice; it is to leave out of account the brilliant and penetrating historical analysis, the shrewd observation of social habits and national traditions, the enormous erudition, which have gone to support it. The diagnostic first section of his book could stand alone as an essay in the history of political ideas; paragraph after paragraph throughout the whole is packed with enough seminal thought to be expanded into a treatise. The reader is warned that he will have to grapple with an awkward style—whether native or due to the translator is uncertain—and to perform some disconcerting chronological gymnastics. The English edition has been revised, but patchily, so that one finds President Roosevelt, for instance, apparently alive after the death of Lord Keynes. These, however, are superficial confusions; underlying them is an essential clarity of thought and, what is more than clarity, wisdom.

Reference and Text Books

The Hospitals' Year Book, 1949-50. Institute of Hospital Administrators, Tavistock House North, Tavistock Square, W.C.1. 1100 pages.

This is the successor to the year book formerly published under the auspices of the British Hospitals Association and the associated Central Bureau of Hospital Information, both of which organisations have now been dissolved. Most of the book consists of a hospital directory, covering every hospital in Great Britain and giving an analysis of the beds provided. There is also a great deal of miscellaneous information. Some of this, giving, among other things, details of hospital purchasing and equipment, will be mainly of interest to hospital administrators; but the patient and potential patient will read with some feeling the sections on noise and hospital food.

The Blue Guide to England. By L. R. Muirhead. *Ernest Benn.* 656 pp. 72 Maps and Plans. 21s.

The first postwar edition of this standard guide book first published in 1920 contains much general information useful to the foreign tourist. The section on Practical Information begins with details of the routes by which to reach England, and contains a glossary of "a few ordinary words the usage in regard to which differs somewhat . . . and so might occasionally lead to misunderstanding."

The descriptive material is grouped by routes based on road systems so that districts which may be easily visited together are presented together; a full alphabetical index is also provided. It is a pity that the need to give such a large amount of information in a book which can be carried without difficulty should inevitably lead to the use of such small type. The most fascinating information is frequently on the pages which look the dullest.

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AMERICAN SURVEY

Exit Johnson

Washington D.C.

"REPUBLICANS have lost a campaign issue," wailed the Scripps-Howard press on the morning after Mr Louis Johnson's resignation. They may have lost even more. Mr Truman's decision, suddenly announced, but hardly taken in haste, to recall General Marshall for one more term of service to his country will no doubt take the sting out of their attacks on the Administration's foreign policy in the Far East. It will be a reminder to the American people that the policy, whether they approve it or not, was General Marshall's—that he stated it after his return from a year in China and never changed his mind during his two years as Secretary of State. The Republicans can continue to argue that it is a wrong policy, as they undoubtedly will, but it will be more difficult for them to persuade their fellow-countrymen that it is a treasonable one, conceived and carried out by Mr Acheson and a sinister group of fellow-travellers in the State Department. That did not stop the incredible Senator Jenner from trying; he called General Marshall a "living lie" and "an actual co-conspirator with the most treasonable array of political cut-throats ever turned loose in the executive branch of Government."

"Johnson and Acheson must go" was a slogan which had some prospects of bringing results; it even had some justification, since it was obvious that one or the other would have to leave. No Government could or should long survive in which the two most important of the President's Cabinet officers agree on nothing. But those who know Mr Truman best had little doubt which of the two would be dismissed in the end. It was not Mr Acheson who was carrying on an underground campaign against his President's policies, who was telling the opposition that he had been overruled when the decision not to support General Chiang Kai-shek on Formosa was taken, or who was trying to stab his colleagues in the back. And it is the Secretary of Defence, rather than the Secretary of State, who, in time of war, must become, as the *Washington Post* put it, "the scapegoat for a nation which had come to expect that opposing armies shall melt on first sight of an American soldier."

The President's decision, when it came, came without warning. Even Mr Johnson himself did not know his fate until the day before it was announced. But once Mr Truman had made up his mind to nominate General Marshall he had to act quickly. The Unification Act had to be amended before Congress adjourned to allow a man who had held a regular commission in the armed forces during the previous ten years to be appointed. It was natural that Republican cries of dismay should go up: they had been hit where it hurt most. They had been able to counter the sending of Mr O'Dwyer, the Mayor of New York, as Ambassador to Mexico (which assured a special election and big vote in Democratic New York City in November) by persuading Mr Dewey to change his mind and run for Governor once again. But they had nothing with which to trump General Marshall. It is open to doubt whether the hundred Representatives and twenty Senators who tried to block his appointment by voting against the amendment to the Unification Act will get much thanks from the country at large, even though they may explain that they were doing it "on principle." And it is permissible to wonder whether Senator Knowland's principles would have been as stubborn had the President proposed as Secretary of Defence a soldier who favoured sending military aid to General Chiang Kai-shek at the risk of war with Communist China—General MacArthur, for instance.

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

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But Mr Truman was almost certainly not thinking of national politics. It is not in his nature to desert one of his lieutenants while he is under fire, whatever the domestic political advantages may be. Had he been thinking primarily of the November elections over the last few months, he would have listened long ago to the appeals of frightened Democrats facing the autumn campaign and replaced the controversial figures in his Cabinet with men more able to win votes than wars and men who had the confidence of the party's hack politicians instead of that of the Foreign Ministers of his country's allies. Or he could have played for "national unity" by choosing a Republican to replace Mr Johnson and worked for some compromise with the opposition over policy in the Far East. Instead, he chose to stand by his refusal to allow General MacArthur and the Republicans to involve him in a Chinese war. He appointed as Secretary of Defence the author of his Far Eastern policy and, perhaps, the only man who can persuade the American people, in the present hysterical atmosphere, that it is the right policy.

The motley collection of "Formosa-Firsters," which includes the McCormick, Hearst, Luce, and Scripps-Howard papers, many of the Republicans in Congress and a smattering of Democrats, sensed the danger at once. The Scripps-Howard leader next day spoke of "the General's legacy of mistakes in State Department policy . . . especially the disastrous China policy." Senator Taft was dubious about the appointment because it "would strengthen Secretary of State Acheson's hand in relation to the Chinese Communists," and Senator McCarthy wanted him to convince the Senate "that he has learned the facts of life about Communism and that he will listen to MacArthur's advice rather than Acheson's on the Far East" before being confirmed in his post. They have every right to be worried. Not only is the new Secretary of Defence unlikely to listen to General MacArthur's advice on matters of foreign policy; he is probably the only man in the United States who can discipline him.

The dismissal of Mr Johnson and, even more, the appointment of General Marshall are the final and unequivocal proof that Mr Truman has no intention of compromising on his policy in the Far East nor of allowing it to be sabotaged. Those who denied that the decision to quarantine Formosa represented a reversal of earlier decisions have been proved right. The proposal to place the Seventh Fleet between the two Chinese factions came from the State Department. To carry further Mr Roosevelt's famous analogy on Lend-Lease, it was like deciding to play a hose on your own house when your neighbour's is burning, which would hardly constitute a reversal of an earlier decision not to have the house washed. And it was fortunate that final proof of Mr Truman's determination was given just at the moment when the Secretary of State had to face the Foreign Ministers of Britain and France, of the North Atlantic Treaty powers and, at the General Assembly, of the United Nations. There must, among them, have been many who were uneasily wondering how far, even after the President's bridling of General MacArthur, American, and particularly Mr Acheson's, assurances could be accepted. After September 13th there was no further need to wonder. It was not Mr Acheson who would go and Mr Truman had secured his rear by giving him, as his closest collaborator in the Cabinet, the man whose policies he had inherited and continues.

Not only will the President now have a team carrying out his political and strategic policy which is individually loyal to him and to his decisions, but also one which can be counted on to work amicably together. General Marshall himself is now 69 and cannot be expected, although he has recovered well from his operation in 1948, to be able to work as hard as he once did. But he will be able to leave a great deal to his Under-Secretary, particularly if it is Mr Lovett, who was also his Under-Secretary at the State Department and an Assistant-Secretary of War while he was Chief of Staff, while he himself concentrates on the larger issues. Foremost among these are the urgent task of placating Congress and of educating the American people and their representatives on "the facts of life about Communism." Meanwhile the Marshall-Acheson-Harriman trio, and two of the three service Secretaries, Mr Finletter and Mr Pace, will be able to concentrate on the main job—winning the present war as quickly as possible and preventing the Asian addicts from starting another.

American Notes

Vision for 1952

Since last April, when the President asked Mr Gordon Gray to analyse "the factors bearing on the present disparity between exports and imports," military developments have put a drawstring round the dollar gap, which may be closed completely before-long. And June 30, 1952, when the European Recovery Programme is due to end, has lost its ominous, special significance, for now American financial aid can hardly be cut off sharply. But 1952 still has general significance as a synonym for the ultimate date when the world's accounts must be balanced and Mr Gray has refused to allow his attention to be diverted from this distant goal by immediate military objectives. He knows, too, that the latter cannot be achieved unless they are backed up by economic measures and that in many countries the Communist temptation will prove irresistible unless democracy offers the hope of future stability.

This, at least, appears to be the line Mr Gray has taken in his long draft report to the President, as far as can be gathered from the "leaks" that have now been published in the press. Mr Gray is said to have set his sights high and to have made few concessions to departmental shibboleths or Congressional prejudices. For example, the "Buy American" law, shipping preferences and the farm price support programme are all condemned for their repercussions on international trade and it is suggested that the Reciprocal Trade Agreements Act should be set up on a semi-permanent, instead of its present hand-to-mouth, basis. Mr Gray's vision for the future seems more realistic economically than it is politically, and the government departments concerned are now engaged in bringing the draft down to earth. The published version will probably contain only the final conclusions, not the detailed arguments leading up to them, but the arguments will be behind Administration thinking for a long time to come.

Mr Gray recommends that some system of international allocations for strategic materials should be set up at once, for he recognises that Europe's economic recovery will be jeopardised if raw material prices are allowed to rise unduly as a result of defence demands. The single new agency—an Economic Overseas Administration—which he favours would co-ordinate all economic aid abroad, but would not deal with military aid as well, as it had been suggested it might. In the opinion of Mr Gray and his advisers, economic assistance for Europe should take the form of a continuation of Marshall aid for several years. In the Middle East, and in South-east Asia, co-operative programmes for economic development should be worked out on a basis of government loans and grants, private investment, and technical aid. This looks like a return to the original Point Four conception; a shadow of this once "bold new programme" has just been handed over to the State Department by Congress after eighteen months of attrition.

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Anti-Communist Brew

The McCarran Anti-Communist Bill, which the Senate and House have enthusiastically set before Mr Truman, is a triumph of legislative economy, if nothing else, for it is a mixture of all that was on hand in the Congressional kitchen, served up piping hot. Senator McCarran has swept into the pot every anti-Communist device on the shelves: the President's request for a much-needed strengthening of present espionage and sabotage safeguards, and a lengthening to ten years of the period that must elapse before the statute of limitations applies to espionage cases; the two-year-old Mundt-Nixon scheme for forcing Communist and "front" organisations to register with the Attorney-General; some unsavoury ideas of his own on the immigration and naturalisation laws; and finally, even the Kilgore Bill, a last-minute inspiration offered as a rival attraction.

Supporters of the latter hoped that the powers it contained to intern potential saboteurs and spies in time of war, invasion, or insurrection, might direct Congressional attention to the real dangers, and away from the clumsy registration clause. This the Attorney-General declares would be ineffective and certain to impose a "staggering burden of enforcement" upon the overworked Department of Justice. But both Senate and House, after a moment's consideration, decided to have all Senator McCarran offered, and the Kilgore Bill too.

The heavy votes in both houses for a Bill that most impartial observers believe represents a grave danger to freedom of opinion and expression suggests that the *New Republic* was not far wrong when it concluded that the driving force was fear, not of Communists, but of constituents. Only one Senator facing an election this autumn —Mr Lehman of New York—had the courage to vote "no"; many who in the end climbed aboard the omnibus had earlier protested that years of litigation would be required before registration could begin, and that the chief sufferers would be, not the agile Communists, but persons whose only crime was the holding of unpopular beliefs. It is already fearfully easy, in the present state of alarm, to destroy a reputation and a livelihood. The General Foods Corporation has

cravenly dismissed Miss Jean Muir from its television show as a "controversial personality" because she is listed in "Red Channels," a guide to the supposed "red network of the air" produced by a group of warped and irresponsible minds. All the more credit is due to the American Broadcasting Company, which refused to take similar action against Miss Gypsy Rose Lee without further confirmation —which was not forthcoming. In the past it has been the guardians of moral, rather than political, purity that have been after Miss Lee's amply displayed skin.

Mr Truman has said he will not sign any Bill that contains the registration requirement, which he compares to the odious Alien and Sedition Acts of 1798. Some members might welcome a veto, now that they have displayed their staunch anti-Communism to the voters, despite the song and dance the Republicans would make about it. But the votes to override a veto can certainly be counted upon—if the President gives Congressmen a chance to cast them before they go home at the end of this week to their woefully neglected campaigns. When they come back to Washington on November 27th they may be in a more judicious mood. A veto, of course, would mean throwing out the baby with the bath, and postponing for some months measures the Department of Justice considers urgent.

* * *

Road Round the Veto?

Since its great days in June and July, the Security Council has fumed behind the road-block of the Russian veto. Even before the invasion of Korea, innumerable American schemes had been proposed to strengthen the United Nations; since then the American interest has deepened, thanks in part to a revived faith in the capabilities of an international organisation, and, in part, to television, which brought Mr Malik face to face with Americans who normally do not visit Lake Success. Mr Hoover would reform the United Nations, in effect, by destroying it, for his proposal to expel the Russians presumably would have led to the exodus of a number of important countries that are not resigned to membership in an exclusively anti-Communist club.

The Senate subcommittee that has surveyed all these proposals for strengthening international action, either through the United Nations or by creation of an Atlantic Union, decided to sponsor none of them; it concluded that the United Nations as now constituted still possessed vast untapped resources for peace. Mr Acheson has now proposed that this session of the Assembly should tap them by trying to endow the Assembly with some of the responsibilities which the Security Council has shown it cannot discharge as long as the Russians remain obdurate. The Assembly is not plagued by the veto; a two-thirds majority is all that is needed to pass recommendations. And the most famous actions of the Security Council—the resolutions on Korea—were not the less effective because they were couched in the form of recommendations.

The Korean invasion has demonstrated the advantage of having an immediate, impartial report on the background to any aggression that may be committed. But the presence on the spot of a UN commission was a happy accident. The United States therefore has adopted Mr John Foster Dulles' suggestion of a permanent commission, appointed by the Assembly, to visit possible trouble-spots and give the fire alarm when necessary. In Korea, also, the United States, though it has won the applause and moral support of the free nations, is conscious of having received but very little material support. After two and a half months, only a handful of British troops are fighting beside the Americans. The second American proposal is, therefore, that the Assembly recommend its members to earmark forces that would be minutemen for peace, ready to serve wherever Uno decided aggression must be withstood. Thirdly, the Assembly is being urged by the Americans to provide for the calling of a special session, whenever that is necessary, at twenty-four hours', rather than a fortnight's, notice. And finally, Mr Acheson wants a committee of the Assembly to study methods by which the UN charter can be strengthened through collective action.

The prospect that these proposals will be accepted is not very bright. But if the American delegation is rebuffed in its attempts to make the Assembly an effective instrument for peace, more drastic cures will be given a new life in the United States.

* * *

Making Rubber's Ends Meet

The new urgency of the defence programme, coupled with the Communist threat in the Far East, has not only given the rubber manufacturers what they wanted, the reopening of all the government's synthetic rubber facilities, but something they would have preferred to do without, controls on inventories and on the use of rubber. Rubber could be bounced back on to a wartime basis without waiting for Congressional authority, since it had never been completely demobilised. Such authority would not in any case have been hard to get, for Congress will never forget the rubberless rigours of the last war. Rubber was the first field to be explored by Senator Lyndon Johnson, Mr Truman's able successor as head of the Senate's revived War Investigating Committee. This committee was much perturbed at what it considered to be lack of unreality in the government's plans for stepping up both the output of synthetic rubber and the buying of natural rubber for the stockpile. But the government agencies concerned were already following the committee's advice even before it had been offered.

The possibilities of producing natural latex in the western hemisphere are once again being studied, and the latest of the post-Korean increases in synthetic rubber plans will bring all the government-owned plants back into full activity. This means that some time next year general purpose synthetic will be pouring out at an annual rate of 760,000 long tons, double the rate of three months ago, with 6,000 tons of butyl also being produced each month. Any substantial increase in this rate of production would involve an increase in capacity. The rate at present planned will necessitate the reopening of plants which make butadiene from alcohol and, unless grain alcohol distilleries are also reactivated, Americans may once more have to choose between tyres and whisky. Their wives may have as hard a choice, between tyres and nylons, for the other main ingredient of synthetic rubber, styrene, is made from the benzene which also goes into nylon, soapless detergents and many plastics.

Detailed restrictions on the use of rubber are expected before the end of the year, in order to stretch existing supplies as far as possible. These regulations will probably limit, perhaps very drastically, the quantities of natural rubber that can be used in various products. They will take the place of the general restriction, introduced at the beginning of this month, which sets a ceiling of 90,000 tons a month on consumption of new rubber, about 20,000 tons less than the record amounts that have been used in recent months. The government hopes, and its hopes are likely to be fulfilled, that most of the reduction will fall on the high-priced natural rubber rather than on the cheaper synthetic. The main purpose of the restriction is to ensure that natural rubber is left over for the government stockpile buyers, who are apparently ready to take all that they can get. The American attempt to make its rubber ends meet should not therefore, for the present, mean any decline in the demand for natural rubber, although it is too soon to assess the long-term repercussions.



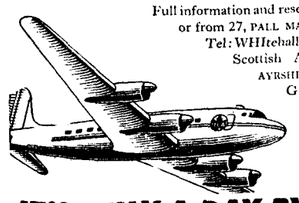
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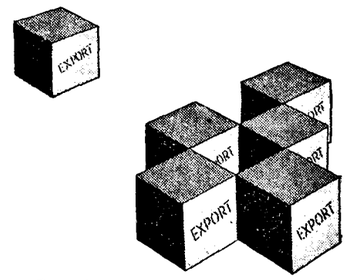
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Extract from speech by the Parliamentary Secretary to the Board of Trade, Mr. Hervey Rhodes, D.F.C., M.P., at a Dinner in connection with the International Conference on Wholesale Textile Distribution. London, Monday June 19th, 1950.

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THE WORLD OVERSEAS

The French After Korea

(From Our Paris Correspondent)

PRESS comment from Paris and the provinces suggests that Frenchmen finally understand the immediacy of the Soviet threat to the security of Germany, and thence to France. M. Pléven's decision to hold back conscripts due for release in mid-October—the forerunner of a statutory extension of military service from a year to eighteen months—has met with virtually no opposition from the non-Communist press. Even such a newspaper as *Franc Tireur*, which has for long been bitterly antagonistic to the Indochinese war, has accepted a thorough rebuilding of French defences. At the same time, President Truman's declarations and American stubbornness in Korea have enormously raised the stock of the United States, which is now regarded as a real military power not just as a vast, vague industrial potential. The appointment of General Marshall has also been reassuring; not least because some hope is at last offered that his presence will induce American senators to cease their hair-raising essays in amateur atomic strategy. Finally, the promise of increased Anglo-American forces on the continent has greatly decreased the fear of a resurgence of Germany.

Now that the Foreign Ministers' and North Atlantic Council conferences in New York will set in motion the military and economic organisation for Europe's defence, France—which has already agreed to provide twenty divisions as a permanent peace-time contribution—will soon have its tasks allotted to it by some kind of joint war-production staff. Before this international board issues its directives it is scarcely possible to discuss French rearmament with any precision. Already, however, several psychological and economic factors are prominent.

A Chance for Unity

First, there is a danger that some of France's partners —in particular the United States—may misapprehend French motives and possibilities. Publicists in Paris, who before Korea wished France neutral in a world war (and in so doing almost certainly voiced the feelings of millions of Frenchmen) have since come round to the belief that, after all, the Atlantic Alliance can defend Western Europe. The reason for this conversion is, however, simply the emergence of American military power. This phenomenon has for the present concentrated French opinion, but it would be premature to hail the unity of France. For the fed up are still fed up and the Communists still Communists.

What may be said is that for the first time since the resignation of General de Gaulle in 1946, the government of France has a real opening, a real chance, of unifying the country. Its task remains about as difficult as that of any government could be. For there is a great gulf between what a French government knows to be essential and the administrative possibilities. But the great thing is that fear of the barbarian beyond the Elbe and the hope offered by the United States that the barbarian may be warded off are spreading together throughout the population; feelings that have projected the twenty divisions without summoning up a serious challenge to the project's feasibility. Furthermore it seems that deep down the French would like to have an army for its own sake. They are after all a military nation.

France is a very old country which got down to brass tacks a long time ago. The Parisian shop-keeper doesn't believe in democracy's golden future; the Cherbourg docker isn't interested in moral rearmament and the Auvergnat farmer cares little about Scientific Trumanism and Point 4. Ten years hence an idealistic youth, attached to these large Anglo-Saxon notions, may be having its full say in French affairs. In the meantime, the efficacy of the twenty divisions will depend on the personality and invention of France's military leaders. Under General de Lattre de Tassigny much has already been done. Is it too much to hope that General de Gaulle will associate himself with the new army in some practical manner? A defence programme without him would lack drive and prestige and (who knows?) somebody to poke fun at.

Paying for Rearmament

It is the argument of French Socialist-humanists that France's standard of living is too low to be worth defending, that social justice is the pre-requisite of a rearmament programme. This seems both true and untrue: untrue because nations fight not for their standard of living but for sheer survival; true, because economic injustice directs the animosity which should flow outwards towards the enemy, inwards towards the fellow citizen. *Franc Tireur*, for instance, demands "profound and rapid reforms of structure such as those accomplished by Labour Britain." Such reforms can, however, only be effected by a majority party—an impossibility in contemporary France. But much could be done to remedy poverty and banish frivolous riches if the fiscal system were overhauled. M. Maurice Duverger, a young professor from Bordeaux who contributes frequently to *Le Monde*, has drawn attention to the government's dilemma in the matter of the financing of rearmament. As to the part which France itself must finance, the government can do two things: first, economise its civil investment, which would mean a cut in housing, unless (as is most improbable) sufficient "inessential" lines of production could be converted. But this course is scarcely conceivable in view of the unbearable shortage of houses in France today (the main housing effort is still in the war-shattered towns). Or second, the government could have recourse to extra taxation. But, as usual, farmers, tradesmen, industrialists and the liberal professions will find no difficulty in tax-evasion: the brunt will consequently fall, as usual, on the fixed income class. This fiscal fraud, since it robs the government of its revenue, must evoke an increase in indirect taxation; so that once again the poor will be depressed in relation to the rich. Such a development, concludes M. Duverger, would so stimulate Communism as to render rearmament impossible without police repression. Therefore the only way to have rearmament without Fascism is to adopt a genuine policy of redistributing wealth by taxation. The sole other alternative for the government is to employ inflationary measures; these would likewise obliterate the purchasing power of the wage-earners.

It is hard to deny the force of this argument. M. Pléven, in his speech at his constituency, St Brieuc, has promised the most energetic action against inflation: by customs' policy, taxation and restriction of credit. The International Monetary Fund, at its Paris meeting, has also recommended that both governments and persons should restrict their investment to "essential purposes." It is to be hoped at least that the building programme under private enterprise will not be retarded by credit restrictions. For it is already a high-cost industry on account of the lack of skilled labour and should rather benefit from a special credit regime. Another highly welcome line of policy proclaimed by the Prime Minister is the abolition of the famous nationalised railways deficit. As budget follows budget, the poverty of the treasury is always in glaring contrast with the wealth of the merchants, the abundance of luxury goods and the proliferation of purchase-taxless automobiles.

Such until now has been the ramshackle economy and centrifugal tendency of France, in essence a rich farming and vine-growing land of Catholic culture and military tradition with certain industrial interpolations. This is the society which is called to act as the continental pivot of an alliance dominated by Anglo-Saxon, Protestant powers possessing a far more intensive business and industrial civilisation and a far greater social cohesion. The next years will show whether, sustained by transatlantic supplies, France, the pre-industrial European land power, will once again unite and rise to defend its own frontiers.

Marxist Shanghai—II

[BY A CORRESPONDENT RECENTLY IN CHINA]

THE foreigner's glib assertion that Shanghai is not China overlooks one way in which Shanghai has for some decades been peculiarly and distinctively the focus of modern China. For over a hundred years the major port of entry for the west, for its goods and its ideas, Shanghai as a town has grown up without traditions, with little direction from its founders and builders, with a constantly increasing population of uprooted western-educated, upper-class Chinese, who, finding themselves without a pattern of living, made, what the west had made no attempt to supply, their own model. It was in Shanghai that the Chinese took what they needed and created their own superficial model. It could hardly, in such surroundings, have been a very well founded model. The young Chinese wearing an American style suit, a garish tie, armed with a camera, a Parker 51, a refrigerator full of coca-cola and the degree of a minor American university may sound a caricature, but it is a fair approximation of the aspirations of Shanghai. It is not surprising that such a figure could be easily knocked down by anyone equipped with the simplest weapons of Marxist criticism. But the public which needs such a model will not be satisfied until a new one appears. If one dummy is removed another will replace it, and while new doctrines may absorb the seekers after a new faith, those whose intellectual standards are less vigorous and whose enthusiasms operate on the lower levels of fashion will be quick to anticipate the demands of the "new look."

The expression *kao t'ung* is one of many which have sprung from Shanghai. The new dress introduced for government officials in the autumn of 1949 (following the Sun Yat-sen uniform of the Kuomintang) was quickly dubbed *Lieh Ning chuang* (Lenin dress), and it soon became fashionable wear outside the ranks of officialdom or the party. So much so indeed that one of the newspapers saw fit to issue a warning. There was no objection, they assured their readers, to the wearing of this costume, but it was important to realise what it stood for. It should not properly be worn by those who were *kao t'ung*. Was the heart pure and the mind cleansed that lay beneath the uniform?

Fur coats and permanent waves were dismissed by the rigorous fashions of Peking (to the consternation of unliberated Shanghai) until the authorities announced there had been no such edict (though the modern party worker would be unlikely to indulge in either). The subtle operation of this process may have its benefits and its dangers. One cannot but applaud the stirrings of social conscience in the running of children's nurseries and other social services by women who might otherwise be spending hours at the mah jong table, even if one suspects that fashion rather than Marxist teaching has dictated the change, but one must deplore, on the other hand, the earnest toeing of the party line—*plus royaliste que le roi* at times—by newspapers whose traditions need not have been so wholeheartedly jettisoned in the desire to do the right thing long before they had been told what they should do. Such enthusiasms may crush freedoms which are not easily restored once a precedent has been set.

The "mighty friendship" with the Soviet Union is aided by the rivulets of fashion. One might almost hazard, on the part of the Chinese, a desire to pick out from among their imperialist despoilers some one power to play the role of ex-great-Uncle, as it were. The Americans were in some sense so regarded in the years of the war and immediately after; has the Soviet Union now replaced them? There is a story of a railway engineer ordered to make a technical change which had been advised by Soviet experts. "You see," he said, "before it was the Americans. Everything they said was right. Now it is the Russians. But I—do you realise, I have been making this recommendation for twenty years. Has anyone ever listened to me? No! We Chinese seem to have got the idea that only foreigners know anything about technical matters." Which is the stronger, the influence of fashion favouring the Russian or of nationalism which certainly accepts the Communist claim that until their advent China had never been really free and independent? One may expect that the broad basis of the new regime will effectively prevent the oligarchic tendencies of one party rule. It seems that China will follow its own road.

Cousins in Europe

But while the Communist victories were being won the world situation had been changing. The Middle Kingdom, alone, self-sufficient and majestic for so many centuries, shattered by western assaults in the 19th century, now finds itself embraced in the arms of a new family. In the streets of Shanghai the Chinese may see much to demarcate the frontiers in which he is now enclosed. The Cominform journal from Bucharest, the *New Times* from Moscow (both in English) proclaim him part of a brotherhood which stretches solidly westward as far as Prague. If at times he finds it hard to believe in his new found cousins in Bulgaria, Roumania or Poland who now fill so much space in his newspapers, it looks very well on the map and one can well imagine that the Chinese feel some sense of belonging, some gratitude even in having their minds made up for them. Not politically minded by nature, they have become internationally minded by force of circumstance. After the sorry chaos of the post-war years it has not been difficult for the Communists to point to the United States as the God that failed.

But what, one might ask, of the background? Where was the economic and political revolution which could change man? The English observer, fresh from wartime controls and the first pressing statutes of a Labour government, sitting in a restaurant reading of the food shortages which were affecting millions in northern Kiangsu, might be struck by the contrast of a bill of fare of over two hundred dishes at his command. Further reflection answered, of course, that in a country so poorly served with communications control of food and raw materials would be extremely difficult. New buildings? After a year of occupation there were none; nor industries nationalised (but inducements for the capitalist) nor even concentration on material benefits which promised a future paradise for the proletariat.

Communist policy seemed to be divided over this unwieldy metropolis. In the economic pattern of the new China it was

expendable, suggested one school of thought. Peking would become the revised government and intellectual centre, the north and north-east (Manchuria) the industrial centres; Shanghai was an unhappy problem contaminated with decades of soulless capitalism—so it seemed to be argued. But if Shanghai would not fit easily into the new China, some attempt was made to bring China to Shanghai. A large agricultural show was mounted on the racecourse. Not the least interesting section had maps and diagrams of areas affected by flood, pest and resultant poor harvests. There was an interesting selection of peasant industries, of farming implements and a row of munching cows (a fine advertisement for British livestock). Much has been made of an attempt to move Shanghai's industry to inland centres. It is hardly likely to have much effect until power supplies and communications are more favourable. Nevertheless, if the curtain on the window to the west has been drawn, a closer relation between Shanghai and the countryside can only be for the good.

Will businessmen's opposition harden while the enthusiasms of the students, intellectuals and salaried workers fade, or will economic rehabilitation come soon enough to turn resentment into acceptance in the former case, while the religious needs (and they are no less) of the latter continue to find satisfaction in the doctrines of the New Democracy? It would be hard to point to any political opposition in the one, while the evident desire on the part of some Christian leaders to fuse their faith with the new teachings is a significant symptom in the other. One impression certainly remains to the observer of political change. The Liberation army has many of the characteristics of the Salvation Army, and in China today there are no competitors in the field of salvation.

Trade Between Two Germanies

ANOTHER attempt is now being made by the Federal German Government to conclude a satisfactory trade agreement with the East German Republic. The present agreement, which expired at the end of June, has been extended to October. The course of interzonal trade has been increasingly difficult, as the two sections of Germany have become more and more foreign to one another. One has to imagine a situation in which Britain was divided into two—a Communist state, virtually annexed to Russia, south of the river Thames (except for a democratic enclave in west London) and north of the Thames a *laisser-faire* state under the supervision and influence of America. In this Britain the southern branches of Imperial Chemicals and other big concerns would be Russian limited liability companies, channelling their purchases, output and/or foreign exchange direct to headquarters in Moscow. The pound would be worth only a quarter as much as it was north of the Thames, but wages would be pegged at about the same normal level. The southern companies, operating to a strict plan under state or Russian ownership, would be able to manipulate their prices according to central policy and dump in the north to the confusion of local manufacturers, many of whom would be refugees from the Soviet south. A northern movement for protection against the south would arise. While the Governments vainly tried to operate a balanced clearing arrangement, the Thames frontier would be in fact wide open to illicit trading, and the enclave west of Piccadilly Circus would offer an easy channel for evading attempts to prevent goods of military importance from finding their way to the Russian area. Each "country" would build up industries in order to become independent of the other.

In Germany, where the situation is still more complicated than this sketch implies, the official interzonal trade agreement of October, 1949, has proved a failure. Only about half the estimated volume of trade has been registered. Officially trade came almost to a standstill when the embargo on exports of western steel was imposed last February. The embargo, now lifted, came into force ostensibly because the Soviet German side was lagging in its deliveries. It was, however, also due to objections from the Allied High Commission to the fact that the Russian zone was buying very little else but steel, and sold little else but consumer goods. This disparity is now to be eliminated. As a start, Ruhr hard coal is again to be exchanged for Soviet zone soft coal briquettes.

Steel to the Soviet Zone

Large quantities of steel have gone to the Soviet zone in barter deals outside the trade agreement. The Americans estimate that $3 million worth of steel has been smuggled over the frontier in the last six months. On the other hand, the Communist authorities are also concerned at the smuggling of precious raw materials—notably non-ferrous metals—to the west. Berlin forms an ideal centre for such illicit exchanges, and the zonal frontier itself is not policed by zealous officers. The Bonn department, staffed by inexperienced officials, has proved very lax in licensing the export of prohibited goods to Communist countries. Supervision of trade with eastern Germany is naturally even slacker.

The Soviet German Ministers are using every means in their power to increase controlled trade with the western Germans. Their motive is even more political than economic. The eastern zone indeed needs western products for the heavy industry which it is feverishly building up. On the other hand, Herr Ulbricht counts upon the lure of markets to win over western German businessmen for the Communists' National Front. He recently urged western German industrialists and traders to ignore the Bonn regulations, to insist that officials with American sympathies are removed from trade departments, and to prohibit the import of goods which can be produced in Germany.

Channel to Asia

At the same time the Soviet German Ministers are linking interzonal trade with opportunities for expanding markets in the whole Soviet area. They claim that western German trade with the Peoples' Democracies, the Soviet Union, and China will in future have to be channelled through them, and threaten that offers they hold from these quarters cannot long remain open. If this effort were to succeed, the position of the Soviet German Government would be greatly strengthened. So far, however, trade between Bonn and the Soviet sphere has proceeded on the basis of direct bilateral agreements, and there is no trade with China.

At the beginning of this year, the Ruhr was extremely anxious to secure orders from the eastern Germans. This situation has, however, changed as American rearmament has filled German order books to overflowing. At the same time, unemployment has fallen by 600,000 since the winter, and thus weakened another potent Soviet German argument. For this reason, the western negotiators who are now starting work are on firmer ground than they were. They may this time be able to secure consideration for the economy of western Berlin, and a more balanced exchange from their Communist opposite numbers. Both parties hope that the total exchange under the new agreement may reach one billion marks in the year—a figure which, according to eastern German estimates, is still only one quarter of the volume of business done between east and west in the old Reich.



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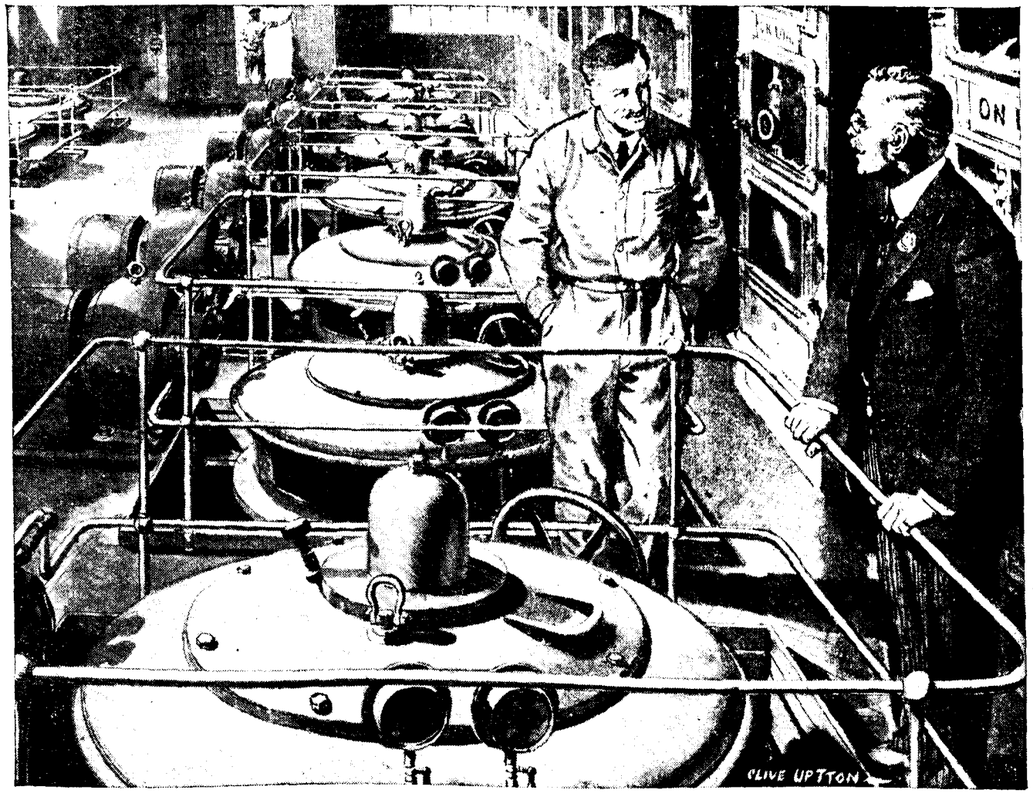
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THE BUSINESS WORLD

Will the Steel Act Work?

THE Government would have done better to defer action on the Iron and Steel Act, and better still to have compromised on the solution that Mr Eden put forward in Tuesday's debate. It has refused to do either. The members of the Iron and Steel Corporation are to be appointed on October 2nd (the first permissible day under the Act, October 1st, being a Sunday) and are then to be consulted about the earliest convenient vesting day. The Government's commitment is by now irrevocable, and since the considerations of political expediency or economic wisdom that might have urged delay have already been thrown to the winds, it is necessary to assume that the vesting date chosen will be very early in the New Year.

Clearly the Corporation will not by that time be sufficiently organised to take on the active direction and control of the iron and steel industry. It may, however, confine its function in the opening stage to accepting the transfer of title in the shares of the 92 companies that are listed, after the latest deletions, in the third schedule to the Act. The Treasury has enough experience by now to have mastered the mechanics of such mass transfers of title, and the corporation should not find its share of the operation too exacting. Its troubles will start thereafter.

What are the tasks that will confront the new corporation? The Act endows it with certain powers, some of which it need not exercise until events oblige it to do so. The power "to hold such interests in companies as vest in them under Part II of this Act" is clearly as much an obligation as a power, and once vesting day arrives the corporation cannot postpone the assumption of it. It is, however, an obligation that can be discharged in an active or a passive manner. Thus the corporation is further empowered "to exercise all rights conferred by the holding of interests in companies," and such rights no doubt include the right to dismiss directors and appoint new men.

A corporation confident of its authority and having a policy of dynamic change to press on the industry might conceivably begin to use this power to make its will effective. But if there is, instead, a corporation somewhat less than self-confident and in the dark about the industrial purposes that it ought to pursue, it may very well leave the managements of the companies alone for the time being. Similarly, the corporation will have power to form new companies to carry on any of the activities listed in the Act, or indeed any of the countless activities that any of the publicly-owned companies is "authorised" to carry on. But to attempt this in the opening phase of the corporation's life will be to bite off more than its infant teeth can chew; it is fair to suppose that such adventures will have to wait. Of more proximate application may be the clause that empowers the corporation to conduct research and to provide common services for the companies under its control. It is true that those companies already have perfectly good common services provided for them by the Iron and Steel Federation and the Iron and Steel Research Association. But these bodies include in their membership many firms that are not to be taken over, and indeed the number of their member firms left out of the Act is far greater than the number that fall within it. Presumably the corporation will have to produce a policy on this matter at an early stage, and it is fair also to suppose that in the attempt to disentangle the common services of the publicly-owned sector from those of the privately-owned sector, some of the services are likely to be damaged and others are likely to be duplicated needlessly.

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Urgent as these questions will be, to consider them in detail now would probably be to look too far ahead. When the corporation exercises its initial right and assumes title to the shares of the companies, it will assume financial obligations at the same time; the shareholders in the companies will receive as compensation Treasury-guaranteed Iron and Steel Stock, and their title to this stock commences on vesting day. When the Bill was first published the number of companies affected was 107, their issued capital was estimated at about £195 million, and the amount of stock required to compensate them was put at about £300 million. These figures have been changed by the deletion of 15 companies from the schedule and the hiving-off of parts of others, but they were in any case approximate figures, and the final scale of the operation can hardly be exactly known until it has taken place. All that need be said now is that the basis on which compensation is to be computed is still unjust and iniquitous, and that the effects of shareholders seeking to escape into new industrial holdings from their approaching status of involuntary gilt-edged holders have already become perceptible in the market.

Beyond the power to pay off dispossessed shareholders with Treasury-guaranteed stock, the corporation will have other recourses open to it for raising money. It will be able to raise money by overdrafts or loans and to permit its operating companies to do the same. It will have power to float further Iron and Steel Stock, which may or may not be Treasury-guaranteed. The extent of all this borrowing together is restricted to £350 million. But the corporation can draw on the profits of its companies to build up a reserve for purposes which "include the checking of undue fluctuation in the prices of products . . . and the financing of works the cost of which is properly chargeable to capital." Money could also be raised at need by selling off assets, or indeed whole companies, on the Minister's direction; and the assets which it is about to acquire are so miscellaneous, and extend in many cases so far beyond the confines of iron and steel making, that some such

sales may not seem out of the question. It cannot yet be a settled public policy that the state should enter into competitive trading in all the trades into which the individual scheduled companies have at one time or another been drawn.

Indeed, it will be well for the members of the new corporation to bear in mind in their initial operations that the nationalisation of iron and steel is still not a settled public policy at all. It is to be this winter's adventure, but that is another thing. Mr Churchill reiterated on Tuesday the Opposition's pledge to repeal the Act "if we should obtain the responsibility and the power in any future which it is possible to foresee," before or after the vesting date. With the parties balanced as they are today, this is not an idle pledge. It could involve the recall of Iron and Steel Stock and the return to shareholders of the title in their shares—reasonably simple operation, provided that the time elapsed was not long enough for the identity of shareholders to have become changed and confused, and provided also that the corporation had not been active in the interim in reshuffling the assets of its companies. The more actively the corporation imposes its will on the companies, the more difficult and complex will the disentangling process become. But if it behaves only as a passive holding company, it is possible that the identity of the companies may remain for some time substantially unchanged.

The corporation has from the first been conceived by its authors as a holding company in charge of a decentralised system of undertakings; and one clause in the Act enjoins the pursuit of decentralisation on the corporation as one of its general duties. The Act (unlike the Coal Industry Nationalisation Act) does not automatically throw the company structure of the industry into the melting-pot. But experience has shown that decentralising intentions are more easily stated in Parliament than pursued in action. The Minister of Supply, in a last effort to explain why the Act was necessary at all, restated on Tuesday the expansionist Labour view of iron and steel. Thus, the steel industry in the last war was "inadequate to meet our needs." Nationalisation was "essential in peace-time to maintain full employment, and in war-time to provide adequate defence for our country." In short, Mr Strauss implied plainly that the industry will be blown up bigger under State ownership than would have been likely to happen under private ownership.

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One of the obligations laid upon the corporation is to act in accordance with a general programme of reorganisation and development laid down with the Minister's approval. Thus, an ambitious Ministerial programme would oblige the corporation to act in an ambitious manner, and to impose its wishes on the companies; and at this point the principle of decentralisation might suffer. Further, the corporation is obliged to use its powers in pursuit of a production policy and a price policy to be determined by itself

> . . . to promote the efficient and economical supply of the products . . . and to secure that those products are available in such quantities, and are of such types, qualities and sizes, and are available at such prices, as may seem to the Corporation best calculated to satisfy the reasonable demands of the persons who use those products for manufacturing purposes and to further the public interest in all respects.

This outline of what the corporation's powers and duties are likely to involve needs to be borne in mind in considering whether the men whom the Government has selected are likely to prove a match for their job. No doubt these are worthy and respectable men, fit perhaps for the formal assumption of power and acceptance of title in the iron and steel undertakings; if they are not, it will not be for lack of accountants among their number. The question is whether they are suitable men to go beyond the formal transfer, to evolve and apply the production policy and the price policy that the Act requires them to have, and to press on with the great schemes of development which the Minister of Supply declares to be urgent. The Act has something to say on the type of men who ought to be appointed, though as in so many passages it indicates an intention without committing itself to watertight language:—

> The chairman and all other members shall be appointed by the Minister from amongst persons appearing to him to be persons who have had wide experience of, and shown capacity in the production of iron ore or iron and steel, industrial or financial matters, administration and the organisation of workers.

How happy is this formula, how fortunate the words "appearing to him"! At least they leave the Minister able, in law, to appoint whom he pleases—or whom he can get. He may have succeeded in getting men of experience and capacity, though even that remains to be demonstrated; but the men who have acquired their experience and shown their capacity in the production of iron and steel are not to be induced to take part so long as the prevailing political uncertainty makes the future of their industry uncertain. Mr Strauss has had bad luck in that one of his selections has already withdrawn because "the intense political controversy surrounding the setting up of the corporation has created an atmosphere in which I could not usefully serve." Mr Maclean's explanation might be easier to understand if more were known of the manner and the timing of the Government's approach to him. On the face of the matter, a man of wide experience and proven capacity might have been expected to foresee that something of a breeze would blow up. Mr Maclean seems hardly to have shown that talent for perceiving the obvious that ought to be the standard equipment for members of public boards.

The remaining members, taken together, make a body of men of no particular eminence who might be expected to do tolerably well in steering an established concern of moderate dimensions on a not too difficult course. None of the appointments is distinguished, none places any great practical knowledge of iron and steel at the corporation's disposal, and neither the chairman nor the trade union member is a tactful choice. All in all, the Government has had as much difficulty since the general election as it would have had before it in scraping together a team that could be presented to Parliament with a straight face.

It is beside the point to blame this fact (as Mr Strauss did) on the present leaders of the steel industry because they refused to help. The Government itself precipitated the position that has now been reached, knowing that it would be an unsettled position in which the leaders of the industry would feel obliged to stand aside. So long as the Government's life is uncertain and the eventual fate of the industry indeterminate, it is by no means clear how they can properly take up any other attitude. There is no question of their having, by withholding their advice, forfeited any "right" as Mr Strauss suggested. It was part of the Government's responsibility to create the conditions in which their advice could decently be asked and given, and this should have been a preliminary to putting the Act into effect, not an afterthought.

If the Labour party's assumptions about nationalisation are for a moment granted, then it is clear that one condition of success in what the Government is trying to do is a strong board, acquainted with its work, respected and, as far as possible, untouched by controversy. Another condition is that the board should have the co-operation and confidence of responsible men in the industry. The corporation, weak as it is, will not be without strong cards to play if it survives the next few months. Its strongest card will be the life-long attachment of so many of the leaders of the steel industry to the enterprises which they operate, an attachment stronger in many of them than any political tie. This is not a card to be thrown away in any fit of Ministerial indignation. If, instead, it is played with skill and care, then it is fair to expect that the leading men in the iron and steel industry will—once the political uncertainty is settled—give what help they can.

Mr Strauss pointed out on Tuesday that he had appointed only seven out of a possible eleven members of the corporation. Mr Maclean's withdrawal leaves him with five vacancies instead of four. The corporation's best policy would seem to be to make its duties as formal and restricted as possible until it becomes redundant or until the conditions are created in which men from the industry can join its ranks without loss of self-respect. At best the corporation's prospects are not bright.

Transport in Trouble

IT is impossible to work up any great excitement about the second annual report of the British Transport Commission for 1949. It apepars even later in the year than the 1948 report, though that may not be entirely blamed on the Commission. Its plums, such as they are, have already been presented in evidence in the two cases for increased freight charges and increased London fares submitted to the Transport Tribunal. There are plenty of prosaic facts and figures galore for those who care to delve into the rather ancient history of 1949. But these tell only part of the story of the serious fix in which nationalised inland transport now finds itself. The deficit of £20.8 million for 1949 was accurately estimated and published before Christmas last year; together with the loss from 1948, this made an accumulated deficit of £25½ million at the end of 1949; an authoritative estimate of a deficit of £15 million for 1950 means that by the end of this year, the Commission will be saddled with accumulated losses of no less than £40 million.

If there was any evidence that this was a passing phase of misfortune, with a fair prospect of recovery and recoupment, even these burdens might not seem too tragic. But one looks in vain for any sign of improvement. Prices continue to rise against the Commission; petrol, tyres and materials of every kind are dearer and are likely to be dearer still. There is the abiding problem of maintaining peaceful labour relations and yet having not a penny to meet claims for higher wages. Traffics are disappointing, although economic activity generally is as high as it has ever been. Charges cannot be increased until the Transport Tribunal has been satisfied by detailed enquiry—a process that is an important safeguard for the public, though conceivably disagreeable to the officers who have to give account for the Commission and its Executives. Nor would it seem expedient to seek another emergency increase in charges so soon after the increase in freight rates last May; the Commission will have in future to submit "charges schemes" designed not merely to fortify its revenue but also to contribute towards that "properly integrated system of public inland transport" that the Transport Act requires it to provide, and the two aims may not be compatible in every case.

Thus the Commission is faced with a financial crisis of serious magnitude. To write off the accumulated deficit within a reasonable period—say six years at the outside—would require an annual net improvement on this year's prospective result of no less than £22 million. That may not sound very much for an organisation with gross receipts and working expenses each between £450 and £500 million; a 2 per cent increase in receipts and a 3 per cent cut in expenditure would do the trick. But it is obvious that no such optimism is entertained. Nor even so would it leave the Commission with any surplus from which it could maintain and fortify its existing capital assets. Indeed, the Commission's capital problem is likely before long to match its revenue problem. In 1949, the Commission's liquid funds fell by more than £75 million to £160 million, and net current assets were reduced by nearly £90 million. Most of the items

BRITISH TRANSPORT COMMISSION RESULTS

(£ Million)

	Gross Receipts		Working Expenses		Net Receipts	
	1948	1949	1948	1949	1948	1949
CARRYING ACTIVITIES						
Railways:—						
Passenger and freight	337·3	325·5	311·1	312·8	26·2	12·7
Collection and delivery	8·7	8·6	12·6	12·3	*Dr.* 3·9	*Dr.* 3·7
Road Haulage*	14·3	38·9	13·2	37·4	1·1	*1·4
Road Passenger Services	32·5	35·8	28·3	31·6	4·2	4·3
London Transport—						
Road	42·8	42·2	38·5	39·3	4·3	2·9
Rail	15·1	14·8	13·5	14·0	1·5	0·8
Marine Services	10·3	11·1	7·4	8·0	2·9	3·1
Canals	0·5	0·7	0·6	0·8	*Dr.* 0·1	*Dr.* 0·1
Totals	**461·6**	**477·6**	**425·2**	**456·2**	**36·4**	**21·4**
Tolls, hotels, advertising, other income, rents and interest					8·8	9·9
Total Net Revenue					**45·2**	**31·3**
Central Administration					0·7	0·9
Interest on Transport Stock					42·3	43·9
Freight Rebates Funds					3·9	3·8
Deficit					*Dr.* 1·7	*17·3*
Capital Redemption Provision					2·5	2·6
Initial Expenses and special items net					0·5	0·9
Total Deficit					*Dr.* **4·7**	*Dr* **20·8**

* The two years are not strictly comparable.

responsible for last year's drain of funds have still been operating in 1950—the need to finance the continuing deficit, new capital expenditure beyond the year's provision for depreciation, the overtaking of arrears of maintenance and cash payments for road haulage undertakings acquired by the Commission. By any normal standard, many of them are inseparable from commercial success and financial soundness ; how, it may be asked, can traffic be attracted or operating costs reduced without considerable investment in improved and efficient railway facilities ? The one way to eventual commercial disaster would be to starve the Commission of resources that it could invest to good advantage, but when the report complains that its steel allocation was cut even in 1949, when steel was becoming adequate for the nation's needs (save in some special categories), it seems clear that the railways are treated on a footing of less eligibility compared, say, with electricity. With official connivance, if not indeed under official pressure, they are steadily consuming their capital.

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The report itself, however, could hardly be more discreet in its references to this topic and to other matters even more fundamental. Integration, for instance, gets a page and a half in the report ; a few minor improvements have been made, and general outlines have been drawn up for the information of the unions, whose co-operation is obviously vital to success. But there is no discussion here of what the Commission conceives integration to mean ; there are references to the building up of " the sense of a common purpose which is essential to a final solution " and to experiments on familiar lines to handle traffic in what are, *prima facie*, the best ways. But even the simplest schemes of this sort involve painful things for staff and customers, such as the displacement of branch railways by road services, or the routing of consignments according to the Commission's ideas rather than the customer's wish. It is quite impossible to expect that such schemes can be applied in the reasonably near future or that, if they could be introduced, they would bring in the net revenue that the Commission so urgently needs. For their full realisation, many years will be needed, with angelic co-operation from the staff, complete understanding by the public, and repeated applications to the Transport Tribunal for sanction for charges schemes of growing complexity as each means of transport is brought in to form the co-ordinated whole. It is, perhaps even now, a little too soon to assume that integration was a meaningless word on which the Transport Act relied altogether too heavily ; but it was the one single idea in the Act that could have been held to justify the wholesale acquisition of the railways, with their large units hard hit by road competition, and of road haulage with its large number of small operators who well knew what competition was but had no use for co-ordination. All that can be said is that the ambitious courage of those who drew up the Act has left the Commission with problems and responsibilities that will take years of work, and will leave fewer energies for meeting the present financial and commercial difficulties.

Nor is it possible to find in the report any realistic discussion of the organisation of the Commission and its Executives. Two years may be too short a period finally to establish what is wrong with the existing form of organisation and to suggest reforms. But the Commission can hardly be so unaware as the report would leave the reader to suppose of deep-seated criticism and restiveness in many strata of the transport hierarchy. Relations between the Commission and certain Executives are not perfect ; that would not matter very much if confidence were being built up, but to the outside observer it seems very doubtful if two parties so conscious of their status as master and servant can work with effective smoothness. The Commission rests on the doctrine that it must operate its various parts as one undertaking ; but its various parts are themselves enormous trading corporations and employers of labour, whose efficiency is likely to vary in inverse proportion to their conviction that daily oversight in detailed matters of commercial policy, staff questions, or financial administration constitutes the main activity of the Commission. No doubt over centralisation is not a criticism that can be levelled exclusively at the Commission (though the centralisation of so-called " common services " such as commercial advertising, films, and law makes it easier to do so) ; the Railway Executive itself has many of the defects of remoteness and tightly-held administration in its dealings with its regions. Some of these defects are inseparable from the mere bigness of the transport system, but it is difficult to believe that all of them are unavoidable.

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It is time, indeed, to admit the possibility that first thoughts on the transport organisation may have been wrong, and to see how they might be improved. The first improvement—hardly open to dispute, surely, at this stage—is to wind up the Hotels Executive and transfer its responsibilities to the railways, for its separation has involved an increase in overheads with no perceptible gain in efficiency. The second question is whether any advantage has been gained, or is likely to be gained, from a separate Docks and Canals Executive, performing functions that the former railway companies managed to perform with reasonable success and probably greater economy in the ordinary course of their duties. Thirdly, it is necessary to examine how far efforts by the Executives to obtain improved results may be frustrated by attempts to supervise their affairs from above. Is it sensible that the Commission should instruct the Railway Executive about the services it must provide or lay down in detail the content of its financial budget ? Fourthly, there is plenty of evidence that the stranglehold on the railway regions from the centre breeds frustration and unwillingness to accept responsibility, even in cases where responsibility can be clearly defined. A purposeful degree of decentralisation seems to be the only hope for improvement here.

There remains, finally, the most difficult problem of all—the nature of the Transport Commission itself. Few would recognise in the small, overburdened Commission that high-powered deliberative body that was supposed to deal with transport policy. It has, indeed, delegated its operating responsibilities to the various executives (though it has also assumed many administrative functions that might have been left with them) but its supervision in detail of the activities of the executives has left it the less free to do the urgently necessary thinking about the real stuff of transport policy. On this, it can hardly be claimed that matters have progressed much further than the equivocal stage that the railways themselves had reached towards " understanding " with the road haulage industry before the war. Integration is bound to be a slow process, but it is difficult to believe that it can be encouraged by close and detailed supervision of the activities of each executive. To suggest that the old system of part-time directors with general managers responsible to them had solid virtues may sound old-fashioned ; but it is worth consideration whether these virtues are not something of which the Commission stands in real need today. At present there are two if not three separate levels at which the functions of general or technical management are exercised—at the Commission, at the Executives and in the regions. Is it surprising that confusion, duplication, divided responsibility, and complaints of " insubordination " and " interference " are the result ?

These comments, no doubt, will cause pain if not resentment. Let it be said, therefore, that if they are frank they are intended to prompt the re-examination of ideas from which much was hoped in 1947, but which can hardly be said to have succeeded so far in practice.

Anyone who claims to have a solution of the transport problem in his pocket is either dishonest or a fool. Britain is no different from most countries in having a railway system that is economically too big for its needs but which cannot, on that account alone, be greatly contracted. The Commission rightly refuses to admit that subsidies are any satisfactory solution, and proposals such as those of the Federation of British Industries that the cost of unremunerative strategic lines should be transferred from the transport user to the defence votes whatever their merits in principle are not very relevant at a time when the transport system as a whole is losing so much money. The present aim of the Commission is to force the ill-fitting pieces of the transport jigsaw into a consistent pattern. It may be possible, given time and the utmost patience and good will on the part of transport workers and transport users. But time is rapidly eating into the Commission's financial vitals, and before another year is out it may well have to be asked whether the grand conception of integrated transport that informed the 1947 Act is possible of achievement.

Business Notes

Switching from Rails

This week's general advance in the markets is not quite so perplexing as it might seem; its causes are complex and a few of them are perhaps even contradictory, but there is no reason to doubt the substantial accuracy of the investors' judgment in their higher bids for industrials, mining shares and even gilt-edged. No immediate election and the radical improvement in the Korean fighting were enough in themselves to put the funds better, at least for a time. As for equities, the doubts that have been present ever since rearmament was announced are still there—the effect of the defence programmes on the earnings prospect of particular undertakings and the fiscal uncertainties that are nowadays subsumed under ministerial assurances to their supporters of " a fair spreading of the burden." But these questions have been put aside this week, and the conviction that a further inflationary phase is in prospect has held sway.

These factors might have cancelled each other out—as they have often done in recent weeks and seemed again to do on Thursday—but for the confirming vote for the due process of the law to nationalise the steel industry. This provided an immediate signal for holders to switch out of steel shares into other industrials ; simultaneously institutional investors were able to repeat the process, familiarised in earlier nationalisation schemes, of picking up steel shares as gilt-edged options " on the cheap," after of course full allowance for stamp duty and commission. Steel shares have thus fallen to a significant discount on their take-over prices, and a temporary wave of reinvestment business has flowed into other sectors of the industrial market, raising the *Financial Times* industrial share index from 115.9 to 117.7 in two days.

None of these movements could be described as unreasonable, and there was a basis of good sense equally in the speculative bidding for Japanese and German bonds. As for the improvement in Kaffirs, the new freedom for switching operations has played a part if not a major one. There has been substantial buying of South African stocks on Swiss account, but these orders seem to have come almost exclusively from one Swiss banking house whose clientele has always been interested in the South African market. French holders of sterling securities have been rather apathetic, in view of the protests against the old regulations that used to be heard from across the Channel, and New York seems to be too busy with its own boom to spare much time for the London market.

* * *

Commonwealth Economic Policy

The Finance Ministers and other financial authorities of the Commonwealth have been meeting in London this week, as they usually do once a year when they are called together by the meetings of the International Monetary Fund and the International Bank. This week's meetings, which have been held under the alternate chairmanship of Mr Wilson and Mr Gaitskell have had before them a crowded agenda. The Commonwealth representatives have surveyed the broad scene of the sterling area's balance of payments with the dollar world, a scene that has changed out of all recognition since the devaluation crisis of a year ago and since the severe cuts in dollar imports decided upon at that time. The effects of devaluation, and now of rearmament, have created a new situation which may allow the present Commonwealth policy of discriminating against dollar imports to be more leniently applied. There is good ground for arguing that the price mechanism may now be expected to achieve without discrimination what the conscious cuts in dollar imports were intended to achieve a year ago. A second subject that has been discussed is the advance made by Great Britain towards economic integration with Europe in the past year. Britain's membership of the European Payments Union and the consequent abolition of discrimination in commercial policy between the members of the Union has set some delicate problems for the Commonwealth. The principle of non-discrimination applies not only to trade between Britain and the other member countries but also to Europe's trade with the Colonies and dependent territories. This means that the Dominions may now sometimes receive less favourable treatment in their trade with Europe than neighbouring territories in the Commonwealth.

It is but a short step from these considerations to the complex problem of the tariff discussions that are to begin in Torquay next week. The Commonwealth teams that will attend that conference have been arriving in this country and, although the Torquay prospects have not been dealt with in

the meetings of finance ministers, some of the delegates and experts concerned have been meeting in London to exchange views and to decide, if possible, on a common line to be adopted. They have also been able to give one another some indication of the tariff and preference items on which they will be prepared to bargain with other countries, especially with the United States. Next week the Commonwealth discussions will turn to the problems of economic development in south and south-east Asia. The work begun at the Colombo and Sydney conferences will then be taken a step further. Seldom have the affairs of the Commonwealth held so much of the attention of Government departments in London.

* * *

Machine Tools and Russian Trade

After all the excitement that the matter aroused, it appears that there is little real difference between the Government and the Opposition attitudes on the subject of exports to Russia. The Government is preparing somewhat more comprehensive lists of machinery the export of which is to be controlled, and some of the machine tools over which the controversy arose fall within the new list as it is at present drafted. Further, the President of the Board of Trade announced in the Commons on Monday, a new procedure by which the machine tools now being made to eastern European orders, are to be examined to see whether they are needed for the British defence programme; and particulars are to be circulated to the north Atlantic treaty powers and the Commonwealth countries, who may also put in their bids. As Mr Wilson hinted, this process may be lengthy and until it has been gone through the machines will not go to the eastern European customers, who are (principally) Poland and Russia.

These assurances seem likely to satisfy Mr Lyttelton, who in putting the Opposition's case asked a series of direct and specific questions about particular large machine tools. He was concerned with large vertical boring machines and boring mills, heavy planing machines, and very large centre lathes ; some of these, he claimed, were urgently needed for defence work in Britain, and the others were so likely to be used for armament manufacture that their export to eastern Europe ought to be stopped. Mr Lyttelton's information was clearly good. Before the debate ended Mr Freeman, Parliamentary Secretary to the Ministry of Supply, answered that some of the vertical borers being built by Craven Brothers would be requisitioned for the Ministry of Supply or the Admiralty. The other machines would be considered one by one in relation to their end uses, the demands for them in Britain and friendly countries, and the circumstances that might exist as each machine approached completion.

Machine tools can only with difficulty be defined in categorical terms as warlike or pacific objects. Some clarification of the Government and Opposition feelings on the whole question of trade with Russia did, however, emerge from the debate. Neither side wants an economic blockade of Russia, though there have been moments when that appeared to be the result to which the argument might lead. Both sides recognise (what is indeed obvious) that the Russian trade is useful to Britain as well as to the other side. The urgent need for some types of equipment has been forced on Britain, as on other western countries, by Russian foreign policy, and if these are the types of equipment the Russians happen to want it is open to them to correct the situation. Similarly, there are some things specifically useful in war that it may be prudent to deny to a country that is behaving in a hostile manner, but the definition of these things has to change with the quantities of the goods and the circumstances of the time. To keep trade going at all may not be easy while acting on these lines, but a mutual blockade does nobody good.

* * *

Russia's Imports of Strategic Materials

Among the "strategic" materials which Russia has been buying from the sterling area, machine tools have lately had most of the public attention. But Russia has also bought significant quantities of rubber, tin and wool, though Russian imports of such materials, apart perhaps from tin, seem to have been smaller this year than in 1949. To measure the size of Russian imports is a hazardous business, for the Soviet Union publishes no trade statistics. Estimates can be based on exports from the major exporting countries, provided that a standard period for shipment from each supplying country is assumed. This method ought to throw some light on Russia's principal imports, though it is obviously rough and ready and conceivably incomplete ; for instance, shipments to any country of eastern Europe might eventually find their way into Soviet hands. Certain countries such as the Netherlands have an important transit trade in rubber and tin with the Soviet Union, but statistics covering this trade are published and it can be included in an assessment of Russian imports.

The accompanying table is based on such methods. It can only claim to show the bulk of Russian imports of four commodities: rubber, tin, wool and cotton. Russia's imports of rubber have risen steadily since the war and reached a peak in 1949 of 105,000 tons ; this was well over three times the prewar level. On present indications, imports of rubber by Russia during the current year may not exceed 85,000 tons. Until June, Russia seemed to be importing at the rate of 50,000 tons a year—about half the rate of import in 1948 and 1949. But since Korea Russian buying seems again to

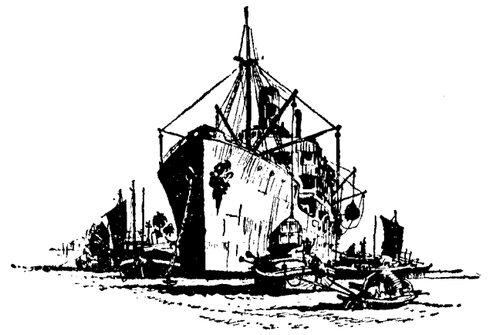
IMPORTS OF STRATEGIC MATERIALS INTO THE USSR

Commodity	Unit	Prewar Average	1946	1947	1948	1949	1950* (Annual Rate)
Rubber	'000 tons	30·0	9·5	35·0	100·0	105·0	85·0
Tin	"	11·0	2·0	1·0	0·5	0·3	0·7
Wool†	mn. lb.	19·0	5·0	30·0	35·0	45·0	42·5
Cotton	"	1·5	1·5	1·0	2·5	1·5	2·0

* Annual rate based first nine months for rubber, first eight months for wool, and first six months for tin and cotton. † Clean basis.

have been stepped up to an annual rate of about 100,000 tons. Russian imports of tin this year have been relatively large ; the estimate is over 600 tons in the first seven months against some 300 tons in the whole of 1949. More than 500 tons of tin metal were shipped from Britain during the first half of this year. Imports of cotton into the Soviet Union are so small as to be negligible from the point of view of war preparation. Indeed, in certain years Russia has had an export surplus. Wool is more important and Russia is taking about four times as much as before the war.

The figures show, first, that Russia is importing much more of these commodities (except tin) than before the war and, secondly, that imports this year are probably no larger than last year—if, indeed, they are as large. But any big purchases made since June would not be fully reflected in these estimates except, perhaps, in those for rubber. If, as market reports suggest, Russia has been an important buyer of rubber in the past three months, its imports might well rise above last year's total. Again purchases may be consigned to brokers in third countries and then trans-shipped to Russia. If the third country is in western Europe these quantities are usually published, but not many Asiatic countries publish full details of their transit trade. Even if Russia's imports of rubber were to exceed those of 1949, the quantities involved would not seem alarmingly large, and they do not suggest any very serious attempt at stockpiling. Russia has an active synthetic rubber industry and can also use most of the output from eastern Germany, but imports of natural rubber must also be required in part for current manufacture. Hence the maximum rate of accumulation for stockpiling would hardly appear to exceed 80,000 tons a year. Such a figure assumes a relatively small rate of consumption, and it can be compared with a recent rate of stockpiling of about 125,000 tons in the United States. As



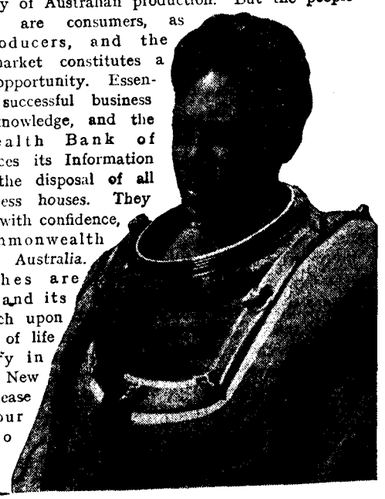
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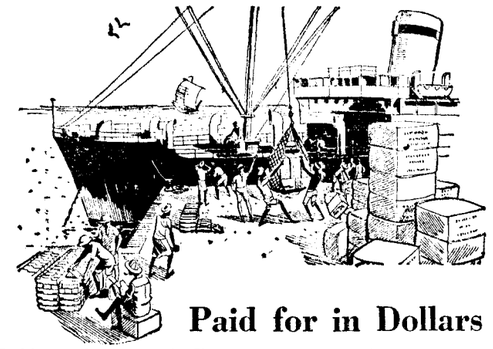
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for tin, the bulk of current imports is likely to be consumed, though the sudden jump in this year's estimate suggests that some accumulation may be taking place.

* * *

Excitement in Wool

London's first wool sale of the season opened on Thursday and prices generally followed the jump which has obtained in Australia during the past month. When the Australian sales opened in the last week of August prices jumped by nearly 50 per cent compared with the closing prices of the old season. Merino 64's, for example, which is a representative grade of the Australian clip, sold at 210d. a lb. against 151d. a lb. in July. In a single day wool had become a fantastically dear commodity. Since then prices have risen only slightly ; in the second week of the Australian sales merino 64's rose another 2d., then fell to 209d. a lb. and this week recovered to 213d. a lb. Prices at the different sales in Australia have swung by 5d. to 10d. a lb. either side of the general average.

The impression of sharply rising prices has, of course, been encouraged by fantastic bidding for small quantities of super-quality wools offered at each of the different selling centres. This week 280d. a lb. was paid at Brisbane for seven bales of highest grade wool. These prices have hit the headlines but they account for only a very minor proportion of the clip. Again, as each selling centre reports its own new record prices, generally at the first sale of the season for particularly high grade wool, it gives an impression that prices have been rising continuously. In a broad conspectus, however, wool prices have risen relatively slightly since the first big jump at the beginning of the season.

Until the London sales opened on Thursday offerings had been mainly of merino types—Australian and South African. But demand for all grades of wool in London proved to be just as keen as in Australia and prices generally rose by fully 50 per cent compared with July. This is a slightly larger increase than was recorded in the opening sales in Australia but the difference represents no more than the usual premium for spot supplies. Merino 64's are now quoted at 224d. a lb. against 151d. in July, fine crossbreds 58's at 178d. a lb. against 111d. a lb. two months ago and medium crossbreds 48's at 115d. a lb. against 71½d.

It will be interesting to see how prices move during the remaining weeks of the London sales. The supplies on offer are, of course, much smaller than last season, now that the Joint Organisation's stock has been almost liquidated. For the whole three weeks of the auctions, only 90,000 bales of wool will be on sale, of which 45,000 bales will consist of Joint Organisation stock. At the opening sales last year, total offerings amounted to 135,000 bales of which the Joint Organisation provided 85,000 bales. Since working stocks in consuming countries are by no means large (to judge from published statistics) a " squeeze " for spot supplies may well take place during the next few months.

* * *

Would Allocation Work ?

Meanwhile discussions are proceeding on the American proposals for an allocation scheme for wool. On Wednesday representatives of the three wool growing dominions and of Britain and the United States met to consider them in greater detail. It appears that the United States had little more to offer than to reiterate its view that since wool is a scarce commodity some form of international allocation should be instituted to prevent prices from rising too sharply. No detailed plan was put forward nor, so it is reported, was any consideration given to the relative allocations to the various importers. Presumably these hard questions will be left to the international wool study group which is expected to meet in London early next month. Arguments that allocation could prevent unduly large shipments of wool reaching Russia and countries of eastern Europe are not very convincing. The quantities so far involved in this trade are not very large and export licensing, properly enforced, could be just as effective.

American proposals to institute international allocation are not confined to wool ; they are intended to cover all strategic materials. But wool, although less important strategically than rubber or tin, presents the test case, since this season's supplies are insufficient to meet even the current rate of consumption. World supplies are provisionally estimated at 2,350 million lb. (clean basis), whereas consumption during the first six months of 1950 has been at an annual rate of 2,525 million lb. Commercial stocks are by no means large—certainly not large enough to cover such a deficiency without reducing the level of output of the wool textile industry.

The price-support scheme for wool proposed by the three southern dominions has perforce taken a back seat in the present discussions. It may have seemed germane some months ago ; now it lacks all relevance. The United States might be willing to agree to such proposals provided that the project was widened to include as a counterpart the allocation of wool supplies when they were scarce. It is unlikely that any of the three dominions could agree to abolish the present auction system, if only because their governments depend on farmers' votes. Wool growers are enjoying unprecedented high prices and prosperity ; any government which denies them their fruits must risk their displeasure at the next elections. If allocation is to be accepted, the United States will have to propose a scheme which will enable the free auctions to continue. And that would be a difficult if not an impossible task.

* * *

Base Metal Price Problems

For the past week or so world prices for base metals have ceased to have meaning. The official New York price for copper, for example, stands at 24½ cents a lb. (£196 a ton), but this is a purely nominal quotation and no supplies are available. To obtain spot supplies users have had to pay up to 5 cents a lb. premium above the official quotation, while European buyers have offered as much as 32 cents a lb. (£256 a ton). The American import duty of 2 cents a lb. on copper is still in force and seems likely to continue for some months. Zinc is also scarce ; the official selling price is 17½ cents a lb. (£140 a ton), but 23 cents is commonly being paid for supplies, and the latest reports from New York tell of a " grey market " price of as much as 25 cents a lb. (£200). A strong demand for lead has so far been satisfied at the official price of 16 cents a lb. (£128 a ton). The Ministry of Supply's prices for base metals have, in accordance with policy, been kept in line with the official American prices ; British consumers can at least buy spot supplies without having to pay a premium, but on forward purchases they have to pay substantial premiums.

The American attitude to the import duty on copper is, to put it mildly, surprising. The United States depends on imports to cover about a quarter of its needs, and the American Government is concerned about the recent sharp rises in commodity prices. The reimposition of the import duty has, in the first instance, merely accentuated the rise in prices ; later it may reduce imports. American domestic producers are at present obtaining most adequate prices for their output without any assistance from a protective tariff, and their output was expanding even before the tariff was reimposed.

The Australian proposal to levy an export duty on lead and zinc may also be open to question at the present time. If the demand for base metals in a rearmament boom is highly inelastic, the effect of the export duty might well be to raise the price which consumers have to pay rather than reduce the income which producers receive. The main needs at present are first to encourage an expansion in output and secondly to ensure that these relatively scarce materials are distributed as equitably as possible to meet the different national rearmament programmes. The United States at any rate believes that the second objective can be achieved only by resuscitating the former combined raw materials board ; other countries seem still to have more faith in the price mechanism.

* * *

Record Exports in August

British exports attained new records in August, and virtually all the main export industries played a part. The most encouraging feature was the sharp rise in textile exports ; these were nearly 20 per cent higher than in the earlier months of this year. Cotton goods rose by £2,500,000 to £13.7 million, and wool goods by a similar amount to £13.2 million, while silk and rayon piece-goods at £3,400,000 were the highest on record. Shipments of wool textiles to Canada were 20 per cent larger than in July. These figures suggest that although textiles have to meet more direct competition in overseas markets than do most types of British exports, they are now able to hold their own against strong competition.

Vehicles are still the largest export group, but their total value in August rose only slightly to £34.8 million. Australia resumed its place as the main market, though shipments to Canada remained large. During the first eight months of the year 53,840 motor-cars were sent to Canada compared with 56,584 to Australia ; total exports for this period were 233,055. The shipment of agricultural tractors again expanded, while exports of bicycles were the highest for about a year. Machinery exports (£27.1 million) also increased. Of the total some £1,300,000 went to the Soviet Union ; Russia was the fourth largest purchaser last month, after Australia, India and South Africa. Since the beginning of the year, exports of machinery to Russia have been worth nearly £7,000,000. Exports of most types of consumer goods increased during August, in particular pottery, glassware, and toys. Iron and steel manufactures and chemicals were the only two important export groups that recorded smaller shipments than in July.

BRITISH EXPORTS
(Monthly Figures adjusted to a Standard Month of 26 Working Days)

1949	£ mn.	1950	£ mn.
1st quarter.....	155½	1st quarter.....	174
2nd "	152	2nd "	178½
3rd "	141	July.....	182½
4th "	158½	August	189½

The August record of £189.5 million, unusual for a holiday month, was some £5,000,000 higher than the previous peak last March ; moreover, the rate of export was also a record. The table above gives the value of British exports on a monthly basis adjusted to a standard working month of 26 days. The expansion has not merely been confined to values ; the volume of exports in August was 69 per cent higher than in 1947, compared with a rise of 55 per cent during the first half of 1950.

Imports last month declined and amounted to only £212.5 million. Arrivals of food and tobacco were much smaller than in July, but receipts of raw materials were maintained at a high level. The excess of imports (valued c.i.f.) over exports and re-exports (valued f.o.b.) totalled £18 million—the lowest figure since February, 1949. The cumulative total for the eight months amounted to £273 million and was less than the corresponding figure for 1949 (£293 million) for the first time this year.

EPU Agreement

The Council of OEEC met in Paris this week to sign the agreement setting up the European Payments Union, of which the outlines were agreed last June. The intervening two and a half months have been spent in translating the June agreement into lawyers' English and this legal document was signed last Tuesday. The Council also announced the appointment of six of the requisite seven members of the management board ; the nominations accepted included that of Mr Hugh Ellis Rees of the British Treasury, who is a member of the British delegation to OEEC. The seventh place may be reserved for Switzerland and will probably be filled when the intricacies of Swiss constitutional procedure have allowed that country to become a fully fledged member of EPU. At the end of this month the Bank for International Settlements in Basle, which is to act as agents for EPU, will tackle the first periodic settlement of intra-European payments to be made under the new machinery. This will cover current payments for the three months from July 1st (from which date EPU comes retrospectively into effect) to September 30th.

The entry into force of EPU has led to some consequential adjustments in sterling payments arrangements with the other members. For some time past these arrangements have been gradually adjusted in anticipation of the fact that the launching of EPU would make the currencies of all members freely transferable for current transactions, and therefore remove any ground for differentiation in their treatment. All bilateral arrangements with OEEC members, such as those formerly governing sterling payments with Belgium and France, have therefore been tempered for some time by the widest possible extension of administrative transferability. For all practical purposes, this extension has placed the countries in question in the transferable account group. That position is now to be formalised and, with the signing of EPU, Britain has agreed to give automatic transferable account facilities to any member country that desires them. Another adjustment consequential upon the creation of EPU is the completion of funding arrangements covering any debts between members that are not to be brought into the periodical compensations. A further agreement of this kind was announced this week. It has been agreed that the Danish debt to Britain, represented by a British holding of £22 million worth of Danish kroner, will not be repayable until July 1, 1952, though the Danish Government retains the right to repay before that date. The funding arrangement will leave some Kr.50 million, equivalent to £2,500,000, in British official accounts in Denmark which will be freely available for current payments.

* * *

Australian Export Taxes

When the Australian budget is introduced at the beginning of next month it is expected to include an export tax of either 25 or 33⅓ per cent on wool, lead and zinc. This tax would be an alternative to the appreciation of the Australian pound that local primary producers and their political mouthpiece, the Country Party, have so resolutely opposed. The tax on wool has its origin in a proposal put forward by Sir Douglas Copland, the Australian economist, some three weeks ago. Sir Douglas argued that this tax would be preferable to appreciation of the Australian pound to parity with sterling since such appreciation would cut the incomes of all Australian exporters indiscriminately by 20 per cent ; this cut would bear hardly on exporters of commodities other than wool and also upon Australian industry and it might still not be sufficient to combat the undesirable repercussions of present high wool prices.

The proposed wool tax would, of course, be levied in such a way as to reduce the sums at present received by growers. It is claimed that the tax would not increase the high world

A sensible policy for process steam—No. 19

Intelligent use of "waste" heat from steam

BY SPIRAX

What is called "waste" heat from steam could hardly have been given a less appropriate name.

That part of the heat in steam most readily available to the process is some 70 to 80 per cent. of the total. The remaining 20 to 30 per cent. is in the condensed steam; but as a rule this heat cannot be used effectively in the process. Indeed the presence of the water (hot though it is) in the steam spaces cannot be anything but detrimental to heat transfer and process output. So the condensate must be discharged promptly.

Yet as the heat in the condensate represents a considerable proportion of the coal consumed in generating the steam, its recovery and use is a part of any sensible policy of heat economy.

The ultimate place for hot clean condensate is where it began, in the boilers; and so we have the condensate return system. But it is possible to take an earlier bite at the cherry, before the hot water is sent back to the boiler feed tank.

On leaving the steam traps some of the heat re-evaporates into steam. This is known as "flash steam" and is in all respects a valuable substitute for live steam for any low-pressure heating.

The utilisation of flash steam is a permanent economy which is generally possible without difficulty and for a quite small outlay.

Correspondence to: **Spirax Manufacturing Co. Ltd.**
(Economist Enquiries), Cheltenham, Glos.

NOTES ALREADY APPEARED: *Jan.* 14, "A sensible policy for process steam"; *Jan.* 28, "Who controls your steam stores?"; *Feb.* 11, "Do you get full value from your steam?"; *Feb.* 25, "What steam costing will tell you"; *March* 11, "Meter your steam to get the facts"; *March* 25, "Why have a boilerhouse?"; *April* 8, "Four pillars of process steam wisdom"; *April* 22, "Process heat transfer doubles plant earnings"; *May* 6, "Resistant films a process economy"; *May* 20, "The air film handicap on output"; *June* 3, "Removing the air film handicap"; *June* 17, "Water film against process output"; *July* 1, "Individual steam separation"; *July* 15, "How are your steam traps chosen?"; *July* 29, "Better steam trapping, better output economy"; *Aug.* 12, "The steam circulation system"; *Aug.* 26, "Steam pressures under control"; *Sept.* 16, "Thermostatic control simplified." STILL TO APPEAR: *Oct.* 7, "Flash steam on the agenda"; *Oct.* 21, "Better condensate return systems"; *Nov.* 4, "A place for the automatic pump"; *Nov.* 18, "Heat transfer summing up"; *Dec.* 2, "The more you know about process steam"; *Dec.* 16, "Two instructional courses for steam executives"; *Dec.* 30, "For advice on process steam problems."

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ELEMENTS OF AN INDUSTRY

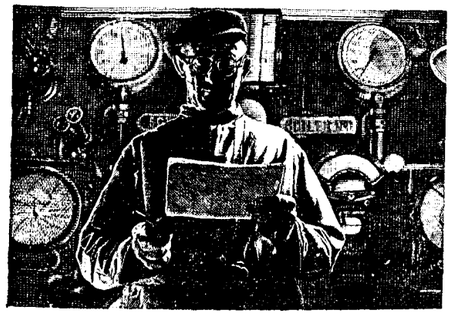


IN daily speech the word "element" is too often used wrongly or carelessly. "The elements" suggest "the weather," and "elementary" something easy or simple. To men of science, however, an element describes any substance which cannot be split up into a simpler one by ordinary chemical methods. A dictionary definition is that an element is "the simplest known constituent of all compound substances". This recognition is based on a theory first propounded by Robert Boyle, a British chemist, in 1661.

In all nature there are only ninety-two of these "Elements". From these are built up every single thing we eat or use or see. The function of the chemical industry is to discover how to separate elements which in nature exist in a combined form, to find out how they can be made to combine into substances useful to man, and then to evolve methods of making them do so "to order" on a commercial scale. The degree of success which this great industry has attained may be judged from the fact that Imperial Chemical Industries alone uses 50 or so of the more important of the 92 elements known to science to make no fewer than 12,000 different products.

ICI

HOLIDAYS FOR BOILERS?

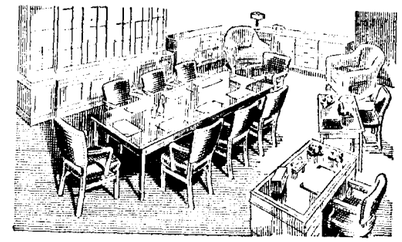


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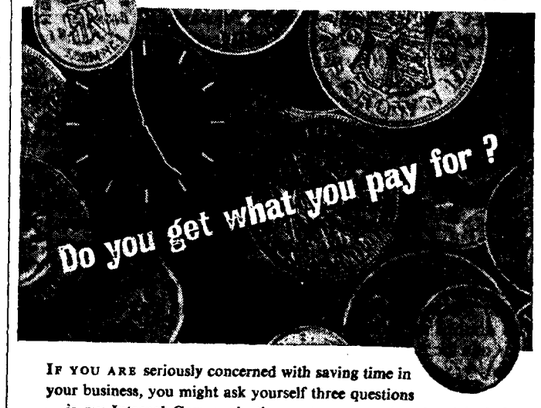


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M-P 297

price paid by overseas buyers, for it would be deducted (like the existing 7½ per cent levy) from the proceeds of wool at the time that it is sold; but this claim assumes that the present demand is not already so intense that purchasers would, in effect, be prepared to pay the tax in order to ensure their supplies. Sir Douglas proposes that two-thirds of the proceeds of the new tax should (like the existing levy) be paid into a fund that would provide a cushion for wool producers if future prices fell below production costs; the other third should be used to subsidise the domestic price of wool and to finance certain investment projects designed to promote the long term interests of the wool industry. If this proposed distribution is accepted—and there is no certainty yet that it will be—wool growers should indeed have little cause for complaint. The main import of Sir Douglas's proposal is that a third of their inflated earnings, much of which would normally go in income tax, should be laid aside for their own future benefit.

It is still an open question, of course, whether the fundamental disequilibrium in Australia's balance of payments should not be cured by exchange appreciation. If appreciation is really politically impossible, however, then the sooner the export tax on wool is introduced and the higher it is pitched, the better it will be for Australia's long term interests. The Dominion is now faced by the prospect that the wool cheque for 1950-51 may be as large as £400 million. In consequence, its national income in 1950/51 is likely to amount to about £3,000 million (or over £375 per head) compared with £2,000 million (or about £260 per head) in 1948-49. It is impossible to suppose that imports and domestic production will increase sufficiently to mop up this enormous increase in purchasing power; unless some step is taken quickly, therefore, inflation will gnaw into the vitals of the Australian economy at what should be the moment of greatest prosperity in Australian history.

* * *

"Discrimination" in Oil Markets

In practice some of these fears may prove exaggerated because it seems doubtful whether the new ECA regulations will work. This attempt to force prices down goes against the tendency of the world markets, which may not move violently but which seem certain in present conditions to rise rather than fall. The increases just announced for most oil products in Britain are a mild example of this tendency. The new ECA price system would in theory create an exclusive territory for Middle East products, and eliminate western hemisphere products altogether, in an area now supplied from the east or the west as the supply position and the tanker movements of the moment make it convenient. But in fact none of the markets concerned seems powerful enough to insist on a single source of supply; the Mediterranean countries will no doubt continue to take oil products from where they can get them, and in the long run they will no doubt have to pay the market price. Further, there is a curious technical anachronism in the ECA amendment, which bases its price rebates on the freight rates of the US Maritime Commission which operated in the last war. Those rates no longer necessarily correspond to the existing freight markets.

It is worth while to explain how the ECA came to adopt its new policy. Suppliers of oil products from the Middle East have been in the habit of accepting a lower return from those areas (such as Britain) to which the tanker haul from the Middle East is more costly than the tanker haul from the Caribbean. The "rebate" equals the difference in cost between the two tanker hauls. There is nothing sinister about this; a motorist pays the same for a gallon of petrol wherever it comes from. In areas to which the freights are equal, the return is equal, and in areas (say, the eastern Mediterranean) where the haul from the Persian Gulf is the shorter the boot is on the other foot. The "freight watershed" between the two supplying regions is somewhere in the central Mediterranean, though naturally it shifts as tanker rates change in the different areas. ECA seems to have decided that for a Middle East producer to accept a lower return from Britain or Denmark than he accepts from, say, Greece is "discrimination" against the Greek. It has therefore, decided that he must accept the lower return from Greece, too. It is a simple train of thought. It breaks down, however, on the fact that competition takes place in the retail market and tends to equalise prices for identical commodities at the point of consumption, without regarding the origin of the goods.

* * *

ECA Intervenes in Oil

The Economic Co-operation Administration, because of the huge scale and wide geographical range of its transactions in oil, has probably more power than any other single agency to influence the world oil market. Its power has been exercised in the past with discretion; being concerned, understandably, to safeguard the public money which it has to spend, ECA has based its purchase prices on the lowest levels in the world market, but it has previously taken care not to do anything likely to break the market's structure. This is probably to the general advantage. The world-wide system of oil prices based on the US Gulf market does not favour everybody uniformly, but it has produced a reasonable stability in a competitive trade, and in the boom conditions of 1950 oil prices have been steadier than those of almost any other vital commodity.

Controversy and alarm have been stirred up in the world oil industry by the new regulations announced by ECA to govern the prices which it will "pay" for Middle East oil products, and it appears at first glance that ECA has abandoned its customary discretion. The regulations are somewhat complicated, but their effect is to introduce fixed and arbitrary rebates on the prices of Middle East oil products destined for Mediterranean and European ports. These will not change the existing delivered prices in north and north-west Europe, where Middle East suppliers are already obliged to accept a lower return than suppliers from the US Gulf and the Caribbean because the haul from the Persian Gulf is longer and more costly than the haul from the Caribbean, and the selling prices have to be the same. They will, however, cut the existing delivered prices in the Mediterranean—in some areas by as much as $3.50 a ton. Thus they will destroy the relationship that has so far been maintained between US Gulf and Persian Gulf prices. The companies directly affected are the major American groups that produce in the Middle East, and these groups are protesting vigorously. But they produce in the Caribbean and US Gulf as well, and they cannot expect to sell oil from the western hemisphere at higher prices than they are allowed to charge for Middle East oil in the same market. Thus the price structure for exports from the US Gulf and Caribbean will also be affected. Further, the existence of rebates for (say) Greece and Italy may lead to demands for rebates east of Suez. It is obvious, too, that if the prices charged by American companies are forced down the prices charged by other companies are not likely to be immune. In logic the repercussions of the ECA amendment seem endless.

* * *

Release from Bulk Purchase?

Is the Ministry of Food changing its ideas about the virtues of centralised purchase? A few months ago, after the Select Committee on Civil Estimates published its recommendations that trade in two commodities—wheat and cocoa—should be returned to private hands, the Ministry took pains to justify its retention of government buying. Last week, the Ministry announced that greater freedom would be given to merchants to deal in both cocoa and wheat.

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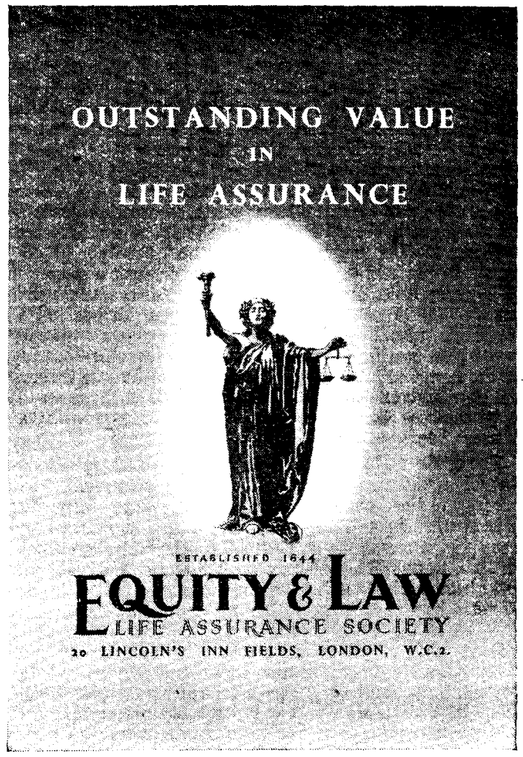
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Government purchase of cocoa is, in fact, to cease in the near future, although the actual date has not yet been fixed. Rationing of chocolate and confectionery will continue, and prices of confectionery and cocoa products will still be controlled. But merchants and manufacturers will be free to buy their own supplies of cocoa direct from the Nigerian and Gold Coast Marketing Boards. The trade will thus obtain the great advantage of freedom to buy the quality of cocoa that manufacturers want and will no longer be compelled to accept supplies allocated to them by the Ministry. Manufacturers may also be able to secure lower prices on occasion, though the sharp rise in the price of cocoa in the New York market in recent months suggests that lower prices are not immediately in prospect. The Ministry has pursued a peculiar price policy in its dealings with the west African marketing boards. It has attempted to secure its own purchases at a reasonable price, but it has also been willing on occasion to support the market in order to increase the dollars earned by the export of cocoa to the United States. Private traders will now have to deal with monopoly sellers in the form of the marketing boards, and they may have to acquire a different buying technique from their prewar one.

The grain trade is also to be partially freed, in a way that is significant though limited in importance. The Ministry of Food will remain the sole importer of wheat, but it is now willing to accept offers of North American wheat from private merchants on cost and freight terms as well as on f.o.b. terms. The Ministry will tell the trade what types and qualities of wheat it is willing to buy and will consider offers so long as they are within the upper and lower price limits set by the international wheat agreement. This change will give grain merchants greater flexibility of operation and encourage some element of competition, but the trade will in fact still be acting only as agents for the Ministry of Food. Until July, Canadian wheat was purchased by the Ministry of Food under the four-year wheat contract, and the price was agreed each year by the two governments. Now the trade is open to private merchants as intermediaries of the Ministry. The Ministry has informed the grain trade that the whole position will be reviewed "after a trial period" and that if the purchases on a cost and freight basis are shown to have resulted in a large additional dollar expenditure, the experiment may be discontinued. It might have added, perhaps, that if the experiment worked satisfactorily, further steps might be taken to free the grain trade more completely.

* * *

Coal Stocks

The rate of build-up of distributed stocks of coal has been unsatisfactory this year, but to equate the present position with the position at the beginning of the disastrous winter of 1946-47 would be to exaggerate. Distributed stocks at the end of September, 1946, were 10.3 million tons. On September 16th this year they were 13.7 million tons, and if the present rate of accumulation of some 250,000 tons a week continues, stocks at the end of the month should be nearly 4,000,000 tons greater than they were four years earlier. On the other hand, the Government target of 16.5 million tons by the end of October is not likely to be reached unless there is a very sharp increase in the rate of accumulation, and it seems odd that the Parliamentary Secretary to the Ministry of Fuel and Power should have described the target as "absolutely essential" in the adjournment debate on Monday.

Stocks at the end of October last year were 16.7 million tons; at the end of October, 1948, they were 16.5 million, and at the end of October, 1947, they were 16.3 million. The present definition of what is absolutely essential coincides, therefore, with the average of the past three years, but if the average is not in the event reproduced exactly the fact ought not, perhaps, to cause great alarm. More disturbing are the long-term implications of the fact that the increase in home consumption of coal, (predominantly consumption by industry) is far outstripping the increase in coal production. In the adjournment debate Mr Harold Davies pursued the implications to the point of urging that Britain should begin to import coal now, and he added a pertinent footnote to the debate on trade with Eastern Europe by pointing out that if the present trend continues western Europe will by no means find itself in a position to do without Polish coal.

Mr Robens replied that the Government does not intend to import coal, though he conceded that it might be necessary to think about doing so "under a given set of conditions which I need not at this stage mention." He said nothing to suggest that there is any immediate hope of stopping the drift of manpower away from the mines or of any sharp increase of coal production. As to the prospects of industry for the winter, Mr Robens said that the Government has agreed to get industrial stocks of coal up to a level of about 4½ weeks' supply by the middle of December. But if industrialists were to reach this "good safety margin," some of them would have to accept the coal that is offered to them, and not insist on supplies from their accustomed coalfield.

* * *

Strength of Sterling

Within the next fortnight figures will be published of the British gold and dollar reserves as on September 30th. They should provide further proof of the improvement in the dollar balance of payments of the sterling area and of the strengthening of the central reserve that began on the morrow of devaluation and must have gained further impetus from the rearmament drive of the last three months. Meanwhile day to day changes in the world of foreign exchanges testify to the persistent technical strength and scarcity of sterling. In the New York market the three months' forward rate has risen to $2.81¼. The rate for security sterling which received such significant encouragement from the recent concessions on "switching" has again risen to $1.95, a rise of 10 cents over the past week. Transferable sterling is being traded in New York at over $2.61, which represents the smallest discount on the official rate recorded since devaluation. With the number of British tourists thinning on the Continent and their offers of sterling dwindling, the rates for Bank of England notes have been hardening slightly. In Paris they are now quoted at Frs. 920. The returning confidence in sterling has been fanned by rumours of a possible raising of the official value of sterling in terms of gold and dollars. They have been heard in most of the capitals of Europe, but they testify more to the imagination and gullibility of their creators and distributors than to their sense of realities.

* * *

Cars for the Home Market

The Minister of Supply recently answered a direct appeal from Sir William Rootes by saying that in view of rearmament and the need to maintain exports there was little hope of increasing the supply of cars to the home market. The restriction of supplies to 110,000 cars for the home market is being more faithfully observed than last year, though production has increased considerably—according to Mr Strauss, by 25 per cent over 1949. The industry has been hoping that next year the allocation of cars to the home market might be increased proportionately to the increase in output. Indeed, it did for a time expect that the system of allocation might become wholly unnecessary with the entry of the sheet mills at Margam into full production towards the end of next year.

Rearmament has destroyed that hope. It will employ a considerable amount of the motor industry's capacity and may consume considerable quantities of sheet steel. But re-tooling for defence production will be slow and twelve months at least are likely to elapse before the full effects begin to be felt. Some people have taken Mr Strauss's words to mean that home sales cannot be increased because exports are more than ever necessary to pay for defence. This is no answer to Sir William Rootes, whose argument was that if the industry is to evolve and new models are to be developed, then exports cannot be maintained without large sales on the home market. No one (to take one example) has questioned the wisdom of the Standard Motor Company's decision to restrict the first sales of its new light Triumph model to the home market only. When model changes become necessary throughout the industry—and in some cases they are long overdue—it is hard to see how the Ministry can expect other firms not to take similar decisions.

* * *

Stimulus for Building?

Since the Working Party and the Anglo-American Productivity team published their reports on the building industry at the beginning of May, the Minister of Works has been discussing with the National Consultative Council ways of putting their recommendations into practice. Some progress appears to have been made, although since most of the suggestions dealt with incentives and administration within the industry, the Ministry's field is circumscribed. The most important step has been to drop a regulation by which building work had to start within two months of receiving a licence. The industry has been protesting against this regulation for some time, but the Ministry held that it was the only way of controlling the volume of work in hand. It is now expected that more careful planning of work—described in both reports as an important factor in efficiency—will be possible. The Ministry, in a review of the progress made, points out that structural steel is no longer subject to allocation, that some of the (very minor) regulations of the Town and Country Planning Act have been removed and that "it is the intention of the Government to see that a steady supply of building materials is provided." While the Government's ability to see to this in every case is open to question, the removal of the time limit and the freer supply of some materials should enable firms to get ahead with their work in a more orderly way.

Other steps taken by the Ministry include talks with the British Electricity Authority about supplies of electricity to building sites and discussions with other departments on standardised contracts, the pooling of technical information and a revival of work on standardising by-laws—all recommended as aids to productivity. Discussions are also going on with the bodies concerned to improve the practical training for management and for student architects.

These steps will make things easier for the efficient builder, though they do not provide the missing incentive for the inefficient. Both the Ministry and the employers' organisation are preparing pamphlets on costing, and the Ministry has another on mechanisation, but any firm anxious for such information can already easily obtain it. A point of difference revealed in the two reports was that while the British think of incentives in terms of bonus payments, to the Americans the prime incentive is the contrast between high wages and unemployment benefit. Assuming the case for incentive payments in Britain, there is little the Ministry can do beyond exhorting both parties to more rapid action. The two-year trial period of incentive schemes agreed by the employers and the unions came to an end in November. Although incentive schemes are still being worked by the firms that adopted them during those two years, the future of the scheme is still under discussion.

Shorter Notes

The Mexican Eagle Oil Company has received at its New York bankers $US8,600,000, the third of the fifteen equal annual instalments due from the Mexican Government in compensation for the company's expropriated properties. An official announcement is expected at an early date about the distribution of this latest instalment.

*

In reply to a parliamentary question concerning resumption of service on Japan's external debt, Mr Gaitskell has stated this week that it is "difficult to devise any scheme" under which Japan could resume payments as long as "large scale assistance from the American taxpayer" is required to pay for essential Japanese imports.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement.

Prices, Year 1950 Jan. 1 to Sept 20 High	Prices, Year 1950 Jan. 1 to Sept 20 Low	Name of Security	Price, Sept. 13, 1950	Price, Sept. 20 1950	Net Yield, Sept. 20, 1950 (m) £ s. d.	Gross Yield, Sept. 20, 1950 £ s. d.
		British Funds				
101⅝	100⅛	War Bonds 2½% Aug. 1, 1949-51	100⅛	100⅛	0 3 4	1 9 4
100⅛	98⅜	War Bonds 2½% Assented	99⅛ xd	99⅛ xd	1 8 6	2 10 11
102	101⅜	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	0 14 7	1 17 3
102⅛	100⅛	War Bonds 2½% Mar. 1, 1952-54	101⅛	102⅛	0 14 7	1 18 1
101⅛	100	Exch. Stk. 2½% Feb. 15, 1955	101⅛	101⅞	0 17 7	1 18 1
103⅛	100⅜	War Bonds 2½% Aug. 15, 1954-56	102⅛	102⅛	1 0 9	2 3 5
102⅝	101⅛	Funding 2¾% June 15, 1952-57	102⅜	102⅝	1 3 11	2 9 6
104⅛	102	Nat. Def. 3% July 15, 1954-58	103⅛	103	1 5 9	2 13 0
104⅛	101⅛	War Loan 3½% Oct. 15, 1955-59	102½ xd	102½ xd	1 6 4	2 12 8
101⅛	96⅜	Sav. Bonds 3% Aug. 15, 1955-65	100⅞	100⅛	1 12 6	2 19 8
100⅛	97⅛	Funding 2½% April 15, 1956-61	99⅛ xd	99⅛ xd	1 8 6	2 10 11
99⅛	95	Funding 3% April 15, 1959-69	98¼ xd	98 xd	1 15 5	3 2 7
105⅛	104⅞	Funding 4% May 1, 1960-90	109	108⅛	1 6 2	3 2 3
98⅜	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	98	97⅞	1 15 10	3 3 4
95⅞	91⅛	Sav. Bonds 2½% May 1, 1964-67	95⅛	95	1 15 3	2 19 2
110⅛	106⅜	Vict. Bonds 4% Sept. 1, 1920-76	109⅛	109	1 10 5	3 4 5
96⅜	92⅜	Sav. Bonds 3% Aug. 15, 1965-75	96	96⅛	1 16 8	3 4 6
105⅛	100	Consols 4% (after Feb. 1, 1957)	104⅛	103⅛	2 2 6	3 17 5
97	94⅛	Conv. 3½% (after Apr. 1, 1961)	96¼ xd	96¼ xd	2 0 0	3 12 8
72⅛	66⅛	Treas.Stk.2½%(after Apr.1,1975)	72⅛ xd	72 xd	1 18 2	3 5 9
85⅞	79⅜	Treas.Stk.3%(afterApr.5,1966)	85 xd	85 xd	1 18 10	3 10 6
104⅞	99	Treas. Stk. 3½% June 15,1977-80	104⅜	104⅜	1 14 10	3 6 0
92	86⅜	Redemp. Stk. 3% Oct. 1, 1986-96	92 xd	91¾ xd	1 18 5	3 7 0
95⅛	90	War Loan 3½% (after Dec. 1, 1952)	95⅛	95⅜	2 0 6	3 14 0
72⅛	68⅛	Consols 2½%	72⅛ xd	72 xd	1 18 1	3 9 3
97	92⅛	Brit. El. 3% Gd. Apr. 1, 1965-73	96 xd	96¼ xd	1 16 9	3 4 4
95⅞	91⅛	Brit. El. 3% Gd. Mar. 15, 1974-77	95⅜ xd	95⅛	1 17 2	3 5 0
103⅜	99	Brit. El. 3½% Gd. Nov. 15, 1976-79	103⅜	103⅛	1 15 9	3 6 11
93⅛	86⅛	Brit. Tpt. 3% Gd. July 1, 1978-88	95⅜	93½	1 18 2	3 6 4
96⅛	92⅛	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	96¼ xd	96⅜ xd	1 16 11	3 5 7
93⅜	85⅞	Brit. Gas Gd. 3% May 1, 1990-95	93⅜	93⅛	1 18 0	3 7 0

Prices, Year 1950 Jan. 1 to Sept 20 High	Prices, Year 1950 Jan. 1 to Sept 20 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Sept. 13, 1950	Price, Sept. 20, 1950	Yield, Sept. 20, 1950 £ s. d.
					Other Securities			
130⅜	56½	% (d)	% (d)	% (d)	Australia 3½% 1965-69	99	99	3 6 5
101½	99⅜	(d)	(d)	(d)	Birmingham 2½% 1955-57	100⅜	100⅜	2 13 0
8⅛	6⅜	50	c	60	c Anglo-American Corp., 10/-	7⅛	7⅜	3 18 9
7⅜	5½	5	a	25	b Anglo-Iranian Oil, £1	5⅜	6⅛	4 10 6
78/3	67/9	10	b	5	a Assoc. Electrical, Ord. £1	76/6	76/6xd	3 18 5
87/-	71/6	7½	a	15	b Assoc. Port. Cem., Ord. Stk. £1	84/6	85/6	5 5 3
28/-	17/03	40	c	40	c Austin Motor, Ord. Stk. 5/-	27/9	27/3	4 17 9m
70/7½	66/-	7	b	7	a Barclays Bank, Ord. 'B' £1	67/6	68/-	4 2 4
145/-	129/-	†19	b	†5	a Bass Ratcliff, Ord. £1	139/4½	139/4½	3 8 9†
98/-	87/4½	12	b	8	a British Oxygen, Ord. £1	96/6	96/6xd	4 2 11
39/3	32/1½	2½	a	5	b Courtaulds, Ord. £1	38/6	38/6	3 17 11
19/10½	16/6	5	a	15	b Distillers Co., Ord. 4/-	19/-	19/9	4 1 0
32/9½	28/9	8	c	8	c Dorman Long, Ord. £1	31/9	31/6	5 1 7
63/6	59/-	15	c	15	c Dunlop Rubber, Ord. £1	61/6	61/9	4 17 3
44/3	39/6	3	a	7	b Imp. Chem. Ind., Ord. Stk. £1	42/9	43/4½	4 12 3
111 1½	95/-	18½	b	13½	a Imperial Tobacco, £1	108/1½	111/-	5 15 3
39 4½	29/7½	10	c	5	a Lancs. Cotton, Ord. Stk. £1	36/-	39/-	5 2 7
44/6	38/1½	10	c	10	c Lever & Unilever, Ord. £1	40/-	41/10½	4 15 7
63/-	51/9	15	c	15	c London Brick, Ord. Stk. £1	53/9	56/3	5 6 7
82/9	69/6	15	a	45	b Marks & Spencer ("A"). 5/-	78/-	81/-	3 14 1
44/-	33/3	7½	a	17½	b P'chin J'nson, Ord. Stk. 10/-	40/6	44/-	5 13 8
50/3	41/-	8	a	4	b P. & O., Def. Stk. £1	49/-	49/6	4 17 0
55⅜	27½	†77½	c	†77½	c Prudential, 'A' £1	31xd	32	2 9 9†
70/21	59/3	12½	a	15	b "Shell" Transpt., Ord. Stk. £1	56/-	65/-	2 6 2†
56/7½	50/-	12½	c	12½	c Stewarts & Lloyds, Def. £1	62/6	55/6	4 10 1
6⅝	5⅜	12½	b	12½	a Tube Invst., Ord. Stk. £1	6⅛	6½	4 0 0
86/3	73/3	3⅜	a	11½	b Turner & Newall, Ord. Stk. £1	81/-	86/-	3 9 9
34/9	27/-	8	c	8	c Union Castle Ord. Stk £1	33/6	34/6	4 12 9
48/4½	41/9	27½	b	15	a Woolworth (F. W.) Ord. 5/-	43/3	45/-	3 17 9m

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'.
(m) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield.
* Assumed average life 14 years 2 months

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly (f) To latest redemption date. † Free of tax. (m) Yield basis 35%. (n) Yield basis 26⅔% after capital bonus.

THE DISTILLERS COMPANY, LIMITED

RECORD TRADING PROFIT

MR HENRY J. ROSS' REVIEW

The seventy-third annual general meeting of the company was held in the North British Station Hotel, Edinburgh, on Friday, September 15, 1950, when the chairman, Mr. Henry J. Ross, presided.

The chairman said: As usual, I propose to preface my statement with a reference to changes in the constitution of the board which have taken place in the course of the past year, or which are immediately imminent. The report lists the names of three new directors who have been appointed since the last annual general meeting, and you will be asked to give your approval of these appointments later in these proceedings.

Apart from Mr. Connell who retires by rotation but who does not seek re-election, two other directors—Mr. Adams and Mr. Comery—are due to retire from active business at the end of the present month in accordance with the provisions of the company's superannuation scheme.

You will observe from the report that these two gentlemen are to retain their directorships for a period during which they will act in a consultative capacity. As this is a departure from the company's established practice, a word of explanation is necessary. I think it is generally known that the majority of the company's directors are wholetime working executives, and as such, are due to retire at age 65 in terms of the superannuation scheme. It is felt that, with a life-time's experience of our activities behind them, they can still be of great value to the company and the intention is to retain them as directors without executive duties for a period of three more years, during which time they will attend the regular meetings of the board.

The statement of accounts discloses that the manufacturing and trading profits of the company and its subsidiaries for the year ended March 31, 1950, amounted to £12,837,691. This is a record for the company and compares with £10,361,857 for the previous year. To the profit is added income from investments and other sundry items, making a total revenue of £14,082,826. Taxation requires £6,421,948, and after making provisions for depreciation, writings off, and allowance for interest of outside shareholders of subsidiary companies, the net profit attributable to the group is £5,930,557 as against a corresponding figure in the previous year of £4,756,623.

The revenue reserves of subsidiary companies have been strengthened by the transfers thereto of £1,222,814 while the board has agreed to appropriate £512,923 to general revenue reserve in the books of the parent company. At the same time the directors agreed to appropriate £100,000 from the investment reserve and to use it in reducing the book values of certain investments in subsidiary companies.

The balance available is £4,294,820 and after providing for the dividends distributed or recommended, the carry forwards are increased by £1,742,955 making them £5,986,353.

BOARD'S DIVIDEND POLICY

It may be noted that of the net profit attributable to the group—that is after taxation and all charges—42 per cent. was earmarked to stockholders by way of dividends and 58 per cent. was "ploughed back" into the business by way of reserves or increased amounts carried forward. In considering this policy the board had due regard to all relevant factors and particularly that of restraint in declaration of dividend and the necessity of conserving cash resources to meet commitments for capital expenditure, etc. On May 4, 1948, to save any misunderstanding, the board announced that 28 4/7 per cent. was the standard by which a policy of dividend restraint should be measured. Since that date the issued capital has been increased and the equivalent rate works out at slightly over 19 per cent. For the year to March 31, 1949, the dividend rate based on the new capital was 18½ per cent.

In all the circumstances the board decided that the correct course was to recommend a final dividend on the ordinary stock of 7 1/5d. per 4s. unit, which with the interim dividend already paid, made 9 3/5d. per unit for the year, equivalent to 20 per cent., all less income tax. The increase in the amount actually distributed is £206,606.

In view of the small increase granted to the ordinary stockholders, and to mark their appreciation of the services of the works and office staffs in making possible the record level of profits, particularly from desirable export markets, the board decided to grant an export incentive bonus to all employees having six months service in the group and in active employment at the date of payment. This will be at the rate of 2½ per cent. of salary or annual equivalent of normal weekly wage and is additional to the monetary bonus of 7½ per cent. previously granted to the staffs. The board believes that the stockholders will give full endorsement to this decision.

PROFIT FACTORS

The profits of the group increased by nearly £2,500,000 and it is desirable to make reference to two factors which played a part in this result. Firstly, in September, 1949, immediately following the announcement of devaluation of sterling, the company, in accordance with the Government's wishes, adjusted the sterling prices of Scotch whisky exports to the U.S.A., Canada and certain other markets. These adjusted prices brought additional revenue to the blending companies and are still in operation. It must be remembered, however, that as an offset, costs of production and of selling have risen quite substantially. Secondly, the group received a satisfactory and encouraging return from part of the expansion scheme, although it will be some time yet before the full benefits are available.

BALANCE SHEET

The legal balance sheet of the company calls for the following comments:

(1) The issued ordinary stock of the company shows the increase brought about by the capitalisation of £7,512,923 of the revenue reserves and the appropriation of this to the ordinary stockholders by the allotment of one pound of stock for every two pounds held;

and (2) Investments in subsidiary companies and trade investments both show substantial increases since the previous report, and these reflect further payments in connection with the expansion programme. As a consequence the net liquid assets of the company show a reduction.

In the consolidated balance sheet it will be noticed that the amount of fixed assets is higher by a little over £2,500,000 due to the development of the expansion programme. Current assets also show a substantial increase, while current liabilities remain much the same as in the previous balance sheet. While the issue of new ordinary stock during the year required the capitalisation of £7,512,923 of available reserves, the total of reserves and surplus at March 31, 1950, at £29,063,463 is only £3,372,453 less than at the previous balance. Issued share capital and reserves are over £4,000,000 higher, representing the increased strength of the organisation.

FINANCE FOR EXPANSION PROGRAMME

The board when agreeing to undertake the expansion programme gave very careful consideration to the eventual costs. Since then, however, factors have arisen to cause amendment to these figures. These are:—

(1) The costs of the programme are proving to be in excess of the estimates;

(2) As development has progressed certain additional and costly extensions have proved necessary;

(3) The additional working capital required to finance the holding of stocks at increased values and the replacement of plant and machinery;

and (4) The essential allocations for taxation, particularly for profits tax, have been substantially above the estimated amounts taken into account.

In addition, it has now been agreed by the board to extend and to modernise the blending and bottling plants of certain of the large subsidiary companies.

As a consequence the company considered it advisable to make application to the Treasury for permission to borrow £10 million by way of unsecured loan stock for a limited period with repayment starting at an early date. The necessary consent has been granted.

It has been decided to borrow the money from certain corporate investors. The stock is divided into two serials. The first, £4,000,000 3½ per cent. stock serial, issued at par, to be repaid by four annual instalments of £1,000,000 starting in 1952 and finishing in 1955. The second, £6,000,000 3⅛ per cent. stock serial, issued at par, to be repaid in four annual instalments of £1,000,000 starting in 1956, with a final one of £2,000,000 in 1960. It is expected that the money will be available to the company on September 20, 1950.

In connection with the increase in taxation to which reference has been made, it is appropriate to mention that in the past two years the total cost of taxation to the group has been a little under £12 million. Taxation at the present high level is causing considerable anxiety to those responsible for the carrying on of industry, as it is proving a severe drain on the resources of the companies concerned, reducing the amounts they have available for renewals of plant and machinery, the carrying of additional desirable stocks and the development of new projects.

As forecast to stockholders at the previous annual meeting, a pension scheme has been established by an agreement and deed of trust under which the company and certain of its subsidiaries will contribute sums to secure continued payment of pensions existing at April 1, 1950. These companies will also provide for payment in due course of pensions to present and future employees, their widows and dependents. This scheme has received the approval of the Inland Revenue authorities. It is satisfactory that the actuary to the scheme has reported that the superannuation and provident reserves of the group are in the aggregate more than sufficient to cover the amounts required at March 31, 1950. It will be noticed from the

accounts that certain investments have been allocated for transfer to the trustees of the scheme. The board is confident that this policy will have the full sympathy of the stockholders.

WHISKY DISTILLING

During the year under review the company's malt and grain distilleries secured good outputs, and these enabled the blending companies to make very welcome additions to their stocks of maturing whiskies for use in the years to come.

The cask position, however, still gives anxiety, but members may rest assured that everything possible is being done to surmount these difficulties.

SCOTCH WHISKY SALES—HOME AND EXPORT

For two successive years reference has been made to the very meagre allocation of Scotch whisky available to the home consumer, but on this occasion I am able to report some modest degree of improvement in this respect. The usual consultation has taken place between the industry and the Ministry of Food regarding releases for the year ending April 30, 1951, with the result that the releases for the home market may be increased from 2,000,000 to 2,600,000 proof gallons. This relaxation on the part of the Ministry was accompanied, however, by a demand for a similar increase of 600,000 proof gallons in the volume of exports.

While the increase in home trade supplies is by no means large, it will at least provide some degree of relief and should make the obtaining of proprietary Scotch whisky a little easier than it has been for some years.

Under last year's arrangement with the Ministry of Food the releases for home trade consumption were pegged at 2,000,000 proof gallons for the industry as a whole but the actual releases for that period were more than 50 per cent. in excess of the prescribed figure, being in point of fact over 3,000,000 proof gallons. A large part of these additional releases took the form of supplies of Scotch whisky which were only available to the trade and to the public at prices very substantially in excess of the prices at which our brands are sold. It is to be hoped that the permitted increase of 600,000 proof gallons for the current period will have the effect of reducing the demand for these highly priced supplies, and so in some degree regulate what has been a most unsatisfactory position.

At the same time, however, it must be pointed out that the prospect of reaching pre-war volume of sales in the home market is extremely remote—in fact, it seems quite impossible of attainment so long as the present rate of duty continues. In spite of further representations made to the Chancellor of the Exchequer prior to the introduction of the budget in April, no reduction has been made in the fantastically high figure of £10 10s. 10d. per proof gallon. As a result of this, Scotch whisky has been placed beyond the purchasing power of many would-be consumers and is now being regarded as a luxury instead of being within the reach of everyone as it was in the past.

During the year under review the demands for the group's brands in the United States of America and in Canada were well maintained, but business with certain South American countries continued very difficult. The Board regrets that once again shipments to "soft currency" markets had to be curtailed.

In South Africa, good shipments were effected during the second half of the calendar year 1949. Since then importation of alcoholic beverages has been prohibited. It has now been announced, however, that permits will be granted to importers based on a percentage of their imports during the calendar year 1948. Whilst the quantities for entry will prove quite inadequate to meet demands, it is satisfactory that this important market is opening up again to some extent to our products.

GIN

I am happy to report a satisfactory year's trading on the part of our gin companies.

Sales show substantial increases in both home and exports markets which is at once a reflection of the popularity of our brands of gin with the public, and a tribute to their high standard of quality.

As regards our gin plant at Linden, New Jersey, here also it is pleasant to report excellent results. Indeed, our American gin sales during the year under review constitute a record.

YEAST

Production at the company's yeast factories continued at a high level, and reasonable profits were derived from this section. As will be explained later on, the price of molasses for delivery in the near future is uncertain, and it may well prove necessary, in course, to offset the anticipated rise in price of this main raw material by an increase in the price of yeast to the consumer.

INDUSTRIAL SECTION

I am glad to say that the year under review has been a very active and satisfactory one throughout the industrial branch of the company.

Reflecting, no doubt, the general improvement in trading conditions in most industries, the demand for industrial alcohol and the chemical products which we manufacture, has shown a substantial increase during the past year, including an expansion in our direct chemical export trade. In my previous report, I stated that there appeared to be a prospect of securing forward supplies of molasses at reasonable prices, and we were fortunate in covering our requirements for a greater part of the current year. The further outlook, however, is much less favourable, due partly to the shortfall in the Cuban crop last season, coupled with the unexpectedly high demands for molasses from the U.S.A., and, indeed, throughout the world. At the moment, the forward position is obscure, but there appears to be every likelihood of a substantial rise in the price of molasses. Our purchasing arrangements through The United Molasses Company Limited will, we hope, safeguard our position as far as it is possible in an admittedly difficult market.

The major expansion scheme at the Hull factory of British Industrial Solvents is now nearing completion. During the past few months, various sections of the programme have been successfully commissioned, and these are now making an important addition to the range of solvents, plasticisers and chemical intermediates produced at this factory.

GRANGEMOUTH PROJECT

The progress made in the petroleum chemicals project at Grangemouth, under the auspices of British Petroleum Chemicals Limited in which we are associated with The Anglo-Iranian Oil Company Limited, is very well maintained. The operation of this plant will considerably strengthen our position in the supply of important chemical raw materials. Among other products to be produced at Grangemouth, will be a large quantity of synthetic ethyl alcohol which will assist in alleviating the difficult molasses position previously referred to. Some months ago it was announced in the Press that it was proposed to erect a plant at Grangemouth to manufacture styrene monomer, mainly required as an intermediate for the manufacture of polystyrene, a plastic material for which there is a large potential demand in this country. A new company—Forth Chemicals Limited—has been formed to carry through this development, the capital of which is held as to two-thirds by British Petroleum Chemicals Limited and one-third by Monsanto Chemicals Limited. This project is part of our general plan to develop at Grangemouth the manufacture of derivatives from the new materials made available to us from the petroleum chemicals plant to which I have made earlier reference.

Our business in liquid and solid carbon dioxide has continued to expand during the year, and has necessitated further extensions in hand, and planned, to our productive facilities. The unrivalled services which our subsidiary Carbon Dioxide Company, Limited, is able to offer from its many production points strategically located throughout the country, together with the high quality of its products, should ensure that we continue to obtain our share of this expanding trade.

PENICILLIN AND OTHER OPERATIONS

The penicillin factory at Speke, Liverpool, has again had a satisfactory year. The improvements and additions to the plant are practically complete, and the present rate of production and sales is now more than 2½ times the output last year. We have recently marketed two new forms of penicillin, "Distaquaine" (an aqueous suspension) and "Distaquaine Fortified," both of which have been extremely well received by the medical profession, incorporating, as they do, improved methods for administering penicillin. Development work is continuing with results which it is hoped will enable the company to make further contributions to this field in the future.

There has been a marked recovery in the plastics industry generally, from which we have benefited. The full output of the British Geon polyvinyl chloride plant at Barry, South Wales, has proved insufficient to meet consumers' demands, and a 50 per cent. increase in capacity will shortly commence production. The outstanding quality of Geon polyvinyl chloride is widely recognised, and is opening up a constantly expanding field of application.

The British Resin Products factory at Barry is now complete, and their operations at Feltham and Tonbridge have been transferred to Barry. The wide range of products made at this factory includes thermosetting and thermoplastic moulding powders; paint and varnish resins; resins for the impregnation of wood, paper and fabric; and synthetic adhesives. A recent addition is polystyrene, which should prove of value to our trading operations. We are now beginning to derive benefit from the centralisation of our plastics production in South Wales, which provides greater and improved facilities not only for production, but also research and development.

Our associate companies in Australia and South Africa continue to make progress in their respective chemical fields, with satisfactory trading results.

The company's extensive research services continue to play an important part in the development programme in which we are now engaged. Although our research is primarily for this purpose, it is gratifying to record that a number of processes developed by our research department have attracted interest in various parts of the world, particularly the U.S.A., and the licensing of these will, it is hoped, make an increasing contribution to our revenue

FUTURE PROSPECTS

While it is not desirable under present world conditions to make any forecasts, it is

satisfactory to report that, so far as the current year has gone, the profits earned by the company are in excess of the standard of the year to March 31, 1950.

STAFF

During the year several directors and executives paid visits to the United States, Canada, Australia and several other countries. As a result constant contact has been continued with these important markets.

Once again it is a pleasure to pay tribute to the staffs—both in works and offices—for their excellent work, their devotion and their loyalty throughout the past year.

The report was adopted.

THE MERCANTILE AND GENERAL REINSURANCE COMPANY, LIMITED

ANOTHER SATISFACTORY YEAR

LARGE EXPANSION IN PREMIUM INCOME

MR HUGH KENNETH GOSCHEN'S STATEMENT

The annual general meeting of The Mercantile and General Reinsurance Company, Limited, will be held on October 3, 1950, at the company's chief office at 25-31, Moorgate, London, E.C.2.

The following is a statement by the chairman, Mr Hugh Kenneth Goschen, which has been circulated with the report and accounts for the year ended December 31, 1949:—

Before I deal with the accounts, there are two matters connected with the directorate to which I would like to draw your attention. First of all, we are now obliged, under the Companies Act of 1948, to pass a resolution when it is proposed to re-elect a director who has reached the age of 70. This year Mr Hurlimann has celebrated his seventieth birthday and accordingly a resolution to re-elect him will be proposed at the annual general meeting. Mr Hurlimann was one of the founders of this company and has watched over its fortunes ever since with a fatherly interest. The company has profited immeasurably from his wise counsels. I commend this resolution most warmly to your attention.

Mr Anthony Binny has been appointed a director and you will be asked to confirm the appointment at the general meeting. Mr Binny has a wide knowledge, particularly of investment matters, and his advice has already been of much assistance to the company.

THE ACCOUNTS

The accounts for 1949, which are now submitted for your approval, show that the company has again had a satisfactory year. The net premium income, amounting to £4,283,916 against £3,595,388 in 1948, again shows a large expansion. It is satisfactory to note that this rise in premiums has been absorbed without difficulty; indeed, there has been a welcome increase in the company's resources.

It will be seen that the 1949 accounts have been drawn up in a slightly different form. During the year there were wide variations in exchange rates; the devaluation of sterling in September, 1949, was, of course, a factor of major importance. We decided, therefore, that it would give a better picture of the company's underwriting results if we were to pass profits and losses on exchange to the provision for foreign exchange and investment fluctuations which was set up some years ago. Accordingly, in the 1949 accounts, the incoming reserves for unearned premiums and outstanding losses have been revalued at the exchange rates ruling at the end of the year and the resulting differences have been transferred to this account, together with the difference after adjusting the currency balances held abroad. The net exchange loss on the adjustment in the fire and miscellaneous and marine accounts was £87,409 and, as will be seen, this has been made good by a transfer from profit and loss account. These exchange losses could and would have been largely avoided if our Exchange Control authorities had allowed us to hold sufficient foreign currency assets to cover the foreign currency liabilities.

DEPARTMENTAL RESULTS

I now turn to the departmental results. You will notice that the net premium of the fire and miscellaneous account is £3,643,898, against £3,027,749. Thanks to the loyalty of our numerous connections at home and abroad, and to the new contracts arranged in the previous year, we were able to participate in the general expansion of premium income. The enhanced sterling value, following devaluation, of our important business deriving from hard currency countries also contributed to the increase.

The general experience of our fire department in 1949 was good, both in the British home and general foreign field, and also in almost all the oversea countries where we now do business. Notwithstanding this favourable overall result, the future is clouded by the increasing frequency of large fires of doubtful origin. It is, of course, well known that the Communists regard sabotage and arson as important weapons in their campaigns, and one cannot exclude these as possible causes. If the initial Communist successes in Korea should embolden their supporters to extend these methods, the losses to the insurance market may well be considerable. We have accordingly thought it prudent to strengthen the company's internal reserves against such dangers.

ACCIDENT DEPARTMENT

The experience of the accident department has been similar to that of other post-war years. The general third party business has again been heavy, as has the motor business. The derationing of petrol in the United Kingdom and the re-emergence from storage of many worn-out motor cars are prejudicial to our endeavours to secure an early improvement. The aviation loss is still heavy, but fortunately less than in the previous year.

MARINE DEPARTMENT

In the marine department the 1947 account has now been closed with a profit, after deduction of tax, of £5,978. This is retained in the fund, which now stands at 115.1 per cent. of the premiums, as against 103.6 per cent. at the end of 1948. Devaluation, which will adversely affect the cost of hull repairs in hard currency areas, and the lower rates now being quoted for cargo risks give us cause for some concern. Such unfavourable features are reflected in our figures with considerable delay, owing to the extent to which the business reported is derived from years prior to that under review, but we are confident that our fund is fully adequate to meet all contingencies.

LIFE DEPARTMENT

Nineteen forty-nine marks the end of a quinquennium in the life department and the valuation has again been made on the O.M. (5) table using an interest rate of 2½ per cent. Our actuary has reported a surplus of £60,135 and this is being retained in the fund. In spite of the rapid growth of the life account, the department has maintained its strong and healthy position. The net new business written during 1949 amounted to £5,485,000 sums assured; a record total which compares with £4,837,000 in 1948.

During the last quinquennium the total net business in force has more than doubled; a large home portfolio has been built up, but it is in our business with life companies overseas that the expansion has been greatest. In the United Kingdom there is still room, I am sure, for considerable expansion; in spite of the activities over two centuries of companies whose names have now become household words, the British public has not yet become life assurance conscious to anything like the same extent as in America. The latest figures (1949) show that the average amount of life assurance per head in the United States of America was equivalent, at the present rate of exchange, to £520 against £120 per head in the United Kingdom. Although some allowance must be made in the case of the United Kingdom for the life assurance benefits under the National Insurance Act, these figures should surely tempt companies here to make determined efforts to increase their business; the "Mercantile and General" is always ready to help them. I realise, of course, that in the United Kingdom the strength of our long-established life companies makes it possible for them to retain all but the largest proposals, and these companies will always transact a large proportion of the home life assurance business. However, we wrote over £2,000,000 of new business from the home market in 1949, and a growing proportion of this came from some of the larger companies, who are showing greater appreciation of the services which a professional reassurer can render.

INVESTMENT DEPARTMENT

The investment department had a difficult year. Most of the company's portfolio, which at December 31, 1949, amounted to £4,173,031, has been purchased in recent years and there is consequently only a small margin between the balance sheet value and present market value. We were, however, fortunately able to switch a large proportion of our funds into short-dated British Government securities in the early summer of 1949 and so avoided the big fall which occurred in the market shortly afterwards. In the result, our investments showed an actual appreciation of 2.32 per cent., representing a fall of only 4.34 per cent. over the year, which compares favourably with the average depreciation of government stocks (excluding very short-dated) over the year of 6.80 per cent.

NATIONALISATION

Last year I referred to certain proposals of the Labour party which I felt could only be interpreted as a threat to nationalise the insurance industry. In spite of a general election which one would have thought made it abundantly clear that the British public want no more nationalisation, the Labour party, in a recent statement of policy, have not withdrawn these proposals. They may realise the anxiety which this policy causes at home, but they surely do not appreciate the extent to which public opinion oversea has been moved by these threats against the freedom of the British insurance market. Our officials, when they travel and when our many oversea friends call on us here, are constantly being asked about nationalisation. We endeavour to reassure our friends on this subject by our own confidence that British common sense will prevail.

THE OUTLOOK

If I had had to write these notes six months ago, I could have painted a picture of general conditions favourable to our business. The improvement in the gold and dollar holdings of the sterling area; the prospect that the European Payments Union would bring a general easing of restrictions on international payments, so important for this company; the removal of some war-time controls here; the gradual revival of internal trade and of international trade; all these factors had induced a growing feeling of confidence in the future. Alas, that confidence has been seriously undermined by the outbreak of war in Korea, and now, even if no worse disasters befall us, we have to face the expense in manpower, in materials and in finance of a large rearmament programme—and this applies to many of the countries where we carry on business. Even if American buying induced by the necessity for rearmament has helped to solve Europe's dollar problem, the next years will be difficult for insurance; in particular, we have the growth of sabotage to which I have referred and, on the economic side, the inflationary trend that must inevitably result from big defence programmes which so many countries are being forced to undertake. Thanks, however, to the conservative policy which the company has adopted in the past, I believe that it is adequately equipped to meet every call that may be made upon it.

TRIBUTE TO EXECUTIVE AND STAFF

Finally, I would like, on behalf of my colleagues on this board and myself and, I am sure, of all the shareholders, to thank the management and staff for their good work throughout the year; 1949 produced many new and difficult problems, especially those brought about by the devaluation of sterling. Everyone has made his or her contribution to solve them. Mr Calburn, our general manager, has been tireless in his efforts to build an organisation capable of dealing with the increased business in the same efficient manner as has been our pride in the past. I shall have much pleasure in proposing a vote of thanks at the general meeting.

E. W. TARRY AND COMPANY, LIMITED

SATISFACTORY RESULTS

The annual general meeting of E. W. Tarry and Company, Limited, was held on September 15th in London.

Sir H. Fortescue Flannery, Bart. (the chairman), said that despite the drop in net profits of £19,004 they could consider the results satisfactory, having regard to the exceptional trading conditions that prevailed in the Union where their branches had felt the effect of nine months' restricted imports.

Owing to the continuance of import control in the Union, it was to be expected that the stock figure would be lower and it would be observed that it had decreased by £156,200 as at March 31, 1950, to a figure of £622,325. The board had paid particular attention to the valuation of stock, and gave instructions to the management to ensure that all spares, slow moving and obsolete goods were adequately marked down. An increase in debtors was to be found at Lusaka, the Northern Rhodesian branch, where there had been a notable expansion in trade, which had resulted in an increase in the amount of credit given to customers.

The capital reserves now amounted to £152,879. The revenue reserves stood at £218,017 and were higher by £33,730.

Although supplies of overseas goods were severely restricted by import control, the sales at their Union branches were satisfactory, having regard to the unfavourable trading conditions. Their Rhodesian branches, being free from import restrictions on goods from the sterling area, produced higher sales, with the result that the aggregate turnover of the company was only slightly lower. The directors recommended a dividend of 15 per cent. on the ordinary shares,

The report was adopted.

FURNESS WITHY AND COMPANY, LIMITED

BUSINESS WELL-MAINTAINED

SIR ERNEST MURRANT'S STATEMENT

The fifty-ninth annual general meeting of Furness Withy and Company, Limited, will be held on October 5th in London.

The following is an extract from the statement by the chairman, Sir Ernest H. Murrant, K.C.M.G., M.B.E., circulated with the report and accounts for the year ended April 30, 1950:—

From the profit and loss account it will be noted that the amount dealt with in the parent company's account is £557,933, after providing for all expenses, depreciation and taxation. In the final analysis there is a disposable surplus of £803,934, out of which the preference share dividends have been paid, and the directors recommend that £200,000 be transferred to fleet replacement account; that a dividend of 8 per cent. per annum, less income tax, be paid on the ordinary stock, and that £298,684 be carried forward.

DIVIDEND DISTRIBUTION

The question of the dividend distribution has been given most careful consideration. Your directors are not bound by any undertaking to limit the distribution; a dividend of 8 per cent. per annum may well be regarded as a very reasonable return on the ordinary stock of the company, but looked at in a different light it may appear to be very meagre return on the amount of capital actually employed in the business. The main considerations, however, are public policy and domestic policy. In regard to the former, there are potent arguments that a higher rate of distribution would be inadvisable. Your directors are, however, more concerned with domestic policy, and what is best in the interests of the company and stockholders.

Reference to the consolidated balance sheet will give an indication of the strength of our reserves and provisions for taxation and contingent liabilities, etc. Our resources in the shape of cash balances and quickly realisable investments also appear to be ample. But we have still to meet some four and a quarter million pounds for new tonnage contracted for at April 30th and not yet brought into the accounts; substantial amounts which have been provided for taxation have to be met in cash, and the cash balances are needed to a large extent for the working capital of our various organisations throughout the whole world. In these days of high operating costs, etc., the amount of working capital required to carry on a world-wide business of this nature is very heavy.

HIGH COST OF NEW SHIPS

All these things can, however, easily be taken care of without materially affecting the question of dividend distribution one way or the other. But what does concern your directors is the problem of maintaining the company's business having regard to the present high cost of new ships on the one hand and the current methods of assessing taxation on the other hand. Our principal business is to own ships and to operate trades in which the ships are employed. Therefore, in order to maintain our business and to retain our trades—or to put it another way, in order to maintain our stockholders' capital and to earn a reasonable return thereon—we must have ships. With the new tonnage brought into commission in the last few years, and the additional ships contracted for and under construction, our associated fleets are all in a good state of efficiency, but ships have a limited life, and within a cycle of approximately 20 years a whole fleet becomes subject to renewal. During the war years we lost approximately half our combined fleets.

The replacement of those lost ships has been completed but the process has been costly. We have also made a start with the replacement of some of the older ships, and this procedure must be continued. It is a process which is unavoidable; and in the fulfilment of the process, shipowners are peculiarly handicapped by current methods of assessing so-called profits for taxation.

It is a matter of national interest, as well as a shipowner's problem, that our merchant fleets should be maintained in volume and in a state of adequacy and efficiency. Knowing that the problem would have to be faced up to, your company and its subsidiaries have created reserves, and we have conserved our cash resources to the maximum extent possible, but the task of maintaining our fleets in tonnage volume as they should be maintained and as we wish to maintain them is not made easier while vast sums of cash continue to be taken out of our business for taxation.

CALL FOR TAXATION RELIEF

If the Government wish to help industry and could be persuaded that it is the capital assets employed in industry which provide the bulk of national employment, I suggest that a start might be made by allowing some measure of relief from taxation on amounts specifically set aside for the replacement of wasting capital assets.

During the past year seven new ships were added to the combined fleets; in the current year we hope to take delivery of six further ships, which will leave another two ships contracted for, but which will not be completed during the current year.

The past year has not been free from anxieties which are more or less inherent in a changing world. Trade between North and South America has been badly affected by the state-owned and state-aided shipping of South American countries and the United States. The trade between U.K. and the Argentine has encountered various periods of uncertainty due to the difficulties that have arisen in the negotiations between the two countries for the renewal of meat-purchasing agreements. Our trade with Israel has been affected by political differences between Israel and the Arab states and by exchange restrictions, which have also adversely affected the North Pacific/U.K. trade.

NEWFOUNDLAND TRADE

The position which I reported last year in regard to our Newfoundland trade has shown no improvement. The fact remains that in the steamers *Newfoundland* and *Nova Scotia* we installed refrigerator and insulating machinery at a cost of £127,000, the weight of which is 430 tons in each ship, for the particular purpose of transporting Newfoundland fish to the U.K. Due to political changes and exchange problems we have been obliged to carry that expenditure and weight around, to and fro across the Atlantic, for over 300,000 miles without the refrigerator chambers ever once having been utilised for the purpose for which the machinery was installed.

Taken as a whole, however, our business has been well maintained, and in some cases has expanded satisfactorily Indeed, the benefits to be derived from the widespread interests of a group such as ours become daily more apparent.

PINCHIN, JOHNSON AND ASSOCIATES, LIMITED

RECORD HOME SALES

INDUSTRIAL DEMANDS INCREASING

FURTHER OVERSEAS EXPANSION

MR G. R. T. TAYLOR'S STATEMENT

The annual general meeting of Pinchin, Johnson and Associates, Limited, was held on September 12th at the Connaught Rooms, Kingsway, W.C., Mr G. R. T. Taylor (the chairman) presiding.

The following is the chairman's statement circulated with the report and accounts for the year ending March 31, 1950:—

The report of the directors has referred to the resignation as a director of Mr C. G. Heywood, who has been advised by his doctors to curtail his activities.

I am honoured to have been chosen to succeed him as chairman, and before proceeding with a review of the year's operations should like to pay a tribute to your late chairman.

Mr Heywood had been a director of your company for many years, and has had a long experience and possesses a wide knowledge of the paint industry. This he has agreed to continue to place at the disposal of your company by acting in a consultative capacity for approximately the next three years.

Your late chairman has not, therefore, completely severed his connections with the company, and your directors will have the benefit of Mr Heywood's valuable advice when required to assist them with the many problems which arise in a business with such world-wide activities as your own.

I am sure you will join me and my co-directors in hoping that the less onerous nature of Mr Heywood's duties will enable him speedily to regain his full health.

Your attention is drawn to certain items in the accounts as follows:—

PARENT COMPANY'S BALANCE-SHEET

Since the date of our last balance-sheet, the company has issued 876,600 ordinary shares, which were offered to existing ordinary shareholders in the proportion of one share for every five then held, at the price of 26s. a share.

The proceeds of the issue, after deducting expenses, amounted to £1,108,032, against £1,107,580 estimated, and the net premium obtained of £669,732 has been added to the share premium account, increasing this to £1,759,507.

The ordinary share capital now issued is £2,629,800, compared with £2,191,500 in the previous year.

You will note that fixed assets have increased by £190,470 after deducting depreciation, and net current assets by approximately £942,000, most of the latter being represented by cash.

The programme of expansion envisaged when the capital was enlarged has not yet been completed, but substantial capital expenditures have been made since March 31, 1950, to which I will refer later in this review.

CONSOLIDATED BALANCE-SHEET

The increase in the issued capital of the parent company and the premium obtained thereon, mentioned earlier, has substantially added to shareholders' funds, which at the date of the balance-sheet amounted to £7,004,458, excluding the reserve for future taxation.

The ordinary capital of £2,629,800 was therefore covered by net assets having a book value of £6,204,458.

Transfers to share premium account during the year included a sum of £211, representing the company's proportion of premiums obtained on ordinary shares issued by one of our subsidiary companies.

In the last consolidated balance sheet under the heading of "Employees' pension and provident funds" there was an item for £26,250 shewn in the accounts of one of our subsidiary companies. Further information now available has revealed that this fund was misnamed as "employees'" funds and is the property of the subsidiary company itself, created for the purpose of providing a reserve against possible future benefits to employees. In the present balance sheet the parent company's proportion of the fund, i.e., £19,687 (75 per cent.), has been added to "Other revenue reserves."

All other material transfers to reserves are indicated in the consolidated profit and loss account.

The small item of capital issue expenses, amounting to £297, appearing in the previous balance sheet of a subsidiary company, was written off during the year.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The total net profits of the company and its subsidiaries for the year amount to £1,201,351, against £1,276,435, a reduction of £75,084.

United Kingdom and overseas taxation has absorbed £19,772 less, and a smaller amount is attributable to outside shareholders, leaving the parent company's proportion of the consolidated net profit at £485,234, a reduction of £33,199.

The net profit derived from trading in the United Kingdom has been maintained partly by reason of an expansion in sales and partly by a greater and more economical production made possible by recent factory extensions. Material costs have continued to rise without a corresponding adjustment in selling prices.

The decline in the total net profits of the overseas subsidiary companies is partly due to losses incurred by the new South African company in its first year of trading, accentuated by restrictions on the importation of machinery required to initiate production and by the German company during a period of reorganisation.

This decline was materially increased by the coal strike experienced in Australia for a period of six weeks, which had an adverse effect on the profits of your Australian subsidiary company for the year.

The income from trade investments was affected by the loss in income from our associated company in China, where the position has become more obscure. It is impossible to forecast the ultimate outcome of the present unsatisfactory situation. So far as we are concerned, trading in that country is practically at a standstill.

Your directors are kept well informed of the latest developments, and will take any action that is possible and appropriate to protect your interests.

Of the parent company's proportion of net profits dealt with in the subsidiary companies' accounts, £32,862 has been transferred to reserves and £9,205 added to the carry forward of the subsidiaries.

The appropriation of the final balance of £443,167 has been dealt with in the accounts under review. It is gratifying to note that after maintenance of the dividend on the larger capital, and providing for tax on the profits earned to the balance-sheet date, the amount carried forward to next year in the parent company's profit and loss account will increase by £75,175 to a total of £512,143.

GENERAL REVIEW

During the period under review the volume and value of sales in the United Kingdom again created new records. This was particularly noticeable in the large expansion of our industrial precision finishes.

Competition in the industry has become more acute, and the wide recognition of the superiority of our products is a source of pride to the management and staff.

The directors' report has stated that the trend of rising costs was checked during the past year by more economical productivity brought about by recent replanning and extension of our main factories. Our efforts to combat higher material costs were therefore successful.

It is true to state that turnover must be maintained at a high level to secure a reasonable rate of profit on the real value of the capital employed, because under present competitive conditions the net profit per unit of output is small.

In this connection your management are constantly endeavouring to improve methods of administration and production, for it has become increasingly evident that any growth of profits from United Kingdom trading is only probable by these means or by a larger sales volume.

Further progress has been made in the rehabilitation of your company's works which has led to a substantially increased volume of output and enabled deliveries to be accelerated.

The re-establishment of the company's headquarters at 4, Carlton Gardens, London, has facilitated ease of contact between the various units, factories and offices, and has been instrumental in providing better service to customers.

EXPANSION OF OVERSEAS COMPANIES

Since the close of our financial year your Australian subsidiary company has doubled its issue capital for the purpose of raising the necessary funds to build and equip three new factories, two of which are now approaching completion.

Your company has invested approximately £213,000 in acquiring its due proportion, and a further call of about £150,000 will be payable in the near future.

During the last few years the French Associated Company has substantially expanded its trading activities, and has now rebuilt and re-equipped its Marseilles factory which had been damaged during the war. It is at present operating on a very profitable basis, and we have taken the opportunity to increase our holding in the French parent company on favourable terms at a cost of about £80,000.

These and similar investments made by your company do not yield an immediate return, but continuation of reasonably good basic economic and political conditions should result in the future increase in the income received by the parent company from its overseas interests.

The proportion of your company's capital which has been invested overseas has very considerably expanded during the last few years and it is probable that your directors may consider the advisability of segregating the overseas assets by forming a separate company at some future date.

It is likely that such an operation would lead to simplified administration and control which would result in greater benefits to shareholders.

CONCLUSION

We cannot disassociate ourselves from general political and economic influences, but I am confident that your organisation is well equipped to meet an expanding demand for all types of surface coatings.

Your company has had a fair degree of success in solving its problems of the past year, and I am sure you will agree that our thanks are due to the management, members of the staff and all other workers.

The report and accounts for the year ended March 31, 1950, were adopted, and a final dividend of 17½ per cent. (less tax) was declared on the ordinary shares, making 25 per cent. (less tax) for the year.

The retiring directors were re-elected and the auditors' remuneration was fixed.

LONDON TIN CORPORATION LIMITED

CHAIRMAN'S SPEECH

The twenty-fourth annual general meeting of London Tin Corporation Limited was held on September 8th at the Chartered Insurance Institute, Aldermanbury, London, E.C.

Mr J. Ivan Spens, chairman of the corporation, who presided, said:—An increase in our holdings of quoted investments and the payment of larger dividends by certain of the companies in which the corporation has a shareholding has increased the corporation's income. In consequence the net income of London Tin Corporation Limited was up by approximately 50 per cent. compared with the previous year, and your directors are recommending to you a final dividend of 8 per cent., which, with the 4 per cent. interim already paid, will make 12 per cent. for the year, against 8 per cent. last year. We have put to reserve this year £75,000, as against £125,000 in the previous year, but of this latter sum some £60,000 came from the carry forward. This year, however, the carry forward has been increased by £16,567.

I do not think that there are any other observations on the balance-sheet and profit and loss account which I need make.

STAFF

The staff in the Far East have had another difficult and trying year. I much regret to report that one of our workshop foremen, an old and valued member of our Chinese staff, together with his wife and one of his children, were killed by bandits in a car ambush on June 26th last. One of our oldest Chinese contractors was dragged from his house and murdered on June 10th.

Both production of tin concentrates and the rehabilitation of plant have gone forward, and our thanks are due to the management and staff of Anglo-Oriental (Malaya) Limited for their steadfastness of purpose and successful efforts in spite of the continuing emergency.

Mr Warren, chairman and general manager of Anglo-Oriental (Malaya) Limited, is with us today, having just arrived from Malaya, and I am glad to take this opportunity to express to him our appreciation of all that has been accomplished.

Our thanks are due likewise to the management and staff of A. O. Nigeria, Limited, to which company I refer later in this speech.

MALAYA

Conditions since I last addressed you have shown little or no improvement, but in spite of the serious difficulties encountered the Malayan tin industry improved its output to 54,910 tons of tin in ore in 1949, as compared with 44,815 tons in 1948. This progress, however, would have been more marked had not the emergency delayed rehabilitation. A serious aspect of the position is that prospecting is virtually at a standstill. As a result, when dredges work out their present areas no new areas may be available to them unless the position improves considerably.

The Ministers of State for the Colonies and for War visited Malaya during the end of May and beginning of June to see for themselves at first-hand existing conditions.

The present disturbances in Malaya have now persisted for over two years. It cannot be pretended that they are unconnected with events in other parts of the world. It is imperative that this banditry in Malaya should be suppressed as quickly as possible.

Malaya has to bear the brunt of the heavy expenditure incurred to which the tin industry contributes, as not only is it paying income-tax but a heavy government duty on tin ore. A relaxation of this duty was promised when income-tax was introduced, but so far no steps have been taken to implement this promise. The possibility of a change of system in levying this duty is, however, mentioned in the draft development plan of the Federation of Malaya.

This duty on tin ore can only have a deleterious effect on the future of the industry because it is based on the price of tin metal and not on the grade of ground worked. The latter basis would have, in my view, much to recommend it.

The tin-bearing areas left unmined in Malaya, as elsewhere, must in the main be of lower grade than those now being mined, and the heavy impost of this export duty is likely severely to restrict the amount of ground which can be worked to give a reasonable return on the capital employed taking into account the risks involved.

I have recently had figures taken out based on the present prices of equipment and on present-day working costs. These show that the equipment of a property with two large modern deep-digging dredges, the most economical plants that exist for this type of mining, would need an estimated capital outlay of £2,700,000. On ground averaging 0.4 lb. per cubic yard and with a price for tin metal averaging £600 per ton over the life of the property, the return on the above-mentioned capital outlay would be only 8½ per cent. Moreover, on ground averaging 0.3 lb. per cubic yard, the average of the grade of ground most likely to be found in the future, the return would be 3¾ per cent., which is not a figure likely to attract new investment, unless there is a considerable easement in the duty on tin ore.

The position in regard to war damage compensation is that claims are now being assessed and it is expected that we shall be given shortly provisional figures which will be a welcome guidance to companies as to where they stand financially.

SIAM

Conditions as regards local security bear favourable comparison with Malaya up to the present time. Mining operations have not been hampered by lawlessness, but the future is overshadowed by the whole situation in the Far East.

Rates of import and export duties in Siam are very high and there are proposals to increase income-tax. The duty on export of tin ore at approximately 27 per cent. of the realisable value before deducting working costs detracts from the development of new areas. Import duties of mining machinery average about 20 per cent., and with present-day prices it seems improbable that mining companies would be prepared to do more than make use of their existing plant.

Negotiations in regard to war damage compensation are well advanced, and I hope that finality may be reached soon.

BURMA

The situation in Burma is still unsettled and certain sections of the country are out of the control of the government. The mining areas of the Tavoy Tin Dredging Corporation cannot be visited by European staff for reasons of security. Looting and damage have taken place. Great credit is due to those who have loyally stood by in these trying circumstances. One dredge is still operating under an Asiatic crew.

The Burmese Government express themselves as anxious to promote the development of the country's resources, for which purpose oversea capital is required. It seems unlikely that this will become available until law and order are restored, and until the position is known in regard to compensation for certain existing capital undertakings which were taken over by government as soon as independent rule was established.

NIGERIA

Output of tin concentrate by the companies managed by A.O. Nigeria Limited has been lower. At the end of the period under review lack of rainfall led to a cut in electrical supplies. The higher price for tin gave the opportunity to work to a lower grade of ground than had been previously economical.

Labour conditions on the tin mines during 1949 were settled, but during this current year have become disturbed. As shareholders will be aware there was serious trouble at the government coal mines at Enugu and a commission was appointed to investigate and report. This report has now been issued. What clearly emerges from this is that the trades union movement was introduced into West Africa before the workers there were ready for it. The movement in this country has developed over many years of trial and error to become the great organisation it now is. To superimpose the system on a people who lacked the necessary education and experience could only lead to misunderstandings and the misuse of power by those opportunists who saw in it the chance of personal aggrandisement. During June and July this year the union at the tin mines put forward impossible claims on behalf of labour and eventually called a strike on short notice and against the regulations, hoping to embarrass the employers by withdrawing labour when the rains were at their height and paddocks might become flooded. The strike was only partially successful and the labour soon returned, after which it was possible to hold discussions with the union in a more reasonable atmosphere.

Income-tax on company profits in Nigeria is now 9s. in the £ while the rate of royalty charged by the Nigerian Government remains unchanged, the scale being based on a price range of tin metal which, I suggest, is now out of date. This royalty should in my opinion be revised and due regard should be paid to the grade of ground worked in order to ensure the maximum development of Nigeria's tin resources.

GENERAL

The Tin Study Group has continued its discussions during the year at which I have

been present as an adviser. Statistics which were drawn up point to a surplus of production over consumption of some 100,000 tons in the two years 1950 and 1951. At the moment this surplus appears to be absorbed by stockpiling programmes.

Both consumers and producers need a stable tin price to permit the making of reasonable plans for the future. The prospect of a burdensome surplus of tin, when purchases for stockpiles have been completed, will not encourage producers to replace their diminishing ore reserves. These new reserves are likely to be of a lower grade than those now being worked, while the cost of equipment is now some three times that of prewar and costs of production have also increased. A serious and prolonged fall in price would cause many mines to cease production and would result in substantial unemployment and hardship to the countries concerned. Violent fluctuations in price and an uncertain supply would not benefit consumers, who require a steady supply at an economic price. Safeguards for the future of the industry are desirable both for producing and consuming countries.

In this connection I quote from the speech made by the Secretary of State for the Colonies on July 12th last in the debate on colonial affairs:

"But whatever we do within the colonial territories, all will be in vain if stable markets are not assured for their products. It is vital to do all we can to protect the colonies against those violent fluctuations in demand and price which, in the past, have had such disastrous effects upon their economic and social life."

It is hoped that the United Nations will call a tin commodity conference in October, 1950.

The report and accounts for the year ended April 30, 1950, were adopted and the retiring directors re-elected.

INDIAN COPPER CORPORATION, LIMITED

MORE ORE MILLED

The twenty-sixth annual general meeting of the Indian Copper Corporation, Limited, was held in London on September 13th, Sir Godfrey Fell, K.C.I.E., C.S.I., O.B.E., chairman and managing director, presiding.

The following is an extract from his circulated statement for 1949:—

Net proceeds of sales and adjustment of stocks on hand fell by £116,849 to £1,807,455, while mining, milling and other costs rose by £81,145. The profit on our kyanite sales increased by £22,331 owing to the rise in the sale price of kyanite ore. The profit for the year was less at £593,552 compared with £744,931 owing chiefly to the smaller volume of sales. Taxation at £343,000 is lower by £95,000. The proposed dividend is 12½ per cent.

Although still below the capacity of the plant, the ore treated in the mill exceeded last year's figures by over 6,000 tons, the average grade being slightly lower. The output of rolled brass was higher by 358 tons. The increase of 337,339 tons in the estimated ore reserves is most gratifying. These now amount to 2,798,430 tons. After initial difficulties the 4-high cold rolling mill has operated satisfactorily on a three-shift basis and it may be hoped that the teething troubles have been finally overcome.

During the first half of the current year the mill treated 167,211 long tons of ore compared with 143,111 long tons for the corresponding six months of 1949, an increase of 24,100 long tons. The production of refined copper amounted to 3,163 long tons, an increase of 223 tons. The output of brass products was 3,686 tons, a decrease of 997. The price of copper has risen to £186 per ton, an increase of £53.

The report was adopted.

THOMAS DE LA RUE AND COMPANY LIMITED

IMPROVED PROFIT

The fifty-third annual general meeting of Thomas De La Rue and Company Limited was held on September 13th in London, Mr B. C. Westall, C.B.E. (chairman and managing director), presiding.

In the course of his speech the chairman said:—

The net group profit for the year amounted to £347,770, and the improvement on last year's £113,628 was accounted for mainly by the fact that as a result of recentralisation we are now able to obtain the benefit of tax reliefs which were previously being lost in the subsidiary companies.

Your directors have deemed it prudent to appropriate a sum of £200,000 to a tax equalisation account in order to provide a cushion to the reduction in future wear and tear allowances, which will result from our having obtained the appropriate initial allowances on plant, etc. The sum so appropriated exceeds the reliefs obtained.

We have also appropriated £50,000 to general reserve, making this reserve up to £500,000. A small transfer to capital reserve was necessary to write off the book value of fixed assets in the Far East which had been destroyed by enemy action, and in respect of which we received an ex gratia grant from H.M. Government.

SECURITY PRINTING

In the past year the security printing branch of your company's activities showed reasonably good results. In my speech to you last year I said: "Nevertheless, I do not expect the trading profits for the present year to reach the figure of the year under review." This forecast has more or less been borne out by results.

If world conditions were more stable I think I should have been able to have given you today a promising outlook for the future of this section of your interests. Even as it is, the business we have on hand is considerable and the prospects cannot be regarded as gloomy.

During the past year we continued to make progress in the establishment of our laminated board, known under the trade name as "Formica." A vast amount of educational work has been done, and many new fields have been opened up for future development. On the other hand, there was some decline in demand for industrial grades of laminated board, due to a considerable extent to a diminishing demand by the electrical industry. This tendency, however, has been reversed since the turn of the year and the demand is now increasing again. In particular, the demand for "Formica" and "Traffolyte" is now, as a result very largely of the previous two years' spade work, sharply increasing, and the plastics side of the business is beginning to work at a profit.

GAS APPLIANCES AND STATIONERY

With regard to your interests in gas appliances, we have now completed the closing down of the Gateshead factory, which was a leasehold premises, and have transferred the plant to other factories. This concentration is now beginning to show results.

On the stationery side of the business the sale of playing-cards was maintained, but there was a falling off in the sale of fountain pens. This market is becoming an increasingly difficult one, and although we are doing our utmost by an increased advertising allocation to maintain our position as manufacturers of the "Onoto" pen, the oldest and possibly the best-known pen in the world, we cannot hold out any hope that the current year will show any improvement.

The report was adopted.

THE PALESTINE ELECTRIC CORPORATION LIMITED

INCREASED DEMAND

The twenty-seventh ordinary general meeting of The Palestine Electric Corporation Limited was held on September 7th in London, the Rt. Hon. Viscount Samuel, P.C., G.C.B., G.B.E., the chairman, presiding.

The following is an extract from his circulated statement:

The year 1949 was one of rapid changes in the State of Israel. Hostilities having ended, much progress was made in restoring normal economic conditions; at the same time the population was vastly increased by a great volume of immigration. These developments were reflected in a remarkable increase in the demand for electricity.

The capital expenditure incurred during the year amounted to just over £1,000,000 mainly on the extension of the Haifa Power House and on the extensions of the transmission and distribution lines. The rapid growth in demand, however, may be expected to continue, and it is already evident that the capacity of the Corporation's plant, although extended, as it soon will be, by the second 30,000 kW turbo-generator unit and boiler plant now in course of manufacture, will become inadequate almost as soon as the new plant is commissioned. I might mention in this connection that already in the first four months of the present year the number of units generated is 50 per cent. greater than in the same period of 1949. Your directors therefore contemplate a further programme of extensions during the next three years. These will comprise considerable increases in the generating capacity of the Corporation's power houses, and in both the capacity and the extent of our transmission and distribution system.

THE NEW ISSUE

Last year reference was made to the directors' intention to make an issue of capital as soon as possible in order to finance such large developments. Application was accordingly made to the Capital Issues Committee for permission to make an issue of capital which, after repayment of bank loans, amounting to £800,000, that had been arranged as a temporary measure, would leave a substantial amount for capital expenditure. The consent of the Treasury was, however, granted only in part, and was in effect limited to an issue of shares sufficient to repay the bank loans. In the circumstances the directors decided not to proceed with the proposed increase in the authorised capital and to make the issue of shares, for which consent had been given, out of the ordinary shares authorised but unissued and by reissuing as ordinary shares the 234,934 4½ per cent. redeemable cumulative preference shares which had been redeemed by sinking fund up to December 31, 1949. An issue was accordingly made last April of 800,000 ordinary shares, by way of an offer to holders of ordinary and "A" ordinary stock on the London register to subscribe at par in the proportion of one new ordinary share for every £2 stock held by them. An issue of 224,424 ordinary shares was made simultaneously in Israel, on similar terms.

As will be seen from the profit and loss account, the operational surplus is I£1,047,285. The amount carried forward to the profit appropriation statement, after setting aside I£334,270 to reserve for depreciation (I£226,430 in 1948), I£380,000 as provision for taxation (I£60,000 in 1948) and I£125,000 to general reserve (nil in 1948), is I£170,689 (I£97,511 in 1948). The directors recommend again the payment of a dividend of 5 per cent., free of tax, on the ordinary and "A" ordinary stock.

The report was adopted.

MUREX LIMITED

RECORD TURNOVER

The thirty-first annual general meeting of Murex Limited, was held on September 20th in London, Mr George P. Joseph (the chairman) presiding.

The following is an extract from his circulated statement:—

The consolidated trading profits for the year at £905,494 were about £30,000 higher than in the previous year, reflecting the improvement in the consolidated turnover, which reached a record figure of £6,820,000. Depreciation has been provided at the higher rates adopted two years ago, which your directors regard as adequate to cover the writing off of our buildings, plant and equipment during their useful life.

In 1948 we decided to discontinue our former practice of setting aside out of revenue specific amounts for obsolescence, and the funds so accumulated in past years were transferred at April 30, 1948, to revenue reserve (general). We intend to continue this policy and to regard the revenue reserve (general), which is wholly created out of taxed profits, as being available for the obsolescence of fixed assets and to meet the enhanced cost of their ultimate replacement; after the appropriations for the year this reserve stands at £1,070,000.

After charging taxation on the consolidated profits of the year, making good underprovisions in past years and provision for the extra tax burden which will arise in later years by reason of the advance tax relief given now by the initial allowances, the consolidated net profits available for dividend and appropriation to reserves are £333,496, an increase of £21,946 on the previous year.

The dividends paid and proposed amount to the same as for the previous year, and there is a reduction of £20,000 in the profits set aside to revenue reserve (general) in the consolidated accounts, the amount carried forward being some £3,000 higher than at April 30, 1949.

We have a full programme of capital construction before us. As our business expands we have to carry also larger stocks of raw materials, and at today's level of costs it is essential for us to continue to conserve such liquid resources as are available after meeting the heavy burden of taxation which industry is called upon to bear: your directors will continue, therefore, to maintain a prudent financial policy.

Our plans for the erection and equipment of an up-to-date research block at our Rainham works have been completed, and work on the site has commenced. We anticipate that the building will be ready for use towards the end of 1951.

Further expansion is taking place also at Waltham Cross, and work has commenced on the erection of additional factory premises which will enable us to improve the plant layout and increase manufacturing efficiency.

FACTORY IN THE TRANSVAAL

The factory of Hard Metals, Limited, at Springs, Transvaal, was completed towards the end of 1949, and is now manufacturing tungsten carbide tips for insertion in rock drill stems; a field staff continues extensive research work in order to improve the application of drill stems for mining purposes.

The overall demand for your company's products has continued at a satisfactory level in the opening months of the new financial year. It has never been my practice on these occasions to prophesy, and I should be reluctant to do so at the present time when the world is so disturbed: you may rest assured that we shall continue to do our utmost to maintain the quality of our products and our service to their users, and we look forward with confidence to the future.

The report was adopted.

INTERNATIONAL TEA COMPANY'S STORES LIMITED

SUCCESSFUL YEAR'S TRADING

The annual general meeting of the International Tea Company's Stores Limited will be held on October 2nd in London.

The following is an extract from the annual review by the chairman, Mr Frank Wilson, circulated with the report and accounts:—

You will be pleased to see that we have had another successful year's trading. The trading profit of the group as compared with the corresponding figure last year shows a decrease of £76,000 approximately. This decrease is in part due to the fact that in our efforts to synchronise accounting dates of our subsidiaries, the results of one of our larger subsidiary companies which were included in our consolidated profit and loss account for 1949 covered the profits of that subsidiary for a period of 18 months' trading, whereas in the accounts now under review for 1950, one year's profits only from that source have been included. Turnover has shown a considerable increase in all sections of the company's business, and it was hoped that this in itself would have enabled us, in spite of the difference in trading periods, to have maintained profits of the group at last year's level. This hope was not realised when the accounts were finalised, since the rate of gross profit has continued to decline on many of the commodities we handle. Bearing these factors in mind the results now submitted can be regarded as satisfactory.

TRADING CONDITIONS

Trading conditions throughout the year in individual commodities have changed considerably. Certain lines in great demand twelve months ago now move very slowly in the warehouses and at the branches. The public generally no longer consider that "food" is "anything edible"; they want what they ask for, and substitution is not acceptable to them. This is as it should be, and it indicates a gradual change to greater freedom in selection. This trend is in harmony with our prewar slogan: "We sell all the best goods from all the best makers." Until now it has been difficult to return to this slogan of 1939, but from now on we intend to devote our efforts to living up to it even more so than we did in the past. We remain of the opinion that the "service" we render to our customers, and all that comes within the full meaning of that word in our trade, is a "corner stone" on which our business has been built, but there is no denying that this policy is increasingly expensive in these times.

We have tested the self-service method of trading in certain locations, and the results have been very encouraging. We have further conversions to self service in hand, and we are hopeful that our selections of sites will prove to be correct.

The turnover continues to expand and the cessation of points rationing brings with it still greater opportunity.

With regard to the subsidiary companies, plans are in hand to strengthen co-operation with head office in London, so that we all work as far as practicable on similar lines. This is the desire of the directors of all the companies concerned, and will have the effect of bringing their policy more into line with that of the parent company.

As to the future, who knows today what it holds for us all, but of this I am certain—your company, firmly established as it is and managed as I know it to be, will render a good account of itself.

ASPRO LIMITED

The fifteenth annual general meeting of Aspro Limited was held on September 8th at 16, Berkeley Street, London, W.1

Mr Maurice A. Nicholas, the chairman, presided.

The following is the chairman's circulated statement:

I am happy to report a further year of good progress by the company. Over the year sales have been further increased.

Turning now to the accounts, it will be seen that our financial position has been well maintained, and that the favourable trend of trading results continues.

The profit on trading and income from investments as shown in the consolidated profit and loss account for the year ended March 31, 1950, before taxation and other chargeable items, amounts to £780,376, as compared with £432,457 for the nine months to March 31, 1949, and £585,506 for the year ended June 30, 1948. The surplus after charging taxation is £221,846, and after adding to this the balance of profits brought forward from the previous year, we have a total surplus of £416,619. After deducting £56,375 representing dividends on the preference stock and an interim dividend of 15 per cent. on the ordinary stock, your board propose to allocate £100,000 to the general reserve and £5,000 to the staff contingencies reserve of Aspro Limited, and to recommend a final dividend of 20 per cent., less income tax, on the ordinary stock. The balance remaining to be carried forward on the consolidated profit and loss account will be £180,332, compared with £194,773 as at March 31, 1949.

You will find in the report a chart showing the percentage distribution of the net income of Aspro Limited, for the year ended March 31, 1950, after defraying the cost of services received and the cost of materials furnished. You will note that the distribution of this net income was as follows:—

	%	%
Net Income of Aspro Limited		100.0
Less:		
Wages, Salaries and Superannuation	29.0	
Depreciation of Fixed Assets	4.8	
		33.8
		66.2
We set aside to strengthen and develop the business		11.4
		54.8
Leaving to be absorbed by:—		
The State and Local Authorities	39.9	
The Stockholders	14.9	
		54.8

In the report there are diagrams reflecting the financial position of Aspro, Limited, as at March 31, 1950, and March 31, 1949. These give a clear picture of the increased financial strength of the company.

The continued development of our overseas markets has the constant attention of your board, and in spite of restrictions on imports, still operative in many parts of the world, your company continues to make solid progress in this direction.

Finally, I would say that the company and its subsidiary companies are maintaining their position in the competitive field. I am satisfied that we have an organisation which will assure to the company continued prosperity, subject, of course, to political and economic circumstances which are beyond our control.

I desire to thank my colleagues on the board for their valued contribution to 'Aspro's' continued success and to reiterate my appreciation of the fine work done by the managing director, executives and staff, both at home and abroad, over the year.

Statistical Summary

EXCHEQUER RETURNS

For the week ended September 16, 1950, total ordinary revenue was £43,979,000, against ordinary expenditure of £44,455,000 and issues to sinking funds £540,000. Thus, including sinking fund allocations of £8,653,000 the surplus accrued since April 1st is £90,823,000 compared with a deficit of £379,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950–51	Receipts into the Exchequer (£ thousand): April 1, 1949 to Sep. 17, 1949	April 1, 1950 to Sep. 16, 1950	Week Ended Sep. 17 1949	Week Ended Sep. 16 1950
	£'000				
ORDINARY REVENUE					
Income Tax	1388000	367,953	358,112	7,543	5,868
Surtax	120,000	32,900	33,600	700	1,300
Estate, etc., Duties	195,000	85,800	83,450	4,300	2,100
Stamps	50,000	22,900	22,800	700	1,000
Profits Tax }	270,000	119,760	105,570	5,600	4,950
E.P.T. }		21,800	7,350	900	250
Other Inland Rev.	500	80	50	...	...
Special Contributn.	4,500	12,900	2,655	400	100
Total Inland Rev.	2028000	664,093	613,587	20,143	15,568
Customs	870,650	367,982	399,647	15,136	18,428
Excise	713,150	315,700	318,200	3,500	3,800
Total Customs and Excise	1583800	683,682	717,847	18,636	22,228
Motor Duties	66,000	9,366	10,137	...	108
Surplus War Stores	35,000	47,427	10,730	...	242
Surplus Receipts from Trading	85,000	4,045	30,974	...	...
P.O. (Net Receipts)	...	200	4,900	200	200
Wireless Licences	13,000	3,690	3,750	...	...
Sundry Receipts	27,000				
Miscell. Receipts (in. Crown Lands)	70,000	10,404 / 28,388	16,533 / 38,560	... / 5,204	... / 5,633
Total Ord. Rev.	3897800	1451294	1447017	44,183	43,979
SELF-BALANCING					
Post Office	172,150	72,100	72,600	2,300	2,200
Income Tax on E.P.T. Refunds	5,700	4,681	4,470	237	131
Total	4075650	1528075	1524087	46,720	46,310

Expenditure	Estimate, 1950–51	Issues out of the Exchequer to meet payments (£ thousand): April 1, 1949 to Sep. 17, 1949	April 1, 1950 to Sep. 16, 1950	Week ended Sep. 17 1949	Week ended Sep. 16 1950
	£'000				
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	490,000	235,199	233,931	2,310	2,215
Payments to N. Ireland	36,000	14,188	15,949	...	...
Other Cons. Fund Services	11,000	5,029	4,193	...	20
Total	537,000	254,416	254,073	2,310	2,235
Supply Services	2918069	1189059	1093468	71,100	42,200
Total Ord. Expd.	3455069	1443475	1347541	73,410	44,435
Sinking Funds	...	8,197	8,653	350	540
Total (excl. Self-Bal. Expd.)	3455069	1451672	1356194	73,760	44,975
SELF-BALANCING					
Post Office	172,150	72,100	72,600	2,300	2,200
Income Tax on E.P.T. Refunds	5,700	4,681	4,470	237	131
Total	3632919	1528453	1433264	76,297	47,306

After decreasing Exchequer balances by £22,942 to £3,142,656, the other operations increased the gross National Debt by £10,169,411 to £26,227 million.

NET RECEIPTS
£ thousand
Nil

NET ISSUES
£ thousand

P.O. and Telegraph (Money) Act, 1948	925
E.P.T. Refunds	159
Local Authorities Loans Act, 1945, s. 3(1)	4,700
Cotton (Centralized Buying) Act, 1947, s. 21(1)	3,000
Overseas Resources Development Act, 1948, s. 17(1) Overseas Food	100
Finance Acts, 1946 and 1947, Post-war Credits	313
	9,197

CHANGES IN DEBT
£ thousand

Receipts		Payments	
Treasury Deposits	30,000	Treasury Bills	8,234
		Nat. Savings Certs	1,200
		2½% Def. Bonds	245
		3% Def. Bonds	415
		Tax Reserve Certs.	241
		Other Debt:— Interest	405
		Ways & Means Advances	9,090
	30,000		19,831

FLOATING DEBT
£ million

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
Sept. 17	2490·0	2272·7	346·4	1·5	1026·0	6136·6
1950						
June 24	3100·0	1769·7	421·4	4·0	350·0	5645·1
„ 30	4856·9		404·2	12·5	350·0	5623·6
July 8	3120·0	2034·9	387·4	...	375·0	5917·3
„ 15	3120·0	2046·9	380·9	5·0	366·5	5919·3
„ 22	3130·0	2025·9	396·2	...	380·0	5932·1
„ 29	3140·0	1969·4	382·8	...	405·0	5897·2
Aug. 5	3140·0	1934·9	374·4	...	405·0	5854·3
„ 12	3140·0	1936·0	373·7	...	405·0	5854·7
„ 19	3140·0	1921·2	410·8	...	430·0	5902·0
„ 26	3130·0	1920·6	401·2	...	480·0	5901·8
Sept. 2	3120·0	1897·8	423·1	8·8	450·0	5899·7
„ 9	3120·0	1896·1	417·3	...	475·0	5910·4
„ 15	3120·0	1889·8	418·2	...	505·0	5923·0

TREASURY BILLS
£ million

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment: s.	Average Rate of Allotment: d.	Per Cent Allotted at Min. Rate
1949						
Sept. 16	220·0	261·9	220·0	10	3·46	80
1950						
June 16	240·0	299·6	240·0	10	3·33	75
„ 23	240·0	315·4	240·0	10	3·06	68
„ 30	240·0	302·4	240·0	10	3·21	73
July 7	240·0	306·4	240·0	10	3·19	72
„ 14	240·0	327·1	240·0	10	2·90	63
„ 21	240·0	355·4	240·0	10	2·78	60
„ 28	240·0	340·8	240·0	10	2·72	58
Aug. 4	250·0	335·7	250·0	10	2·81	64
„ 11	240·0	304·8	240·0	10	3·32	73
„ 18	240·0	312·8	240·0	10	3·23	70
„ 25	230·0	294·9	230·0	10	3·48	73
Sept. 1	240·0	333·5	240·0	10	2·90	62
„ 8	240·0	315·4	240·0	10	3·22	70
„ 15	250·0	294·4	250·0	10	3·45	81

On September 15th applications for 91 day bills to be paid from September 18th to 23rd were accepted dated Monday to Saturday as to about 81 per cent of the amount applied for at £99 17s. 9d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million are being offered for September 22nd. For the week ending September 23rd the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS
£ thousand

	Week Ended Sept. 10, 1949	Week Ended Sept. 9, 1950	Total, Apr. 1 to Sept. 9, 1950
Savings Certificates:—			
Receipts	1,850	1,300	37,500
Repayments	2,400	2,500	58,600
Net Savings	*Dr 550*	*Dr 1,200*	*Dr 22,100*
Defence Bonds:—			
Receipts	380	280	7,860
Repayments	755	725	23,584
Net Savings	*Dr 375*	*Dr 445*	*Dr 15,524*
P.O. and Trustee Savings Banks:—			
Receipts	13,602	14,071	286,057
Repayments	12,462	13,068	314,748
Net Savings	1,140	1,003	*Dr 28,691*
Total Net Savings	215	*Dr 642*	*Dr 66,315*
Interest on certificates repaid	466	555	12,970
Interest accrued	2,394	2,429	55,266
Change in total remaining invested	+ 2,143	+ 1,232	— *24,019*

BANK OF ENGLAND RETURNS

SEPTEMBER 20, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1286,098,860	Other Govt. Securities	1335,229,818
In Banking Department	64,257,963	Other Secs.	641,763
		Coin (other than gold)	3,113,319
		Amt. of Fid. Issue	1350,000,000
		Gold Coin and Bullion (at 24s. 0d. per oz. fine)	356,823
	1350,356,823		1350,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	560,216,441
Rest	3,956,005	Other Secs:—	43,835,216
Public Deps:—	271,643,858	*Discounts and*	
*Public Accts.**	*16,848,852*	*Advances*	*18,797,591*
H.M. Treas. Special Acct.	*254,795,006*	*Securities*	*25,037,925*
Other Deps:—	381,772,270		
Bankers	*290,236,301*	Notes	64,257,963
Other Accts.	*91,536,969*	Coin	3,616,513
	671,926,133		671,926,133

* Including Exchequer, Savings Banks Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS
£ million

	1949	1950		
	Sept. 21	Sept. 6	Sept. 13	Sept. 20
Issue Dept. :—				
Notes in circulation	1267·5	1299·0	1294·2	1286·1
Notes in banking department	82·8	51·4	56·2	64·3
Government debt and securities*	1349·2	1347·1	1346·7	1346·2
Other securities	0·7	0·8	0·8	0·6
Gold	0·3	2·4	2·4	3·5
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits:—				
Public Accounts	11·6	13·4	14·1	16·8
Treasury Special Account	25·4	246·5	246·5	254·8
Bankers	293·6	279·1	283·2	290·2
Others	96·1	95·1	96·1	91·5
Total	426·7	634·1	639·9	653·3
Securities:—				
Government	318·4	549·6	548·6	560·2
Discounts, etc.	16·2	22·2	24·5	18·8
Other	22·4	24·6	24·9	25·0
Total	357·0	596·4	598·0	604·0
Banking dept. res.	88·1	56·1	60·4	67·9
"Proportion"	% 20·6	% 8·7	% 9·4	% 10·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,300 million to £1,350 million on June 27, 1950.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce.

Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	cents	Rs. a.	Rs. a.
Sept. 13	63¾	72⅞	182 4	113 4
„ 14	63¾	72⅞	181 11	113 1
„ 15	63¾	72⅞	Market closed	
„ 16	Markets closed		Market closed	
„ 18	63¾	72⅞	182 4	113 5
„ 19	63¾	72⅞	181 11	112 12
„ 20	63¾	72⅞	183 8	112 15

at 22, Ryder Street, St. James's, London, S.W.1. U.S. Representative: R. S. Farley, 111, Broadway, New York, 6.—Saturday, September 23, 1950.
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EMERGENCY EDITION

The Economist

Established 1843

October 7, 1950 — One Shilling

We have attempted with this emergency issue of The Economist *to reach all our readers and to give them slightly better value for their shilling. Its shortcomings, all the same, are painfully obvious, and we cannot hope so long as the dispute in the London printing trade lasts to record and comment on more than a small fraction of the events that would demand attention in normal conditions.*

We are grateful to readers for their understanding of our difficulties and are doing all we can, under conditions of frustration never known before in periodical publishing, to give them the best service. So long as the present obscurity lasts, we hope they will accept a substitute edition and pardon its limitations.

ACROSS THE PARALLEL

The question whether or not the United Nations forces should come to a halt at the 38th parallel and call the North Koreans to a parley is becoming academic. The parallel has been crossed and South Korean forces are advancing rapidly on a broad front. Unless by some unlikely miracle the North Korean command agrees to General MacArthur's call to surrender and lays down its arms, a new phase of warfare threatens in the difficult country in the north; even if full scale fighting does not break out again, a long period of guerrilla warfare seems to be ahead with all the opportunities it offers for veiled intervention by the Chinese Communists. If the first and most dangerous phase of the Korean incident is over, a new and hazardous one opens. The United Nations will need all its strength, unity and diplomacy to succeed as well as it did in the South - first in grim defence and then in lightning victory.

The essential first step is speedy agreement upon peace terms for Korea. That the Russians hope much from confusion and delay has already been shown by Mr Vyshinsky's proposals to the Political Committee of the General Assembly. These purport to show a spirit of compromise by various references to the role of the United Nations in Korea, but they would in fact leave the authority of the North Koreans intact and amount to no more than a return to the *status quo ante* June 25th. At all costs the Soviets and their satellites must be prevented from succeeding in a prolonged filibuster and the British proposals for a Korean settlement - which are also sponsored by eight other nations - must be brought to the vote.

These proposals undoubtedly provide a possible basis for pacification. They aim at the unification of Korea, the holding of new elections under the control of the United Nations and the economic rehabilitation of the country under the auspices of a new and enlarged United Nations Commission. Such a settlement might reasonably be completed by declaring Korea to be a neutral buffer state under permanent United Nations military protection. The Great Powers could undertake to maintain no bases or garrisons of any sort - the United States has already asked that its troops should be withdrawn as soon as possible - and local defence could be maintained by a *gendarmerie* under United Nations command and drawn from the smaller powers. Such provisions would meet any objections that might be put forward by Korea's nearest neighbour, Communist China.

At the same time, the more speedily Peking can be admitted to the counsels of the United Nations, the better will be the chance of achieving some permanent settlement - as opposed to a precarious truce - in Korea. It is quite uncertain whether Communist China is prepared to play the good neighbour, but as long as it is excluded from the community of nations, so long will it be tempted to behave

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like any outlaw. The fears and hesitations of India are also given fresh impetus. Pandit Nehru's unwillingness to sponsor the British proposals for Korea undoubtedly springs from his fear - no doubt underlined with considerable emphasis by his ambassador in Peking -- lest a crossing of the 38th parallel should involve direct Chinese intervention. It may be too late to allay that particular apprehension, but all reasonable steps should be taken in other directions to mollify this influential and restive representative of Asiatic opinion.

Fortunately, there is a chance to do so. The Security Council has now decided that after November 15th, the Peking Government shall be heard on the issue of Formosa. This tentative admission that the Peking government exists could lead speedily to full recognition of Communist China and conceivably to its association with the proposed Commission for Korea. The United Nations cannot be expected to go to unreasonable lengths to satisfy Pandit Nehru's hesitations. To stop short at the parallel and leave the aggressors in the north time and opportunity to reform their defences and to confuse the unity of world opinion would not solve the Korean problem. On the contrary, it would make its recurrence certain. But to seek by every means to make Korea a neutral, peaceful buffer state and to convince the Far Eastern governments that the Western powers are not seeking special positions or 'imperialist advantages' under a cover provided by the United Nations is as much in the interest of the West as of China or India itself. Western intervention is still suspect. Three hundred years of history cannot be wiped out overnight. Everything that can be done to meet China's legitimate interests must in the interests of East and West be attempted.

None of these proposals guarantees success in the difficult and dangerous phase of combined military action and diplomacy that lies ahead. Even though China has not intervened already, it does not follow that intervention will not take place if Korea's northern territory is decisively breached. The bait of United Nations recognition and influence may be less potent than fear of 'the armies of imperialism' arriving on the Manchurian frontier. And behind these immediate hazards lies another and even more uncertain problem - the capacity of the United Nations, even with the most generous economic backing from the West, to establish settled and stable conditions in Korea itself. Since the withdrawal of Western colonialism, no really stable order has appeared in Asia save the rigidity of Communist totalitarianism. The 'democratic' solution to the problem of weak Asian states in their new-found independence has yet to be worked out. Korea can perhaps be made a new model, a first successful experiment. Certainly no venture is better worth undertaking. But the Western powers will assist the United Nations in its task if they realise how uncharted are the ways that must be broken.

Labour and Socialism

This week the Labour party has been holding the annual conference that marks the jubilee of its political existence. In the eighteen months that have intervened since the last conference much has happened that was bound to produce a sharp contrast between the temper of the two gatherings. Last year at Blackpool the Labour delegates were principally concerned with a threatened decline in exports and with fears of unemployment and they had a general election to win in 1950. At Margate, the setting has been quite different. Fear of unemployment, first allayed by the effects of devaluation, has been set aside by the rearmament programme. February's election results, at first such a shock to the Labour Party, showed that a large part of the tremendous gains of 1945 had still been held. It is the implications of rearmament and the problem of winning the next election that now provide the main focus of interest.

The other significant difference lies in the greater degree of harmony, idealism and general goodfellowship evident at this year's conference. There were two good reasons for supposing that such a spirit might not prevail. In the first place, it seemed likely that rearmament, and all that is implied in the pursuit of a tough policy in company with capitalist America towards the heirs of the 1917 revolution, would revive all the latent prejudices and fears of Labour supporters. In the second place, the conference assembled under the shadow of a much publicised rumour of a reopening of the old quarrel between Mr Morrison and Mr Aneurin Bevan.

In the event neither of these factors proved of any great importance. There has been no serious opposition to the rearmament programme, simply because the logic of events makes it impossible for any democratic Socialist - except for the small body of convinced pacifists - to oppose a policy of armed resistance to Soviet aggression without crossing the watershed into the camp of the Communists. It needed only the bluff introduction of Mr Sam Watson, the president of the conference, and Mr Attlee's dispassionate exposition (which by its reception proved how much he has grown in the estimation of his party) to convince the waverers.

The second cause of disquiet, the possibility of a split between the right and left wings of the party also proved a chimera. Serious rows within the party are a luxury that can be afforded only when Labour has a sizeable majority in the House of Commons. If the delegates needed any reminder of the insecurity of the Labour party's majority it was provided by the publication in the *News Chronicle* on Wednesday of the latest findings of the Gallup Poll which suggest that the Labour Party stands exactly where it stood in February, with 46 per cent of the popular vote. In the second place, Mr Bevan does not possess the necessary following to set up a rival faction to Mr Morrison. The fervid acclamation which he received on Wednesday was a tribute to his personal powers as an orator, not as a statesman; there are very few Labour delegates who are prepared to stake the party's future on Mr Bevan's brand of radicalism or on his estimate of the necessity for an immediate election. (The same Gallup Poll shows that 83 per cent of those who intend to vote Labour wish the Government to carry on for the time being). Mr Bevan's role is to put galvanic energy into the Labour party and it is becoming clear, even to Labour delegates, that he is not the man to expand its influence. The delegates, having forced upon the executive a resolution demanding the curbing of prices and profits (which if taken seriously by the Executive in its *alter ego* as the Cabinet, would be virtually impossible to translate into democratic legislation), did not exert strong pressure for the immediate prosecution of further nationalisation measures, a capital levy or the other nostrums of the extreme left-wing.

The debate on Wednesday on the Labour Party's tentative electoral programme 'Labour and the New Society' was by far the most interesting. The document is written in the most general terms, even as a statement of Labour principles, but the debate gave the Labour movement a chance to examine its collective soul. Previous debates on policy documents at Labour party conferences have generally degenerated into sharp encounters between the delegates and the executive upon the permissible limits of immediate political policy, but this year the conference was clearly engaged in the search for new ideas. The party's difficulty is that serious social and economic thinkers have, with a few exceptions, turned against political Socialism, and Labour is left without the spring of ideas upon which it used to rely. The only conception that commands general support is the well intentioned - but patronising and bogus - idea that Socialism is a 'way of life'. This idea is supported by such generalisations that the family is the basis of organisation and that cooperation or the service of the state can satisfy the highest needs of man. The danger of the Morrison approach to the public is that Labour policy may end up as a mere 'all things to everybody', an appeal to all just men - or as Mr Morrison prefers to 'the useful people.' This is nothing more than Chamberlain conservatism stood on its head.

The chasm that yawns between political good intentions and political reality has been strikingly illustrated by the references of the leaders of the Labour party to colonial development and international action. It is evident that since Labour policy at home has entered into the dusty arena of reality, an attempt is being made to rekindle the faith of the faithful by painting an all too glowing picture of what socialist action can do abroad. Mr Bevan, the Prime Minister, and other delegates who spoke in the same vein seemed to be engaged in formulating a new version of President Truman's Point Four - a vision of Labour as the emancipator of the depressed classes of Asia. This makes little sense given the strains on Britain's capital resources, and is hardly to be distinguished from 'capitalist' American ideas; the main difference is that the Americans may have the resources to bridge the gap between ideas and reality.

The annual conference of a political party provides the opportunity to seek the answer to two questions. First, has the party the necessary vitality and unity to give it a claim to victory in the unending struggle for political power? Margate has shown clearly that for the Labour Party the answer is Yes. The years in office have shorn the Labour Party of its feeling of encirclement and inferiority and have imparted to both its leaders and its rank and file a feeling of confidence which comes dangerously near to complacency. The angry internal bickerings so evident at Margate in 1947 have for the moment subsided.

But if it be asked whether the Labour Party possesses the energy and courage to tackle the immediate problems which confront it, the answer must be in the negative. On all the questions of economic policy at home it has not moved a single inch. It offers nationalisation and more soaking of the rich as an answer to the inflationary forces that its own policies have done so much to encourage. If Labour is to stand for all the people it must find a new economics that will assist its social purposes but will leave full room for enterprise.

Books for the People.

As a relaxation from manual labour, a corrective for habits of intemperance, supplying repose to the body and a stimulus to the mind, no amusement is equal to reading. Our people are great readers, and they have now great subjects to invite their attention. The use to be made then, and actually making of their easy circumstances, is to enlarge and acquire knowledge. At present, mental development - like that railway travelling which all classes share, to the manifest polish of the manners of all - is extremely rapid; and those misapprehend society and counsel the people amiss, who would divert them from the course of improvement they have entered on to become something like pauper occupants of small allotments of land, or inhabitants of self-sustaining villages.

The Economist

October 5, 1850

NOTES OF THE WEEK

Strikes and the Law

The Government has at last acted in the gas strike. Summonses have been issued against ten employees of the North Thames Gas Board under an old Act of 1875 which makes it an offence for employees of gas or water undertakings to break their contracts in the knowledge that consumers will be deprived of their supplies. The summonses will have been heard on Thursday, after *The Economist* has gone to press, but it will be interesting, to say the least, to see whether this attempt to impose some legal restraint on irresponsible and unofficial strikers is successful.

The reaction of other trade unionists to the Government's action is a matter of even greater importance. Political considerations have far too often been allowed to outweigh the need for proper legal safeguards in trade disputes in recent years. Workers and their unions should not be allowed to continue to assume that they are beyond the law, that a strike is sacred regardless of its nature, its causes, or its consequences. If the gas workers do not accept the Government's action against the leaders of the unofficial strike, they will seriously jeopardise the public standing of their own union and of the trade union movement as a whole.

Liberals Fight On

The Liberal party, at its annual assembly, rejected with greater emphasis than had been expected the idea of a united front or an electoral alliance with the Conservatives. The resolution which the assembly passed last Saturday expressed strong opposition to any agreements that would in any way limit the number of Liberal candidates put forward. The terms of the resolution are sufficiently stringent not only to make it impossible for the Liberal leaders to contemplate any national arrangement with the Tories, but also to rule out any regional arrangements, such as the "Huddersfield formula" of last February, which gave the Liberals a straight fight in Huddersfield West in return for their withdrawal in the East. The resolution does not, however, have the force of an absolute fiat. Local Liberal associations have an unquestioned right to make any arrangements in their constituencies which they may consider advantageous, and there appear to be a number of Liberal candidates who have hopes of getting a straight fight on the basis of being the lesser evil to one of the two other parties.

The Liberals have now committed themselves to what can only be a long and arduous struggle to break out of their small bridgehead of nine constituencies and advance into new territories. Their only hope of outside aid, as discussed by Mr Philip Fothergill in an admirable presidential address, is at present a remote one, the hiving off of the Liberal element in the two main parties and their union with the Liberal party. In the meantime the Liberal party will continue to champion liberal causes - particularly that of civil liberty. It is a courageous and a correct decision, but it will depend for its political effectiveness upon the degree to which the Liberal leaders can retain the loyalty and augment the numbers of the 2,600,000 people who voted Liberal last February. To this end it will be necessary to consider with great care the nature and aims of Liberal policy and propaganda so as to embrace the whole of liberal opinion, and not only the radical wing, whose outspokenness at Scarborough may have given a false impression of the tenor of feeling and opinion among Liberals as a whole.

Aid for Asia

The fundamental problem to which the Commonwealth Conference on economic aid for southern Asia has not found a solution is that of the relationship between the givers and receivers of aid. This question of relationship, in fact, dominates the future all over non-Communist Asia. The old basis on which westerners lived in many parts of the Orient has gone, with the rise of acute national feeling and the emergence of various grades of political emancipation. But no new basis for it has yet been established. So, although the Conference was concerned solely with economic problems, it ran into considerable trouble because of this political difficulty. Neither Burma nor Indonesia were prepared to commit themselves unreservedly even to the objects of the conference, although both stood to gain if these objects could be attained. Yet in Indonesia particularly this hesitation may be readily understood. During this, the very first year of their country's hard-won independence, many Indonesians do not see how they can be expected to 'join' what appears to be a Commonwealth bloc and yet remain free.

The new relationship between west and east, when it comes into being, should almost certainly be based on that of the expert and technician to the director and partner. The expert must be the westerner for a good many years to come; indeed, a large part of the task of the Commonwealth Conference has been to make plans for giving southern Asia the benefit of western 'know-how,' as well as providing the liquid capital and resources to use it. The director, on the other hand, must now be the Asian. He must take the responsibility and make the decisions. That is implicit in the freedom for which he has been struggling so hard during the last few years. On this basis - and this alone - the plans which will emerge from the Commonwealth Conference have every prospect of making a decisive contribution to the prosperity of southern Asia during the next six years. The scale of the expected effort is indicated by the investment figure of about £1,900 million which is reported to be needed if any appreciable effect is to be obtained in raising present standards of living.

Viet Nam Fighting grows

After Korea, Indo-China has looked for some time like the next most probable scene of sharp fighting in the Far East. Two weeks ago the rebel Communist-led Viet Minh forces seized a key French frontier fort, Dong-Khe, in the Chinese border region between the garrison towns of Langson and Kao-bank, heavily infiltrated by the rebels. This dangerously successful attack preceded, no doubt intentionally, a carefully prepared French offensive launched this week against one of the rebels' chief centres, Thai-Nguyen. Forty miles north of Hanoi, this has been a key Viet Minh town since its leader, Ho Chi-minh, set up his first capital there in 1944. A strategic point where roads and canals meet, Thai-Nguyen is also situated in the middle of an important rice-growing area which it has for some time been part of a systematic French policy to deny to the enemy.

The danger of Communist success in the Red River valley of North Viet Nam has lately increased owing to the arms and training which the Viet Minh has been receiving from Communist China; in the other delta area where rebel strength is serious, that of the Mekong in South Viet Nam, the rebels are reported to be losing ground. The Communist defeat in Korea will have a sobering effect on opinion throughout South East Asia. But while this may help to gather further support for the French-backed anti-Communist regime of Bao Dai, Indo-China is likely to prove a place where the Communist powers may well try to retrieve their fortunes. If so, and even without an overt Chinese invasion, the French need urgently every ounce of help the Americans are beginning to give them. They, for their part, must maintain momentum in the transfer of real political power to Bao Dai.

Humility over Groundnuts

The Overseas Food Corporation has decided to accept the recommendations of its working party on the future size and scope of its operations at Kongwa. The most important of these is that for a three year period, beginning with the new planting season at the end of the year, the cultivation of groundnuts and sorghum should be confined to four independent farms making up a total of no more than 1,200 acres while the rest of the cleared area should be used for ranching cattle. This is a very modest programme compared to the original project of clearing and planting 450,000 acres. It is small even by comparison with the 94,000 acres which have already been cleared. The figures of costs produced by the working party which reveal that during the last year it cost £600,000 to produce £100,000 of crops (the greater part of this being due to the failure of the sunflower harvest) show how unjustified would have been any attempt to continue planting over a large area.

The corporation has at last recognised that the right way of cultivating crops at Kongwa has not yet been found. If this spirit of humility had been present from the start, if political, technical and social factors had not become inextricably confused, if in the name of science the most unscientific approach had not been adopted, the story of the groundnuts scheme might have been a different one. Now that the scheme is to be altered into a few modest experimental farms, with no pretensions to place a vast quantity of edible fats upon the world market, it remains to be considered whether it is worth keeping the scheme within the grandiose framework of the Overseas Food Corporation. The Corporation has for the moment resisted the idea that Kongwa should be placed under a separate company; but the Government itself should consider whether it would not be better to write off the capital that has been wasted, and to hand over the capital that still exists in the form of building, hospitals and machinery to the Tanganyika Government.

Wisdom or Witch-hunt?

On Monday, the Middlesex County Education Committee took a step which deserves the gravest consideration. In the face of strong opposition from the Labour representatives, the Committee decided that, in future, membership of, or close association with, the Communist or Fascist parties should debar teachers from appointments as headmasters, principals of technical colleges or members of the staffs of training colleges. The question arose from the proposed appointment to a headship of a man subsequently found to be an active Communist.

There should be no doubt about the gravity of the point at issue. This is the first time that political discrimination in the schools has been made a matter of public policy, and such an interference with the principles of civil liberty must be examined with the most searching care and honesty. To penalise any Englishman for his connection with a political party and to deny him his prospects of promotion can only be justified if to do otherwise would jeopardise the safety of the state or threaten the welfare of those in his charge. The question at issue is whether the appointment of a Communist as the headmaster of a school constitutes such a threat to the independence of his staff and the right of the children to be instructed in the truth.

It has been argued that as teachers are

not permitted to introduce political bias into their teaching any Communist teacher who misused his position could be dismissed. But allegations of bias are extremely difficult to prove and are dependent on the willingness of parents to complain to higher authority about a headmaster's actions, or opinions. Few Communist teachers at the present time would risk any overt political actions, and even if they did, the whole process of dismissal would involve a highly undesirable technique of denunciation and tale bearing.

It is difficult to resist the conclusion that it would be gratuitously asking for trouble to put at the head of a school an individual whose political beliefs involve the overthrow of liberty and democratic institutions, and whose party is prepared to pursue its ends by means which are amoral, illegal and dishonest. If, however, wisdom dictates this policy of limited discrimination it must not be allowed to lead to a witch-hunt. The most rigorous safeguards are required to prevent victimisation and abuse.

Berlin - Symbol of the West

Ever since the days of the air-lift, Berlin has remained the most dramatic city in Europe. Something about this free enclave in a territory which is, to all intents and purposes, part of the Soviet Union catches the imagination, even of civil servants. Last Sunday, Mr Harold Wilson and Lord Henderson, flying the 570 miles to Berlin in 90 minutes, in the Comet jet airliner piloted by Group Captain Cunningham, showed that they had caught the right spirit. They redeemed the rather belated British participation in a big industrial fair which Berlin has organised, as visible evidence of the fact that in the last six months its production has doubled. As part of the symbolism of the occasion, Mr Wilson and Dr. Erhard signed the agreed minute on Anglo-German trade, which is to liberalise exchanges between the two countries.

The citizens heard a message from Mr Bevin, and Mr Paul Hoffman read an assurance from President Truman that American aid would continue. American funds and energy have played a large part in rescuing the city's economy from the disastrous situation of last winter. These pledges follow the even more significant warning given to Moscow by the Foreign Ministers in New York last month, that in Berlin, as in the Federal Republic, any attack from the Soviet Zone would be regarded as an attack upon themselves.

At Sunday's ceremonies the city, without its Eastern rump, was formally granted a constitution which makes it in form, though not in law, a twelfth *Land* of the Federal Republic. President Heuss and Dr. Erhard indicated by their presence that the shameful neglect of Berlin by Western Germany is a thing of the past.

Damp Squib in the Ruhr

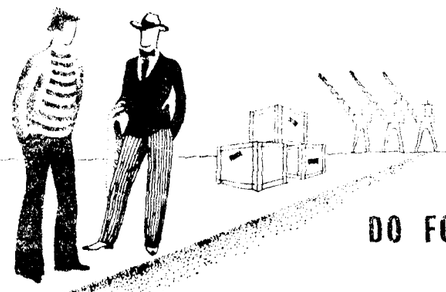
The east German 'National Front' chose last week-end for its first trial of strength with the police of the Ruhr, and failed badly. Communist stock is low in the industrial towns of western Germany; and whatever interest there might have been in watching demonstrations for peace by members of the 'Free German Youth', on excursion from the Soviet Zone, was damped by the rain and forestalled by energetic police action. Indeed, the Communists may now be wondering whether it was wise to make such a challenge for such a trivial result. They have succeeded merely in strengthening the self-confidence of the police in the states, in demonstrating that traffic out of the Soviet Zone can be more strictly checked than they expected, and in associating the 'Free German Youth' with memories of the storm troopers' brawling of twenty years ago.

For the Federal Republic it is, indeed, important that the police should deal efficiently and the courts justly with political disorder. Should they fail, rival gangs might see their opportunity to deal with the Communists to the tune of the Horst Wessel song. It will be interesting to see what legal action is taken against the excursionists from the east. If the nuisance of their visits persists, it might be wise to sentence those against whom breaches of the peace can be proved to a short spell of detention in quarters where they could hear free speech, form their own impressions of democratic Germany and shake off some of the evil spell that has been cast on them by their Soviet patrons. There is a chance here for imaginative enterprise in which Germans and British might well work together.

Improving on Korea

There can be no excuse for failing to recognise the gravity of Moscow's aims in Germany, however far the results fall short of the goal. During the current election campaign the Soviet German leaders, who worry as little about their metaphors as their principles, constantly proclaim that their essential task it to 'liberate' Western Germany, 'the keystone of the Anglo-American war conspiracy'. It is to be accomplished some day by the resistance movement that was launched from Herr Ulbricht's rostrum at the Socialist Unity Party Congress last July. And President Pieck has openly announced his pledge that, should resistance lead to war, the German Democratic Republic would fight on the side of 'the camp of peace led by the Soviet Union'.

Further preparations for the day - which may well be several years distant in the Russian calendar - have recently been made. The support of the other satellites has been promised in treaties signed last month with



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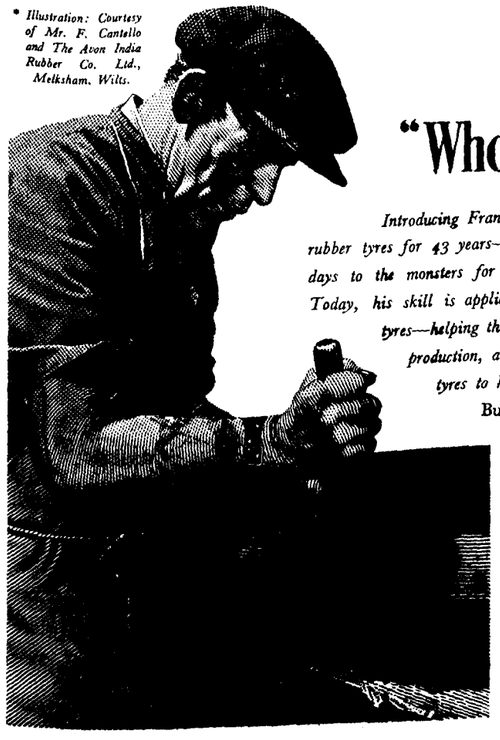
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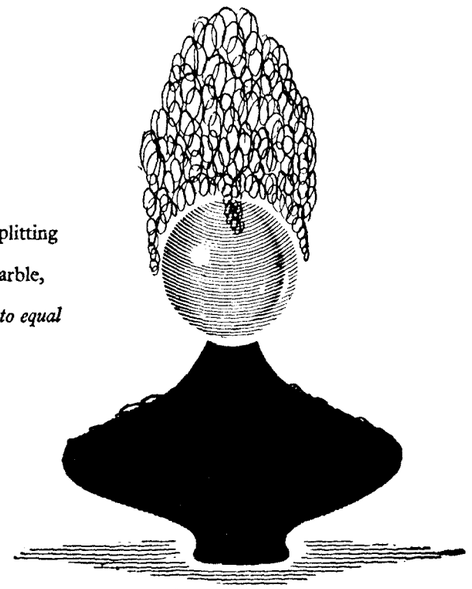
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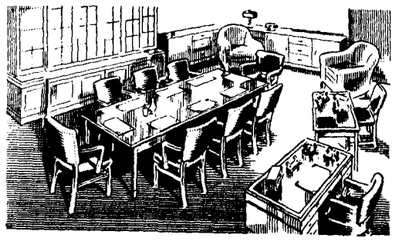
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Bulgaria and Rumania, which follow treaties made with Poland, Czechoslovakia and Hungary earlier in the year. Moreover, an attempt has been made to establish in advance a legalistic basis for the Soviet German campaign. In a statement on the decisions taken by the Western Foreign Ministers, which Herr Dertinger, the 'Foreign Minister' of the Democratic Republic, summoned the military representatives of the People's Democracies to hear, it was formally laid down that the presence of Western armies in Germany represents 'intervention'. And legal experts in the Soviet Union and Poland have already announced their finding that intervention in a civil war should not be supported by the United Nations Security Council. The stage is being set for an improved Korea in Germany.

Assistance Payments

As was expected, the report of the National Assistance Board, covering the calendar year 1949 (Cmd 8030), shows a further rise in the number of assistance payments. Before July 5, 1948, the board was making 543,464 payments, the great majority being supplementary pensions. At the same time, the local authorities were paying, under the poor law, rather more than 200,000 allowances; in addition they were paying nearly 40,000 blind persons' allowances and nearly 20,000 tuberculosis treatment allowances. Altogether, therefore, on the appointed day, the board was responsible for some 803,464 payments. Three weeks later, the figure had risen to 842,304. By the end of 1948 it had risen to 1,011,034, and by the end of 1949 it was 1,157,403.

The number of payments, when analysed among the different classes of assistance, shows a fairly consistent rise for each class, having increased by between 25 and 30 per cent. The payments made in supplementing unemployment benefit, however, showed a marked discrepancy, since in seventeen months they increased threefold. Nevertheless, the proportion of persons in receipt of unemployment benefit at the end of 1949 who had to have their benefit supplemented by assistance was roughly the same as that for those in receipt of sickness benefit or about 11 per cent.

The increase in the number of assistance payments is partly explained by the greater willingness of people to apply for assistance from the Assistance Board than for poor law relief from their local authorities. The chief reason is however the increase in the board scale rates, which lay down the weekly amounts considered necessary for subsistence. These scale rates were increased on July 5, 1948 and another increase was made in June of this year, the effect of which has as yet to become apparent in the payments figures. The danger is that the greater the number of people who have to apply for assistance to supplement their insurance benefits, the greater the pressure for an increase in those benefits, because they are paid without any test of needs.

Stalin's Point Four

Technical gusto and some lyrical prose have marked the entry of Soviet propaganda into the field of Point Four publicity. Indeed, the Commonwealth representatives who have been planning further aid for South-East Asia might do worse than call for a report on the press and radio material that has come out of Moscow since the first week of September. It is no disparagement of the gigantic creative projects "for transforming nature" that the Russians have in mind to say that they are very long-term indeed; what is interesting is the motive behind the present burst of publicity. It may be intended to keep alive the memory of Communist idealism at a time when the world associates the Party with sordid, unscrupulous and not entirely successful power politics. It may, too, be intended to keep Russian eyes directed at a peaceful horizon instead of the grey and fearful world around. And there is of course the regular need to claim that only socialised industry can produce technological triumphs.

The greatest attention has been given in *Pravda* to plans for Central Asia. There is to be, for instance, the 700 mile long Turkmenian Canal, which is to "increase several times" the number of live-stock in the Turkmenian Republic and provide three great hydro-electric stations. When it is completed there will exist a network of inland waterways over which "cargoes will be carried from the shores of the Arctic Ocean to the blossoming oases of Central Asia". Over a million hectares will be irrigated for growing cotton and another 500,000 planted with shelter belts and reclaimed from the sand.

As Soviet policy reveals itself over the next few weeks at Uno it will be worth remembering two things: that since the first week in September the public in the Soviet Union has had its attention concentrated on reconstruction in contrast to the destruction in Korea; and that a few lines on back pages are all that they were told of the American landings that turned the tide of war in Korea.

Commonwealth Defence

Commonwealth ideas on peacetime defence commitments are changing with quite remarkable speed. Mr Menzies has been urging Australians to accept service abroad as a normal part of the duties of their forces; Mr Erasmus has made in London tempting suggestions about the help that South Africa might give in defending the Middle East; and on Sunday Mr St. Laurent said that Canada would be willing to send its 'special army force' of 10,000 men to Europe, as part of the deterrent plans of the Atlantic Pact powers. It would be interesting to know what part was placed by Commonwealth consultation in decisions of such far-reaching importance.

Books and Publications

"The Customs Union Issue" by Jacob Viner. Carnegie Endowment for International Peace, New York. London: Stevens. 221 pages. 20s.

Forming as it does the last volume of a series of "Studies in the Administration of International Law and Organisation," this book presents the customs union question in the round, in its political and legal as well as in its economic aspects; and one may safely predict that it will rank as the standard work on its subject. Though Dr Viner has not attempted an exhaustive history of the customs union movement, he has set his matter solidly against its historical background, a precaution particularly important in dealing with the legal relationship of customs unions to pre-existing commercial and political treaty obligations. In his shrewd and elegant analysis of the economics of the customs union he moves on to a higher plane of abstraction, but always with a warning against *a priori* judgements; the effect, for good or ill, of any union depends on the particular circumstances of the tariff policy. Politically, the motives of customs union are generally related either to aggression or to fear of aggression; economically, much the same can be said of most unions proposed in the past. (It is interesting to note that the late nineteenth century saw a vigorous movement for a European customs union as a defence against menacing American competition). The book ends with an account of the Havana Charter as it affects both customs unions and other discriminatory arrangements.

Dr Viner administers some jolts to his readers. It is disconcerting, though illuminating, to follow his demonstration that customs unions between pairs of complementary economies are likely to constitute a step away from free trade - gains in this respect result only when the uniting economies are competitive - or that in the balancing of the pros and cons of customs union projects internal freedom of trade has generally been regarded as a liability rather than an asset, and the exclusion of foreign goods as the benefit thus purchased. Certain of the obstacles to customs unions (whether liberal or illiberal in intention) which have lately been debated, he treats comparatively sketchily; his chapter on "Political Aspects" deals with the relation of customs union to national independence, but not with the difficulties confronting prospective partners (as in Benelux), which have widely different political philosophies and correspondingly different tax policies. He is definite enough, however, on the related question of the supersession of tariffs, and even of quantitative import restrictions, by central planning, whether direct of through publicly sponsored cartels. Cautiously, he concludes that Western Europe as a whole could benefit economically by customs unions, but that the case for smaller unions must be made, if at all, on other than economic grounds.

* * *

"Seven Fallen Pillars" by Jon Kimche. Secker and Warburg. 326 pages. 15s.

It is always entertaining to read a book about well-known people, especially if it is brightly and amusingly written. Mr Kimche's work fulfills those requirements, especially as he claims at least a nodding acquaintance with most of the leading personalities, Arab, Jewish, and British of the Middle East. Unfortunately, the merits of the book end there. For anything more than entertainment it is spoiled by innumerable errors of facts and by half-truths and false emphasis which make it a most unreliable account of a problem and a part of the world already sufficiently obscured by propaganda.

It would be wearisome to record all the errors, but a few examples must be given. He speaks of the British censorship in Palestine at this period. So far as foreign correspondents were concerned, there was no censorship and anyone could write or cable for publication anywhere in the world just whatever he wished. There was a bumbling but by no means savage internal censorship aimed at preventing incitement to revolt. It was a Colonel Oliver Roget and not General Beynet who ordered the bombardment of Damascus. Col. Roget was senior French officer in Damascus; General Beynet was High Commissioner with his residence in Beirut. He complains, on Page 285, of "The grudging release (to Egypt) of small annual sums after long haggling..." If he would look up the figures, he would discover that these small releases have been sufficient to give Egypt, in its free account, at least £60 million more than it has been able to spend.

One is so accustomed by now to allegations that the Great Powers - nearly always Britain - are responsible for everything bad that happens anywhere in the Middle East that one is inclined to accept them without comment. Certainly Britain, America and France influence some of the Middle Eastern countries some of the time; but Mr Kimche's acceptance of Britain's alleged role in the Arab invasion of Palestine displays either ignorance, malice or an astonishing credulity which lessens the force of some of his well-merited strictures on general British policy.

It is not easy to understand Mr Kimche's object in producing this work. In his introduction he states that it is an attempt to "tell the story of the Middle East during the five fateful post-war years". But it is a very one-sided story, concerned more with misleading allegations of British iniquity than with any true appreciation of the facts.

AMERICAN SURVEY

Election Handicap

If the Republicans are to win both Houses of Congress in November, as they did in the *mid-term* elections of 1946, they need a net gain of seven seats in the Senate and forty-seven in the House of Representatives. Unless something more than the normal swing away from the party in power occurs - and the latest news from Korea makes such a swing less likely than it seemed a few weeks ago - the only Democratic Representatives in danger will be those who won by a margin of less than 5 per cent of the total vote in 1948. There are not enough in this predicament to suggest that the opposition will recover more than about 30 seats, although in the process many of the most promising young men in Congress may be defeated. To win control of the Senate will be an even harder proposition and only the most optimistic Republicans believe that it can be done.

There are thirty-six Senate seats up for election, but the number where a change of representation is possible is much smaller. There are ten Southern seats where Democratic incumbents will come back for another term whether this is a Republican year or not, and two more where there will be new faces but no change in nominal allegiance to the Democratic Party. There are six other seats where the Democrats should be safe, though in three they will have to fight hard. The Republican *machine in* Rhode Island has disintegrated into quarrelling factions, leaving the field to a popular Democratic Governor, Mr Pastore. Mr Magnuson should not have much trouble in the State of Washington and Senator Tydings has apparently triumphed over the disadvantage of having been chairman of the sub-committee investigating the charges of Senator McCarthy. Senator Elbert Thomas has strong opposition in Utah, but probably not quite strong enough, and Senator Lehman, who was running for the last two years of Senator Wagner's term when he beat Mr Dulles last year, has to try again in New York, a State where nothing is ever cut and dried. Nevertheless, he should survive and so should Representative Monroney who just managed to beat the other, and less admirable, Senator Thomas in the Oklahoma primary.

On the Republican side three of the best men in the Senate are certainties - Mr Aiken of Vermont, Mr Morse of Oregon and Mr Tobey of New Hampshire (after a desperate struggle in the primary); so are three less interesting men in the Dakotas and Kansas. There are four other Republicans, in Wisconsin, Idaho, Iowa and Indiana, who should win unless Democratic strength grows appreciably in the next four weeks. Senator Wiley is, and deserves to be, the most secure, the other three being easily expendable. Mr Dworshak, a dim figure, was beaten in Idaho in 1948 and reappointed by the Republican Governor when his Democratic opponent died some months later. Both Senators Hickenlooper and Capehart are being given harder fights than Republicans usually have in the Middle West by men who resigned from government jobs to tackle them. Mr Loveland was Under Secretary of Agriculture before he took on Senator Hickenlooper, a man with an infinite capacity for looking ridiculous. Mr Campbell, an ex-Assistant Attorney-General, would beat Mr Capehart, who has the face, figure and prejudices of the wealthy manufacturer that he is, anywhere but in Indiana, which prides itself on sending its worst men to the Senate.

There remain seven Democratic and three Republican seats where a change would not be surprising. And in some of them important men in the party are in danger. Every week Senator Taft's prospects look more shaky, even against an inadequate opponent. On the other hand, Senator Milliken, chairman of the Finance Committee when his party is in power, has a more than adequate opponent in Colorado, Representative Carroll, one of the best young Congressmen to appear since the end of the war. Mr Milliken will probably lose and so will Senator Donnell in Missouri, if the prophets are right.

The Democrats have even worse troubles. The majority leader, Senator Scott Lucas, lacks the character for a position of such responsibility. But his defeat would bring to the Senate Mr Dirksen, who made a certain reputation in the House during the Marshall Plan debates, but has lately decided that the support of the *Chicago Tribune* is worth a turn of coat. The Democratic whip, Senator Myers, would be a real loss, but Governor Duff, who looks like beating him in Pennsylvania, would do much to compensate for it by strengthening his party's internationalist wing. There are also doubts about the chances of Senator McMahon, the Chairman of the Atomic Energy Committee, as Connecticut is normally Republican. If he goes, so too will Senator Benton in the other Connecticut seat. It would be more pleasant to think that Senator McCarran will lose in Nevada but it seems that wishful thinkers may have exaggerated his opponent's chances. In Idaho, however, a Republican victory is very likely.

Finally, there is the struggle in California between two Representatives, Mrs Helen Gahagan Douglas and Mr Nixon. Mrs Douglas's heart, which sometimes acts without consulting her head, has led her in the past into some organisations which, in the present atmosphere, leave her open to attack. Her opponent, as a member of the Un-American Activities Committee, is just the man to take advantage of this weakness and, in these times, he will probably win.

American Notes

Full Speed Ahead?

With the Korean emergency no longer in the driver's seat, will the rearmament drive continue full speed ahead? To General Bradley, the greatest present danger is that the United States may let down its guard now the Korean fighting is nearly over. Mr Truman recognised the risk when he promised last week that there would be no slowing down in the effort to strengthen western defences.

Two members of the Cabinet with a known preference for "business as usual" - Mr Snyder and Mr Sawyer - went out of their way to insist that no matter how quickly peace was restored in Korea, taxes would have to be increased again next year, and that there was little hope of avoiding federal controls over business. The uncertainties which prompted a break in commodity and share prices on the better news from Korea are thus not of the Administration's making. General Bradley has its full support for his statement that it would be fatal to hesitate now or to fall short in the despatch of the troops or equipment promised for the defence of Europe, the key of North Atlantic security.

This means that conscription will have to be applied more, not less vigorously, to raise and maintain an armed force of three million men; it means a probable addition of $10 billion to the $30 billion already voted for defence this year. And the Administration is convinced that foreign economic aid must be continued and preferably expanded.

With American troops no longer under fire, the enthusiasm for this costly three-point programme is bound to be somewhat blunted, even though the Republicans do not actively oppose it. And even if Congress does not refuse to vote the sums needed, there is a danger that it will refuse to raise them by new taxation. This would add fresh fuel to the existing inflation and cause hardships and resentment which might have been avoided. The Administration is rightly making every effort to show that the victory in Korea is only a first step toward making peace secure.

Hands for the Job

Factories and farms, as well as the forces, now hang out permanent 'Help Wanted' signs. The forces alone need more than a million men from a fully employed economy if the goal of three million in uniform is to be met by next June. It is clear that the services must relax the standards which now lead to the rejection of half the men called up. If, in addition, Congress permits the conscription of veterans and the President tightens up exemptions based on dependency, the need can be met by the 19 to 25 year olds. But first the services must satisfy two Congressional committees that they are not wasting manpower, and that certain elementary notions of justice are observed. Today, a childless marriage may excuse a conscript, while a Reservist with ten children is not exempt.

Another problem certain to become acute is the competition between industry and the services for technicians. Many Reservists and National Guardsmen are highly skilled, and it is not forgotten that in the last war the factories were stripped of key workers who eventually had to be released. A realistic deferment policy is urgent if this is not to happen again. A skilled worker is already a pearl of great price, although most of the new war contracts have not been let, and pirating and hoarding of workers have been revived despite official remonstrances.

There is no scarcity, at this stage, of untrained workers and the next nine months should not present great manpower difficulties. In a war emergency, the present labour force of 64 million (including 2.5 million unemployed) could be expanded by drawing upon 5 million housewives, young people, handicapped and elderly persons. This reserve is smaller than it was in 1941, apart from the 8 million unemployed available then. One legacy of the depression, with its low birth-rate is that the increase in the working population has not kept pace with that of the whole population; and with more babies and old people to care for, women will not find it so easy to take jobs. Many of those who found they liked working, in the last war, have stayed in their jobs and will not always be able or anxious to move to more essential tasks. Finally, one of the prices of the spread of industrial pensions is that it discourages men - and women - from changing their occupations.

CBS at the Rainbow's End

Unless the Federal Communications Commission changes the mind it has had such difficulty in making up, the Columbia Broadcasting System will soon be dipping into the pot of gold at the end of the television rainbow. CBS's two rivals in colour television, who so far cannot meet the FCC's standards, had hoped for approval because of their 'compatibility': they use the 525-line picture of American monochrome television, while CBS's process has 405 lines. Owners of existing sets would need adapters to receive CBS programmes in black and white as well as converters to colour them.

The Commission decided, to most people's surprise, that the best possible colour in the future was more important than compatibility in the present. It tried to safeguard purchasers of new sets from obsolescence by asking manufacturers to concentrate on sets that would reproduce both types of picture, even if only in black and white. But for the time being the industry is far more interested in finding enough materials, labour and components to satisfy the present demand than in experimenting with new models. It does not look as if royalties on colour patents will be showing up in black and white on the profit side of CBS's accounts for some years yet.

THE WORLD OVERSEAS

Australia's Emergency (2)

(From Our Melbourne Correspondent)

In the main, Australia is following a pattern of economic development similar to that of the United States over the last 100 years. From an economy based predominantly on rural production, Australia has become one of the most highly industrialised countries in the world, measured by the proportion of total workers employed in factories. Further development can be achieved only with the assistance of a large increase in the working population coupled with a large flow of imports of capital goods and essential raw materials from overseas. The impact on the economy of a large number of new settlers, brought in under a vigorous immigration programme, initially causes certain strains and stresses; but these should ease as the increased labour force, working new equipment, becomes productive and is able to make a net contribution to the nation's wealth. An Australia which is strong industrially is also strong from the point of view of defence; and for this reason a deterioration in the international situation could cause the acceleration of certain aspects of the development programme and the re-casting of others.

The overall plans for development, which are being co-ordinated by the new Ministry of National Development, envisage a great expansion of agriculture, a stepping up of hydro-electric power capacity, the rehabilitation and modernising of the railways, the expansion of production of black coal and with it the output of steel, the development of non-ferrous metals mining and a general expansion of manufacturing capacity of essential industries. The actual carrying out of the development work will be in the hands of the States as a general rule; but in the case of the great Snowy River hydro-electric scheme, involving the construction of 16 power stations with an installed capacity of 2,960,000 k.w. at a cost of £125 million, the work is being done by a Commonwealth authority.

Strength and Strategy

The incalculably vital strategic position which Australia holds makes it of more than passing interest to Britain and the United States to see the Commonwealth an efficient and self-sufficient economic unit. By reason of its particular geographical position, a highly industrialised Australia with a population of 11 million would possess a strategic importance far greater than the actual number of people living on the Continent would indicate. The experience of the last war showed that Australia, with a relatively small population of 7½ million, was not only able to supply the Allies with large quantities of food and raw materials, but was also able to arm and equip its own forces and supply in addition other armies with much of their war material.

Australians know full well that they cannot expect to hold indefinitely a vast undeveloped land mass of 3 million square miles - the area of the Continental United States populated by a mere 8 million, while there are millions of land-hungry people to the north. They know that they can only justify their holding of so large a domain if they themselves take active steps to exploit and develop its natural resources.

Sensitive Economy

Although Australia is no longer predominantly a primary producing country, the economy is exceedingly sensitive to fluctuations in the volume of the export income. High export prices, such as have been enjoyed since the end of the war, have had the effect of setting in train a process of monetary inflation which today is threatening the stability of the economy.

The official index ('C' series) of retail prices has risen by 74.3 per cent above the average of the three pre-war years. This means that the purchasing power of the Australian pound is about 11/6 compared with 1939. At the same time, the nominal wage rates of males have risen by 92.7 per cent, resulting in an increase in the 'real' male adult wage of 14.6 per cent. The retail price index shows no sign of slackening in its upward trend of about 10 per cent per annum while money incomes have been rising much more rapidly than the supply of goods. The volume of money has increased by £A620 million, or 42 per cent, since the end of the war.

These inflationary trends are likely to be stimulated in the current year by increased prices for wool which could well swell the nation's wool cheque to £A400 million. This is why the buoyant opening of the season's wool sales, although causing jubilation among wool-growers, has led to serious misgivings about its beneficial effect on the community as a whole. The inflationary effect of the steep rise in export income, without a corresponding increase in imports, is generally realised in Australia; and for this reason Professor Sir Douglas Copland's suggestion for a 33 1/3 per cent export levy on the proceeds of wool, to insulate the economy temporarily from the inflationary effect of high prices, has found

much support. The secondary inflation that would develop from an increase in wool exports of £100 million would be considerable.

It is clear that any serious aggravation of the present state of inflation would have a very deleterious effect on the success of development schemes. As the Bank of New South Wales recently observed: 'A large volume of immigrants can be absorbed without trouble only if they are accompanied by a high rate of new investment.' Sufficient experience has not yet been gained to determine, however, if new capital can be accumulated either from imports, or by increasing production of capital goods in Australia at the expense of other manufactures, and on a scale to meet development demands without worsening inflation.

Frontier Mischief

By a Correspondent

Behind the iron curtain consistency in politics is regarded as a bourgeois virtue. So there must not be too much surprise at the fact that the Fatherland Front Government in Bulgaria is posing as champion of the rights of its Turkish minority, at the very time that its disregard for the individual liberties of Bulgarians - guaranteed by the peace treaty - is on the agenda of the United Nations General Assembly. Here is a useful piece of minor mischief to be done, which fits well into the Cominform policy of making trouble all round the Soviet periphery.

The minority in question, descendants of colonists during the long years of Ottoman rule, number about half a million out of a total Bulgarian population of just over 6 million. Almost all are peasants, living in separate communities in the eastern and south-eastern districts, maintaining their traditions, their language and their Islamic religion. In August Mr Chervenkov's government suddenly announced that 250,000 of these people wished to emigrate to Turkey. In an offensively worded Note it demanded that the Turkish Government should accept them within three months. It invoked the agreement between the two countries of 1925, which guaranteed the principle of voluntary emigration, and charged the Turks with deliberate delay in granting entry visas and with imposing political conditions on intending emigrants. To forestall the obvious retort the Bulgarian government explained that it was not ill-treatment which made the minority wish to leave but the deceitful promises of better living conditions held out by Turkish propaganda. Having sown the seeds of discontent, Turkey must now gather a bumper harvest of immigrants.

The Turkish Government was embarrassed. Opinion in the country is willing enough to welcome the immigrants but, as the Turkish reply to the Bulgarian Note pointed out, the time limit imposed is quite unpractical. The mass exodus proposed is far removed from any previous rate of emigration. The impact of such numbers on the Turkish economy would in any case be considerable; but the emigrants are being prevented from taking with them more than their personal belongings and become a charge on the state immediately on arrival - all of which is contrary to the terms of the 1925 convention. Moreover, there can be no guarantee that there may not be among the quarter of a million emigrants some whose object is to create mischief; so Turkey has reserved the right to refuse entry to those it considers undesirable. A Turkish mission is to go to Bulgaria to discuss the problem. If negotiations fail Turkey is likely to raise the matter with the United Nations.

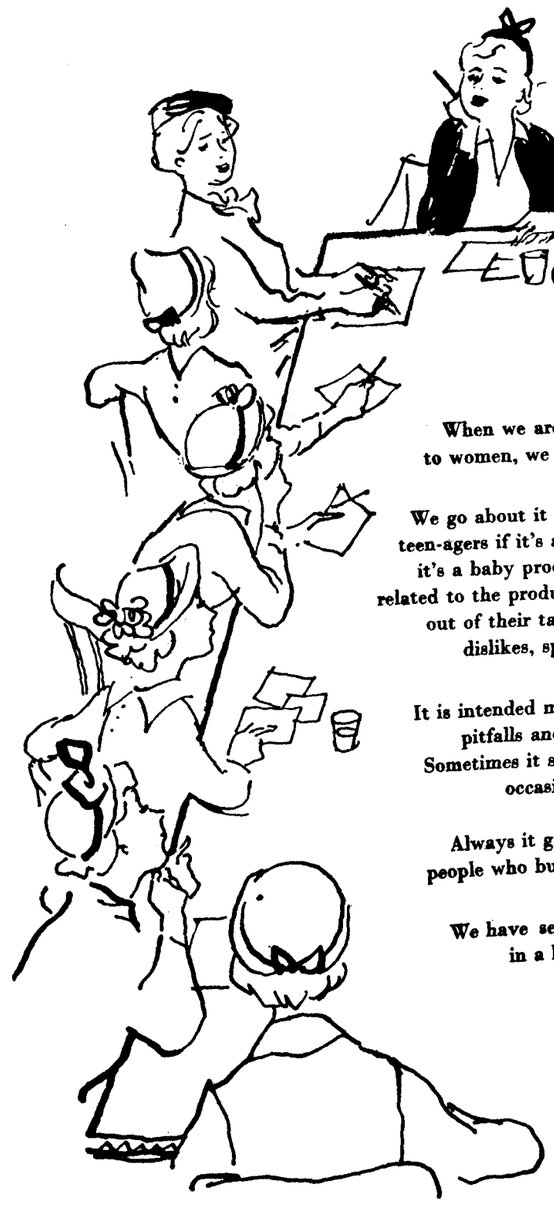
A Winter Exodus

It is very unlikely that this sudden urge to migrate is wholly spontaneous and voluntary. In spite of lavish Bulgarian protestations about the excellent treatment of the Turkish minority, there has been evidence of confiscation of property, arrests and other actions designed to make them think it well to leave the country. The motive of Bulgarian action may be no more than revenge for the slights which the government fancies it has received at Turkish hands; for relations between the two countries have been frigid for some time and the Fatherland Front government has always resented the welcome given by Turkey to political refugees. It is also in line with Cominform policy. From 1945 to 1948 the rate of emigration of the Turkish minority, which was 11-12,000 a year before the war, dropped to a thin trickle of 500 a year. The figure then rose suddenly to 25,000 and has since increased. These dates in Bulgaria, and other Cominform countries, mark the end of a stage in Communist policy; no longer are all and sundry invited aboard the 'ship of progress'. As recent purges inside the Communist parties and increased attacks on any remaining Social Democrats have shown, the decks are being cleared for action. There is no room now for the queasy passenger. The language, religion and peasant life of the Turkish minority in Bulgaria are formidable conservative obstacles to Communism. The Chervenkov government is unlikely to have overcome them all, and Bulgaria has no deserted hinterland in which to dump a dissident minority on the Soviet model. The danger of disloyalty among a population close to its eastern frontiers may best be removed by this drastic expulsion.

The Bulgarian action may also be designed to undermine the growing economic and military strength of the western powers' most important ally in the Near East. From the Cominform point of view, the arrival of a quarter of a million destitute and dissatisfied peasants in Turkey in the depths of winter would be a useful piece of minor mischief, while the possibility of smuggling in a few hundred agents doubtless heightens the value of the proceedings.

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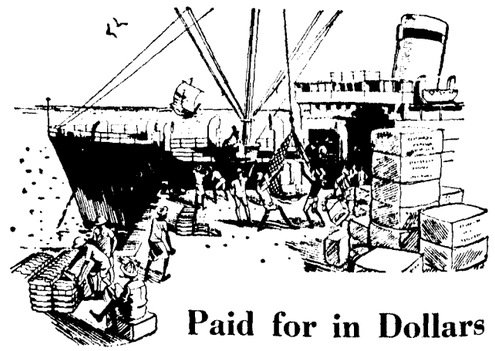
ALUMINIUM



ADORNED with rubies and sapphires from the Mogôk mines of Burma this Shan woman prepares her food. These jewels and the common clay of her ornate bowl are but a few of the many minerals containing aluminium. Though first isolated in 1826, it was not until 1886 that its production became commercially practicable. Most of the world's aluminium is now produced by dissolving an ore named bauxite in molten cryolite, a mineral obtained from Greenland, and passing an electric current through the solution. In combination with other metals such as magnesium or copper, aluminium forms light alloys, some of which, though only about one third of the weight of steel, are just as strong and do not rust. The famous statue of Eros in Piccadilly Circus, one of the earliest large aluminium castings, shows no signs of corrosion after 40 years' exposure to London smoke.

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BY SPIRAX

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THE BUSINESS WORLD

Canadian Dollar Freed

Last week-end the Canadian dollar was freed from its fixed rate of $Can 1.10 = $US 1 and left to find equilibrium with the United States dollar. This decision was justified by the Canadian Minister of Finance on the ground that at its previous rate, which showed a 9 per cent discount on the United States dollar, the Canadian dollar was attracting a disquieting volume of hot money that was endangering the stability of the Canadian economy. It has been officially estimated in Canada that more than $300 million had been sent across the 49th parallel during the last three months by American speculators anticipating an upward valuation of the Canadian dollar. Mr Abbott, the Minister of Finance, revealed that Canada's reserves in gold and United States dollars reached an all-time record of $1,789 million on September 30th, having increased by $534 million since June. During September alone there was an increase of no less than $285 million.

The rapidity of this increase in the reserves was a clear symptom of the undesirable inflow of short-term capital into Canada. It is true that Canada's balance of payments with the United States has recently improved considerably, but the current account is still in deficit. In the first eight months of this year Canada incurred a deficit of $110 million in visible trade with the United States compared with a deficit of $402 million in the comparable period last year. In these uncertain circumstances, the Canadian authorities decided that the most appropriate course was to allow the Canadian dollar to seek its own level, though the Minister of Finance hoped that ultimately the rate would return to parity with the United States dollar; he hoped indeed that even in the free market parity would soon be established and that fluctuations might thenceforth be limited to 1 per cent on either side of it.

Canada's decision must be read in the light of the disillusionment that followed the restoration of parity with the United States dollar in 1946. That attempt to escape from the consequences of inflation in the United States proved singularly unsuccessful - largely because the expected inflation hardly got going. Once again the menace of American inflation has raised its head but the Canadian authorities, having learned their lesson, decided to preserve their freedom of action and leave room for retreat if necessary, without having to admit defeat through yet another change in the official parity. Canada's dash for freedom in the exchange market is to be accompanied by a comparable freeing of imports from the United States in the new year. Meanwhile the Canadian dollar, after two days of free dealings, has been changing hands at $2.95½ to the £ and $Can. 1.05 to the US dollar.

Free Rates and the Fund

The decision to let the Canadian dollar float free was duly communicated to the International Monetary Fund, but at the last possible moment. The Fund has issued a communique which recognises 'the exigencies of the situation which have led Canada to the proposed plan' and takes note 'of the intention of the Canadian Government to re-establish an effective par value as soon as circumstances warrant'. Grudging approval can be read between every line of this frigid statement, and its tone can hardly cause surprise. Canada's action violently contradicts the spirit of the IMF agreement and represents one more breach in the idealistic international monetary structure for which plans were laid at Bretton Woods.

In present circumstances, however, it is a moot question whether the objectives of stability and equilibrium to which the Fund was dedicated are best served by a system of rigid official parities or by a regime of free market rates whose fluctuations are cushioned, as they were in the 'thirties, by stabilisation funds and exchange equalisation accounts. Rigid parities have often presented one-way options for speculative operations and have encouraged rather than deterred movements of fugitive and speculative capital. Given the rigidities of the present day world, where full employment, social security and encouragement for agriculture are accorded the highest priority, perhaps the only equilibrating and adjustable factor is now provided by exchange rates; if so, they will have to be given an even wider measure of elasticity than was contemplated under the Bretton Woods agreements.

Apart from the merits of Canada's action, it would however be unwise to generalise too readily from it and from the earlier precedent by France. An exchange policy fitting to these countries and to their essentially domestic currencies would not necessarily serve a currency such as sterling which is used to transact half the trade of the world. Mr. Gaitskell's visit to Washington and Ottawa next week will no doubt provide an opportunity for the discussion of these matters and their impact upon the pound.

Sterling Rumours and Rates

The freeing of the Canadian dollar rate has intensified the rumours of a possible revaluation of sterling in terms of gold and the dollar. It is significant that last Monday one of the immediate reactions of the

Stock Exchange to the Canadian decision was to mark down the prices of gold shares. Yet the Canadian action can by no stretch of imagination be regarded as offering a precedent for British policy. The freeing of the Canadian exchange, accompanied by a freeing of import licensing, is a symptom of the kind of liberal economic policy that seems least to commend itself to the authorities in Britain. Canada has led from impressive strength. Its present gold and dollar reserves, converted in terms of population, production and trade would be equivalent to a British holding of about $7¼ billion - still a long way from the figure of $2756 million at which the total reserves of the sterling area now stand.

It is true that certain rates for sterling continue to show signs of strength and confidence. Forward sterling is quoted in New York at 1¼ cents premium for three months. American importers with sterling commitments to meet are covering their exchange forward - in significant contrast to their behaviour before devaluation last year when they left their sterling positions wholly uncovered and postponed paying their debts to the last possible moment. As a result of these operations, a certain volume of short-term capital is in fact coming into London since the American banks that sell sterling forward at this attractive premium cover themselves by spot purchases and employ their funds in London as best they can. Other rates for sterling have, however, recently shown a somewhat more hesitant trend. The rate for security sterling, which was struck near the top of the prevailing range of quotations when the switching concessions were made, and thus touched $1.95, has since declined slightly to $1.90. Similarly the rate for transferable sterling which touched $2.69 in July of this year has since come down to around $2.59. This market, however, is deceptively narrow now that transferable sterling is limited to the finance of direct commercial transactions between two countries in the transferable group and can no longer be used in third country transactions. Confidence in sterling has been growing but the evidence of these free rates, all showing substantial discounts, cannot be ignored.

Rising Reserves

The ascending scale of recovery of the British gold and dollar reserves is not being maintained, though little fault is otherwise to be found with the performance put up in the third quarter of this year. In this period $334 million came into the reserve, compared with the previous quarter's increase of $438 million and $296 million in the first quarter of the year. The latest addition brings the reserve up to $2,756 million, which is more than double the low point of $1,340 million touched just before devaluation. As in the previous quarter, the latest addition to the reserve is in part the result of a genuinely earned dollar surplus in the trade of the sterling area. That surplus amounted last quarter to $187 million. The balance of the addition to the reserve was provided by ECA refunds of $147 million. This last figure compares with refunds of $240 million in the second quarter. The tapering off in the rising curve of the reserve is therefore more than accounted for by the reduction in Marshall Aid receipts.

The balance of payments figures which will be published in the near future are likely to reveal that Britain continues to operate an over-all surplus and that consequently no anxiety need be felt about the fact that a large part of the dollar earning should have been done by other sterling countries. It must not be forgotten that a great deal of the additional profits made by sale of commodities such as rubber did not accrue to the country of origin but to Britain itself, since the companies concerned are for the most part registered in Britain, and the profits earned on these commodity operations are therefore directly canalised to British accounts. It follows that the invisible earnings accruing to Britain should show a remarkable increase.

Coal Exports Flagging

Coal is not immune from the inflationary forces that have influenced the demand for other commodities in recent months; the buyer's market in Europe, so often heralded, has faded once more into the distance. The National Coal Board no longer has much cause to be worried about the willingness of overseas customers to pay high prices, but its worries about supplies are increasing. The purpose of Lord Hyndley's visit to Denmark and Sweden last week was to smooth over difficulties that may arise for the Scandinavian buyers of British coal if the board fails to export as much in 1950 as it had hoped. In these discussions prices did not play the important part that they would have done only a few months ago.

No doubt the board will do its best to carry out its export programme, but a few figures show how slender are its chances of full success. Saleable output (including opencast output) was 152 million tons in the first 37 weeks of this year, an improvement of 1,875,000 tons over the first 37 weeks of 1949. But a comparison of British inland consumption in the same periods shows an increase of 4,000,000 tons. How, then, can the board carry out the intended export programme of 22 million tons - 3,000,000 tons more than last year? In the first half of 1950 the board kept to its export programme, but distributed stocks were allowed to run down. Now, the Government having sounded the alarm, stocks are being rebuilt for the winter and exports have fallen off. Thus, at the end of June the export performance for the six months showed an increase of 1,375,000 tons over the first six months of 1949; but by mid-September the lead (measured over 37 weeks) had fallen to 390,000 tons. A spurt will be needed if the board is to equal in 1950 - let alone to exceed - the export performance of 1949. But a spurt in exports will require a spurt in production, and it is not yet possible to guess how far the production drive will succeed.

European Coal Stringency

Not only British but also European coal markets have markedly changed in the last few months. In the first half of the year, the European coal trade seemed to be approaching that "equilibrium" of supply and demand to which the Coal Committee at Geneva has so long aspired. Germany, Britain and Poland were the chief suppliers; France and Belgium added a useful quota; imports from the United States had almost disappeared. In the summer such marginal suppliers as France began to find it economic to cut their production, and Holland (a little slow, perhaps, to read the signs) felt strong enough in July to enforce import restrictions on British coal because of its high cost.

This may have been the swan song of consumer resistance for some time to come. Poland has lately tended to reduce its coal exports to western Europe, and has shown no interest in attempts to attract extra supplies with tentative offers of higher prices. Ruhr output, which was running at more than 360,000 tons a day in March, failed to maintain the improvement and last month was in the neighbourhood of 355,000 tons a day. But German industrial consumption continues to rise, and doubts have been expressed whether western Germany will be able fully to meet its export commitments for the fourth quarter.

The immediate effect is that France can once more operate its marginal mines on full-time, and Belgium can get rid of the surplus stocks that, a few months ago, were unsaleable on considerations of price and quality. There has, as yet, been no sign of any significant resumption of coal shipments from the United States, but if the present boom in the heavy industries of western Europe goes on such a possibility will not be remote. A major relaxation in the international tension might once more change the outlook for coal as for other commodities. But for the moment at least the seller is again firmly on top, and only a few faint cries in the wilderness recall the clamour against dual pricing.

Rubber Unsettled

Rubber has been more sensitive than most commodities during the three months of fighting in Korea. Before hostilities started on June 25th the spot price in London was 1s.11d. a lb. On September 25th it touched 4s.2d., and then with the dramatic success of the United Nations forces, the price fell by September 29th to 3s.7d. a lb from which it recovered slightly to 3s.8½d. last Tuesday. The reaction in prices followed the stopping of stockpiling purchases by the American authorities. The improvement in the political situation has released the United States Munitions Board from the compulsion of buying without reserve and it can now pay more attention to market conditions. Industrial consumers also are less eager to accumulate large stocks than they were two months ago. A similar reaction in prices has occurred in the tin market, though the movements have been less sharp.

Demand for natural rubber is still at a high level. Consumption in the United States in August was 63,741 tons and in September more than 60,000 tons, according to provisional estimates. The average monthly consumption in the first half of the year was almost exactly 60,000 tons. When the increased supplies of synthetic rubber come on to the market, natural rubber may find itself in some difficulty to compete at 45 cents a lb with general purpose synthetic selling at 18½ cents. But rearmament and stockpiling will still provide powerful support, and no serious setback in prices is likely while they continue.

Copper Shortage

At least there is now uniformity of a sort in the New York copper market since Kennecott Corporation last week raised its selling price from 22½ cents to 24½ cents a lb. But although all American producers are now quoting a single price for copper, buyers are still having to pay anything up to 30 cents a lb for current supplies and the present tightness in the market seems likely to continue. Indeed, a review of world copper supplies by the Economic Co-operation Administration suggests that the potential copper shortage this year may be as high as 180,000 metric tons. World production in the first seven months of the year has been at an annual rate of 2,385,000 metric tons while consumption has been running at 2,305,000 tons. Some 260,000 tons are also needed for American stockpiling and defence programmes, and it is this addition to commercial demand that threatens to produce the deficit. Stockpiling is no longer a device for absorbing surpluses; it is now a prime cause of shortage of visible supplies.

Import requirements of the United States for copper are put at 450,000 tons - 260,000 tons for stockpiling and defence and 190,000 tons for civilian purposes. As the world's total exportable surpluses amount to little over 500,000 tons, the margin between supplies and requirements is very narrow. Imports of copper into the United States have so far been running at an annual rate of 350,000 tons; unless civilian consumption is restricted (by a further rise in price or by licensing), the American Government's buying programme may have to go short.

Half Year Surplus

In the first six months of this financial year ordinary revenue was £4,700,000 higher and ordinary expenditure £83 million lower than in the first six months of 1949-50; for the full year the Budget had contemplated a fall of £26 million in revenue and an increase of £80 million in expenditure (this

latter figure being struck before allowing for additional defence outlays). It would be dangerous to read too much into these figures and into the unexpected £70 million "above-the-line" surplus which they show. The decline in ordinary expenditure, almost entirely concentrated on the supply services, is surprising but it arises from an accident of the calendar and not from any change in Government policy. The small increase in ordinary revenue has resulted from higher customs receipts (which garner the chief harvest of the increased petrol tax) and are up by £40 million. The falls in income-tax and sales of surplus stores accord closely with the estimate but receipts from profits tax and EPT have already dropped by nearly £25½ million, only £1,500,000 less than the fall anticipated for the full year.

Net 'below-the-line' expenditure in the first six months of 1950-51 has amounted to £220 million compared with £294 million in the first half of 1949-50; for the full year the budget contemplated a decline of only £37 million - largely because a special non-recurring payment of £62½ million to public utilities for war damage was swept into the returns a year ago. Perhaps the most satisfactory feature of the latest return is the stability of loans to local authorities, at just under £133 million. They were expected to be £7,000,000 higher for the full year but at the end of the first quarter they were straining alarmingly at the leash - no less than £19 million above their total for the first quarter of 1949-50. But in this item too the six months' figures are not necessarily a reliable indicator of the year's eventual out-turn.

Earnings and Wage Rates

Average earnings of men and women in British industry are higher today than ever before in spite of the relative stagnation of wage rates. The half-yearly survey of earnings published in the Ministry of Labour Gazette shows that men's average earnings at the end of April, 1950, were 145s. 9d. a week and women's 80s. 6d. Many occupations - among them agriculture, coal mining, railways, dock labour, shipping, distributive trades, catering trades and domestic service - are not included in the survey; separate figures for coal mining and dock labour are given - for coal miners 186s. 10d. plus allowances in kind worth 8s. 8d. a week and for dockers 170s. 3d. a week. The average number of hours worked was also higher than it has been since 1946. Men worked an average of 47 hours a week, women 41.9 hours a week, while all workers averaged 45.6 hours a week.

Apart from coal mining and dock labour, the highest earnings were in metal manufacture in which men averaged 166s. 3d. a week for 47.5 hours work, paper and printing (men: 164s. 0d. for 46.7 hours), and vehicles (men: 162s. 7d. for 46 hours). The lowest earnings were in national and local government service in which men (wage-earners) earned 117s. 0d. for 44.9 hours.

Comparative figures for the last three years show that the increase in earnings has been faster than the rise in the retail price index. The index of basic wages, on the other hand, has remained remarkable steady, and has been outdistanced by the retail price index. Thus many industrial workers are meeting the increased cost of living by putting in more overtime and by receiving more incentive bonuses from employers. But those whose pay packets are determined by basic wage rates are becoming increasingly vocal in their demands for increases.

Shorter Notes

The Iron and Steel Corporation was established on Monday in accordance with the Government's announced intention. Mr. A. R. McBain, a retired official of the Ministry of Supply and a part-time member of the Southern Gas Board, has been appointed a part-time member for six months to replace Mr. Maclean, who withdrew.

Preference and ordinary shareholders in Rootes Motors are offered 1,250,000 4s. ordinary shares at 21s. per share. The offer involves one quarter of the Rootes equity which has hitherto been held by the Rootes family.

The index number of industrial production as provisionally estimated by the Central Statistical Office fell from 143 in June to 134 in July. The index for manufacturing industry fell from 150 to 138.

As from October 30th the London Stock Exchange is to remain open for another half hour until 3.30 p.m.

* * *

STATISTICAL SUMMARY

Finance	6 months ending Sep. 30 1949	1950
Total Ord.Rev. £'000	1,577,428	1,582,060
Total Ord.Exp. £'000	1,586,937	1,503,430
Sinking Fund £'000	8,397	8,763
Ord. Surplus (+) or Deficit (-) £'000	- 17,906	+69,868
	Week ending Sep. 23 1950	Sep. 30 1950
Total Ord.Rev. £'000	56,379	74,032
Total Ord.Exp. £'000	44,650	111,209
Total Nat.Debt. £mn	26,205	26,244
Total Floating Debt £mn	5,905.9	5,931.9
Tr. Bills allotted £mn	240.0	240.0
Av. rate per cent	10s.5.21d.	10s.3.23d.

Gilt-edged Yields per cent.	Sep.26 1950			Oct.3 1950		
	£	s.	d.	£	s.	d.
Consols 2½% *	3	9	3	3	8	9
War Loan 3% (1955-59) /	2	7	10	2	5	11
Funding 3% (1959-69) #	3	2	6	3	2	0
War Loan 3½% (after '52) *	3	14	0	3	13	9
Br.Elec. 3% (1968-73) #	3	4	3	3	4	3
Br.Trsp. 3% (1978-88) #	3	7	0	3	6	10

* Flat yield
/ To earliest date # To latest date

Company Meetings

VITAMINS LIMITED

"Twilight" Health

At the annual general meeting recently, Mr H.C.H. Graves, chairman, said we knew the shareholders would expect a few words about the role of Bemax, the best known vitamin, mineral and protein food in the world. They heard many complaints all round of a feeling of frustration, of fatigue, of being "under par". They still heard, even in these days, of listless children and of infants who did not grow as rapidly as they should. The National Health Service would treat them and us when we were ill - but what about when we were not really ill - just "below par"? It was the twilight stage, the "betwixt and between" period which most dramatically benefited from the steady use of Bemax.

How different many of the frustrated and listless would be on Bemax. Some recipes for good health were a little unpleasant and not easy of acceptance, but Bemax with milk or fruit juice, in soup or sprinkled on food, was so delicious and added such zest to life that it was incredible that anyone who had the opportunity should fail to give it a trial; still less that anyone could deny their children the benefit of it. If it were expensive there might be some excuse, but one packet of cigarettes less a month (yes, a month, not a week) would pay for all the Bemax one needed.

Although most thought of Bemax as a vitamin food, its content of first-class protein was as high as that of best quality beef. There was no need to be short of protein when you could buy Bemax - the normal intake of one ounce giving the protein equivalent of 3 ounces of bacon daily.

The report and accounts were adopted.

KEPONG (MALAY) RUBBER ESTATES

Increased Demand For Latex

The forty-fifth annual general meeting of this company was held on September 20th in London, Mr T. J. Cumming (the chairman) presiding.

The following is an extract from his circulated address.

It will be seen that estate expenditure for 1949 was £52,934 greater than in the previous year, and that receipts from sale of crop were up by £62,075 on an output of 14,282,000 lbs. compared with the 1948 figure of 13,072,000 lbs.

It is proposed to pay a dividend of 4 per cent., less income tax, making a total of 7 per cent. for the year, to transfer to rehabilitation account £50,000 and to provision for replanting £30,000, leaving £59,000 to be carried forward.

There has been a considerable change over from sheet manufacture to latex production and additional plant and machinery have been installed to meet the increasing demand for our latex. We have, as I informed you last year, established definite trade names for our latex and we are doing everything possible to improve the standard of our products.

The two port storage installations at Singapore and at Hull, in which we are financially interested, are being kept busy and are vitally necessary to enable us to supply the ever-increasing demand for latex in bulk.

The present high prices for rubber latex do, of course, enable us to make substantial profits, but taking the long view we believe that lower prices which would give us a good profit would be advantageous to the industry. The chairman announced that the board would give early consideration to the payment of an interim dividend.

The report was adopted.

SCRIBBANS-KEMP, LIMITED

Considerable Development

The 23rd annual general meeting of this company was held on 21st September in London, Mr. H. Oliver-King (chairman and managing director) presiding.

The following are extracts from his circulated statement:-

The year has been a particularly difficult one, in that the raw materials available for manufacture have been considerably limited, and also there has been a constant rise in expenses.

In spite of these difficulties it is satisfactory to be able to report to you that the trading profits of the group are slightly ahead of last year at £1,597,492, though, due to the expenses aforementioned, the net profit is slightly down.

During the year we have successfully established companies in South Africa, Canada and U.S.A.

Your company have acquired on satisfactory terms the whole of the share capital of the old-established biscuit manufacturing company of Wyllie Barr and Ross, Limited, of Glasgow, and I am able to report that trading since its acquisition has been satisfactory.

During the year there has been some considerable development on the retail side, chiefly with Meesons, Limited, the number of retail sweet shops having been more than doubled during the last five years.

Total reserves amount to £4,063,208, and current assets at £3,087,725 show a balance of £2,121,365 over the current liabilities and provisions.

Since the end of the financial year, there has been some slight recession of trade and evidence that the spending power of the public is somewhat restricted which may show itself in next year's accounts.

The report was adopted.

HACKBRIDGE CABLE HOLDINGS

Continued Progress

The annual general meeting of this company was held on September 21st in London, Mr. Claude I. Steen, chairman of the company, presiding.

The following is an extract from the chairman's circulated statement:-

It gives me much pleasure to be able to present satisfactory accounts and to report continued progress in your group's development.

The turnover for the year under review showed an encouraging increase in all departments. Due to factors outside our control, costs have continued to rise with a consequent narrowing of our profit margin.

The consolidated figures of the company and its subsidiaries disclose a trading profit for the twelve months of £274,437, and this figure is after providing £34,069 for depreciation. This is an increase of £14,539 over the profit for the preceding year.

Your directors are pleased to recommend a final dividend of 12½ per cent, making 20 per cent in all for the year and leaving a carry-forward to the next financial year of £3,447.

It is extremely difficult to express any reliable view as to the future. In common with manufacturers generally, our industry is passing through a period of difficult trading conditions. Turnover for the first four months of the current year has been satisfactory, although it is lower than twelve months ago. Shareholders may rest assured that the group continued to be conducted as economically as is possible, compatible with efficiency, and I have no reason to doubt that the current year's results will again show a satisfactory return on the capital invested.

The report was adopted.

INTERNATIONAL DIATOMITE COMPANY, LIMITED

Continued Progress

The fifteenth annual general meeting of International Diatomite Company Ltd., was held on October 4, 1950, at Winchester House, London, E.C.2, the Chairman, Mr. E.W.D. Tennant, O.B.E. presiding.

The Secretary (Mr. Jesse Wood) read the notice convening the meeting, and the report of the auditors was read by Mr. H.J. Binder.

The following is the chairman's statement which was circulated with the accounts for the year ended June 30, 1950:-

In my Statements circulated to Shareholders with copies of each of the last three Annual Accounts, I was able to refer to the steadily improving position of the Company, and I am pleased once again to be able to report continued progress. During the twelve months under review your operating subsidiary Company, Moler Products, Limited, has again achieved improved results. That Company's turnover exceeded that of the previous year by 12½%, with production maintained at the maximum possible level.

In my Statement last year I referred to the proposed erection of a new section of Plant. This new Plant has been completed and brought into operation so that this coming year should again show an increase in output.

Good Order Book

Orders continue to come in freely, and with a good Order Book in hand, subject to the international situation, I am able to forecast another satisfactory year. In this regard, an encouraging start has already been made.

Our Danish sub-sidiary Company, a/s Fur Moler Kompagni, has made a profit and the losses made while the Company was in enemy hands have been now wiped out. Fur Moler has, during last year, supplied all the Danish Moler which Moler Products Limited required for its own consumption. The Quarries are in good condition, and the Company is in good heart.

In last year's statement, I explained in some detail that, due to previous writing off of Capital, the actual Capital used in your Companies is much larger than the figures shown in the Balance Sheet. The profit achieved and the proposed dividend, while they may be considered to be good, are not on an unreasonably high scale when the Capital actually employed in the business is taken into account.

I feel sure that the Shareholders will join the Directors in expressing their sincere appreciation of the satisfactory results to your Managing Director, Mr. Robert Wood, and to all the officials and employees of the Company.

The report and accounts were unanimously adopted, and a final dividend of 15 per cent., making 25 per cent. for the year, was approved.

The retiring director, Mr. E.W.D. Tennant, O.B.E. was re-elected. Messrs. Binder, Hamlyn & Co. continue in office as auditors.

MYTON, LIMITED

(Building And Civil Engineering Contractors)

Good Turnover Prospects

The fifteenth ordinary general meeting of Myton, Limited was held on September 20th in London, Mr A. Ridley Martin, O.B.E. (the chairman), presiding.

The following is an extract from his statement circulated with the report and accounts for the year 1949:-

In my address last year I stated that your directors and the management had continued to subject the whole of the organisation to the closest examination. This work has continued and our overhead expenses reduced wherever possible. I advised you last year that in November, 1948, we formed a new wholly owned subsidiary company called Industrial Joinery (Kingston), Limited. In the summer of 1949, in order to indicate the wider scope of its activities, the name of this company was changed to Kingston (Architectural Craftsmen), Limited.

During the period under review it was apparent to your board that further orders on any large scale for the factory built house, for the manufacture of which Minster Works have been equipped, were unlikely to be forthcoming. We therefore decided, in view of the considerable and favourable experience gained in the production of joinery for the requirements of this house, to expand this section and enter the market for building joinery and allied products.

Success Of New Venture

This venture is meeting with some success, and you now have a factory equipped and able to produce joinery of all types in large quantities. That this business is capable of even further expansion is proved by the fact that this factory has received an order for the production of 1,000 timber houses for Australia. Furthermore your company is securing orders for school furniture and equipment and for domestic furniture. Our other subsidiary company, Kingston Concrete Products, Limited, continues to operate successfully.

Myton (Scotland), Limited, took over the whole of the operations and management of our Scottish factory as from October 1, 1949, and has developed so satisfactorily in 1950 that your directors considered the best interests of the group would be served by transferring to the company the whole of the area building department as well. This transfer has recently taken place, so that the whole of our interests in Scotland are now embodied in this Scottish subsidiary. The company is at present engaged in the production and erection of over 400 non-traditional houses in Scotland, and is also carrying out contracts for traditional houses and school buildings which will bring a considerable expansion of turnover in 1950.

Our building and civil engineering business in England, carried out by your parent company Myton Limited, has been adversely affected by the small number of contracts obtained in a highly competitive market, and following on the completion of our contracts for factory built houses so reduced the turnover as to make it difficult to maintain such an extensive building organisation. However, we have recently secured several large building contracts, including two technical colleges at Birmingham and Billingham.

The report was adopted.

Notices

Chartered Accountants, under 40, wishing to widen their experience while engaged in lucrative employment, are invited to submit applications for a progressive appointment with a well-known industrial organisation. Only those who have held responsible positions in industry will be considered. Knowledge of standard costing, budgetary control and modern accountancy practice essential. Post involves considerable responsibility and carries correspondingly high salary. Fullest particulars, in strictest confidence, to Box 514.

ADVERTISE ! ADVERTISE ! ADVERTISE ! These words conclude a recent letter to 'The Times' from Mr. George Bernard Shaw. Although Mr. Shaw was advocating national propaganda, his sage advice applies with equal force to commerce. Sound and sustained advertising - such as is produced by Samson Clarks - is the gateway to growth and greater prosperity - Samson Clark & Co., Ltd., 57-61, Mortimer Street, London, W.1. Museum 5050.

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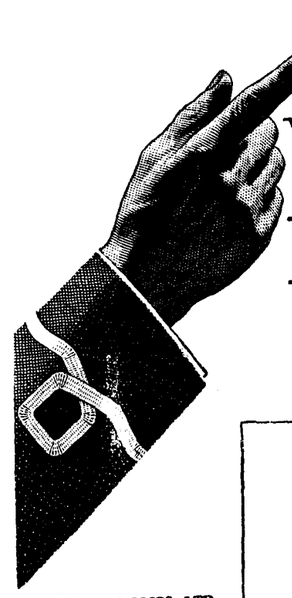


Jaffajuce Orange contains over 80% natural Orange juice (which is more than three times as much as the standard laid down by the Ministry of Food)—plus, of course, pure sugar.

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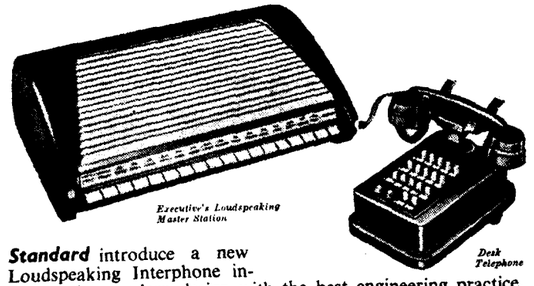
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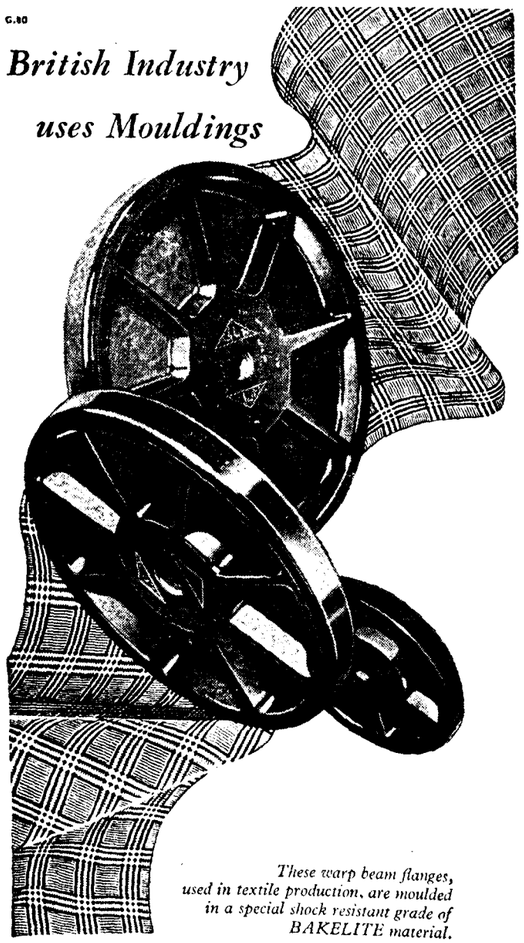
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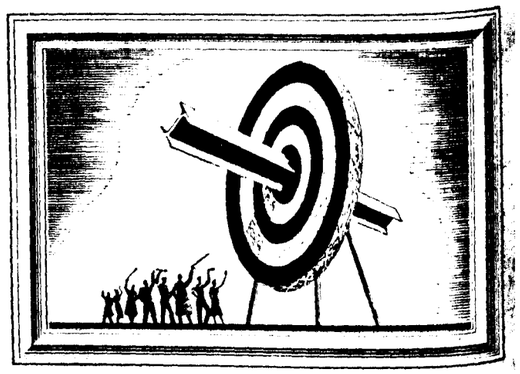
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The Economics of Margate

The Labour Party has never been strong on economic policy, which should be the product of a dispassionate study of the facts and a clear view of the objective. For all their Plans, the objectives have tended to be contradictory and the motive power sentiment rather than reason. It is true that they have had a great deal of economic good fortune and that the present state of the British economy, to judge by any of the familiar indications, is strong. But the three pillars that manifestly sustain this state of present prosperity are American aid, the phenomenal continuance of a general seller's market in the world as a whole (caused chiefly by American prosperity) and the devaluation of sterling a year ago. The first and second are beyond the control of any British government; and the third, though Labour Ministers now point to it with pride, was forced upon a reluctant Cabinet who would have much preferred to avoid it. For the rest, Labour policy - apart from the irrelevancies of nationalisation - has been content to be negative, trying to prevent any disturbance to the state of things as they are, which most trade unionists find very satisfactory. Tribute should be paid to the political courage with which Sir Stafford Cripps, in his heyday, insisted on the necessity for a large budget surplus; but that also was hardly a positive or constructive policy; it was a holding operation.

Since midsummer, the need for a definite economic policy has become greater than ever. But the particular policy required has somewhat changed in emphasis. The dollar gap is, for the moment (though it may be only for the moment), not the paramount preoccupation; for the first time for many years sterling is a hard currency. But the internal problem needs firmer and more skilful handling than ever. The need for rearmament has obviously greatly increased the pressure and the threat of inflation, never wholly absent. A large increase in expenditure on defence has to be fitted into the national economy just at a time when the world-wide trend towards inflation is more marked than ever. Yet if the threat of inflation is greater, the defences that have just sufficed to hold against it for five years are visibly crumbling. Restraint on wage increases is breaking down; the sharp deterioration in the terms of trade is beginning to have a marked effect upon internal prices; and the psychological tide, in governmental circles hardly less than in the general public, is set strongly against the continuance of physical controls, let alone their reintroduction. The budget surplus is being nibbled away, and there seems to be little will, in Sir Stafford's absence (and perhaps in his presence too) to defend it.

In short, even such logical content as there was in the Government's economic policy seems to be disappearing, and the need is clearer than ever it was for a new turn, for the mobilisation of fresh expedients to preserve the balance of the economy. Unfortunately, the proceedings at Margate have made it quite clear that the Labour Party has no new ideas. Some of the Labour leaders see the dilemma clearly enough; but their reaction appears to be to defy it. Mr Aneurin Bevan was recently described as the Prince Rupert of the party - and certainly his notion of how to deal with an economic problem is to launch an ideological cavalry charge, which always scatters the enemy and usually loses the battle. Even the moderate Mr Morrison can evidently see only the inviting prospect of new ways of taking other people's property away. The policy of the party at this juncture appears to be to insist that everything for the organised wage-earners must be left exactly as it is today, or if altered must be improved; and that if any further resources are needed for the service of the state or for the defence of the nation, they can be squeezed out of profits or abstracted from capital. Perhaps it is a mistake to take too seriously what is said in the charged atmosphere of a party meeting. But unfortunately it is easy to see that there are plenty of real pressures pushing ministers in the same direction. Facing an election, they think they dare not either cut

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expenditure or impose taxes that will hurt the 'little man'. They must try to keep wages from rising too fast, and the political price that the inexorable trade unions exact for that is another attack on profits. Members of the Labour Party would be very indignant at the suggestion that they propose to be patriotic at somebody else's expense; but that is what their various promises and declarations are leading them to.

It is political pressures that are pushing the Government to this. But in point of fact it is doubtful whether the result will be good politics. Politicians can rarely remember (and never at party conferences) that their loyal followers are not The People. Indeed, when electoral calculations are in order, his own devoted followers are the one set of people whose views the leader should least consider. The people who will decide the result of the next election are not those who always vote Labour or those who always vote Conservative, but those who might vote either way. It is true that 'the rich' have few votes; but it is also true that the more Labour poses as the champion of one class and the enemy of another, the more votes it will lose. There is only one way in which Labour can do better next time than in February, and that is by inducing several hundred thousand people who then voted Liberal or Conservative to vote Labour. Is that likely to be achieved by talk of social warfare?

But whether it is good politics or bad, the line of talk to be heard at Margate is certainly bad economics. A new impetus is being given to the inflationary spiral. The Labour leaders are unwilling to try to stop it at its source, since this would involve such horrible things as raising interest rates, curbing non-productive capital investment and cutting down expenditure on the social services. They are not even prepared to maintain the existing curbs on wage increases which, ramshackle though they are, have certainly put a brake on the trend in recent years. But they do want to prevent as many of the consequences of inflation as they can. In short, we are moving back to Daltonism and the miseries of suppressed inflation. Not by design, but by default of willingness to explore any of the alternatives, the Labour policy is likely to bring back all the worst features of a war economy, without that redeeming discipline which at least enables the community to put forth its greatest efforts.

Next Step for OEEC

For some time past there have been various hints and suggestions that the Organisation for European Economic Cooperation and its close partners in the Economic Cooperation Administration could think only in terms of economic recovery and were quite unfitted for the new problems of containment and the armed truce. This view must, however, have been very thoroughly scotched by the meeting of the Council of the OEEC which took place in Paris last week. The Council had before it a report prepared by the secretariat of the OEEC which represents the first genuine survey of the impact of present conditions of 'no war - no peace' on the economies of Europe and the first attempt to persuade member governments to face the implications frankly. Some policies, the report recognised, would need to be applied by governments acting individually. First among them would naturally be action to check inflation and one may wonder with what inner reservations Mr Gaitskell read the report's sober reminder that each government must determine by one means or other to offset the new demand created by rearmament:

> The offset may be in consumption or in the level of investment on in other items of government expenditure. It is not necessary that all of these should be cut but it is extremely unlikely that any country can master inflation without a cut in at least one of them.

Other policies, however, depend for their effectiveness on the close cooperation of the member governments. The Council, after studying the report, agreed to use the technical sub-committees of the secretariat to establish what shortages in raw materials were likely to occur both in Europe and in the international market - electricity appears to be Europe's worst deficiency - to take joint action where necessary to control prices and to establish machinery for allocation and, in the case of materials controlled by non-European governments - wool, for instance, or rubber or tin - to use the OEEC as a 'claimant agency' representing Europe's interests as a whole. The Council further recommended that all countries participating in the work of the OEEC should agree to pursue their purchases of scarce materials with 'due regard' to the need of other members of the Organisation.

It is no secret that this recommendation has chiefly the United States in view. In the last six months, massive American buying for the purposes of rearmament and stockpiling has reduced the world's dollar deficit in one year from $3.3 billion to $1.1 billion, but it is in Canada and Latin America and the sterling area that the advantage of the new flow of dollars has been felt. Continental Europe has gained almost nothing from it. Its own dollar gap has hardly fallen at all and the entry of America as a competitive buyer into so many third markets has forced prices up and made it increasingly difficult for the European countries to obtain supplies. Coordination of economic policy in Europe alone is thus insufficient. It is in the whole western area that a common policy for price control, allocation and coordinated stockpiling is urgently needed.

So much the report suggests, so much the Council admits and, in theory at least, its recommendations should cover all the governments principally concerned in the development of economic policy. By virtue of decisions taken earlier in the year, the United States and Canada have joined the OEEC as participants, and their entry into the work is reinforced by the intimate partnership established between the OEEC and the ECA headquarters in Paris. Unfortunately, the western powers have also provided themselves with another embryo instrument of economic coordination in the committees and subcommittees of the North Atlantic Council, some of which are also concerning themselves with the impact of rearmament on the different economies and are considering what joint action is necessary to combine a sustained effort of defence with the maintenance of economic stability. There are now in fact two agencies in the west, both concerned in economic coordination, and unless one or other is eliminated or a fusion brought about, the result can only be confusion, overlapping and a waste of administrative and technical staff who are already too few for the tasks being laid upon them.

The obvious solution would seem to lie in a peaceful fusion of the two bodies. The OEEC can offer its experience and its high standing, which could not be created afresh without years of patient work. It can also offer the confidence which, both as an intergovernmental organisation and as an international secretariat, it has contrived to inspire in ministerial circles in Europe. On the other hand, the North Atlantic Council has the advantage of formally and specifically covering the necessary field and of enjoying a status in the United States and a working relationship with both the State Department and the Defence Department which are probably unique. The present defect in the machinery of the North Atlantic Council is that the Deputies to the Foreign Ministers, who are the permanent heads of the organisation, have not turned out to be the persons of commanding status and virtually ministerial rank that were originally intended. But if this can be corrected, the obvious shape of fusion would seem to lie in preserving the structure of the North Atlantic Council and adding to it the delegations and the invaluable international secretariat of the OEEC.

Unhappily this apparently straightforward solution is being jeopardised at the moment by a series of obscure departmental quarrels in and between Washington, London and Paris. The belief that the two organisations are in dangerous competition with each other has been allowed to gain ground and fear and suspicion much more than logic and confidence seem to be dictating policy. This is really midsummer madness. The western world has too much on its hands in dealing with the hostility of the Russians to spare time for internecine warfare and interdepartmental strife. The sooner all parties to the disagreement can devote themselves to the building of workable institutions and abandon their trench warfare in defence of vested interests, the more speedily can the Atlantic community become a reality.

NOTES OF THE WEEK

Over the Parallel

With the North Korean government making no reply to General MacArthur's summons to cease fire, and with Mr Vyshinsky proposing a settlement which would lead straight to anarchy in a devastated land, the United Nations had to take the brave decision. Indeed, to hesitate longer was to ensure that any advance across the parallel would cost its forces even more in dead and wounded. Forty-seven members of the General Assembly have empowered General MacArthur to drive on, with terms in his pocket as generous as any aggressor has been offered in this century. No unconditional surrender, the promise of unity and independence, an honourable share in electing a single assembly for all Korea, help in reconstruction, and the promise that no power will retain any bases in the country. These terms are offered less to the leaders of the Communist regime than to the people of the North; nobody yet knows just who their alternative political leaders are.

To the British goes much of the credit for these proposals; but to the Indian delegate, believed to receive exclusive information from Peking, goes the credit for the most fulsome assurances that Chinese interests will be in no way infringed. He appears to have convinced most people at Flushing Meadow that a mysterious entity called Asian opinion would take a grave view of any determined effort by the white man - or United Nations forces - to stay and make a reality of Korean unity and independence.

General MacArthur now advances into a perplexing and dangerous future; but it is now becoming clear that such risks and uncertainties are inherent in the whole idea of collective security. Whether they can be dealt with by a Uno commission on which is represented neither the strength of the United States nor the mediating influence of India is a matter for candid reflexion.

Vienna Fiasco

It is not easy to understand what the Communists in Vienna were up to last week, when an attempt to stage a general strike in the city proved a fiasco. There was understandable discontent among Socialists and trade union leaders at the wage-price agreement which allowed various basic items to rise in price by 30 per cent while limiting the average wage increase to 13 per cent. Indeed, the first wave of strikes had fairly

general support from working people. At some moment, however, the Communists overplayed their hand, planned riots and strong-arm action to bring the city's life to a standstill, tampered with the loyalty of the police - and suddenly found the Socialists turning against them - so much so that Communist attempts to seize stations and factories were defeated by non-Communist workers without police assistance.

The basic facts about Vienna are that the Communists could isolate it from the outside world and starve it of food, power, and light, provided that the Russians prevented the police from doing their duty. Hitherto they have not openly supported such action by the Communists. But, with Allied troops present in the city, the use of violence is bound to be futile unless both Russians and Communists are prepared to stage a *putsch* on Prague lines and risk an armed clash which would quickly spread beyond the city boundaries. In case they should be thinking along those lines both the British and the American Governments have made it clear what their reaction would be. Why Moscow should persist in doing things that draw from Washington and London one declaration after another of intention to stand firm and one fresh argument after another for speeding rearmament is a mystery. If it is mere probing, it is clumsily done; if it is just local blackmail, it is paying no dividend. For each Communist failure builds up the free world's confidence in its power and determination not to pay Russgeld.

Strike Action

All the weaknesses in the existing pattern of labour relations in Britain seem to be making themselves felt at the same time. The unsatisfactory state of the law was demonstrated last week by the prosecution of ten out of 1,500 men who took part in the unofficial strike of gas maintenance engineers. The ease with which the authority of trade union leaders can be undermined was shown by 200 lorry drivers in Preston who gave the required 21 days' notice of a strike on Monday without going through their union leaders. Finally, Mr Deakin has put in a claim for higher wages for dockers, presumably in order to steal the Communists' thunder, but at the same time showing what an unpleasant situation must arise if leadership of the workers is to be auctioned off to those who can make the highest bids.

There seems to be no clear way out of the dangers which loom ahead. Some form of improved legislation for trades disputes might be helpful, but it is difficult to frame a law which will distinguish adequately between malicious strikes and strikes which are called to remedy a genuine grievance. Moreover, even if a good definition of malicious strikes could be devised, such legislation must either doubly entrench the authority of trade union leaders - which would only exacerbate the rank and file and provide more fuel for the Communists - or allow anyone to call a strike - which would leave the present position unchanged. Perhaps the only form of legislation which can be considered is one that extends the prohibition on strikes to which the army and the police are already subject to other equally essential services.

Exercise Broadside

The yearly divisional exercise, in which the summer training of the British Army of the Rhine now culminates, provides *(writes our special correspondent)* the main opportunity of judging the army's progress in strength and proficiency. It is alarming to observe that the shortage of manpower in the Rhine Army is more acute in 1950 than it was in 1949, in particular the shortage of experienced NCOs. The Government's decision to extend the period of national service and to attract a greater number of regulars has come none too soon. The obsolescence of the equipment is in some ways more serious since it may take a longer time to remedy. Apart from the admirable Centurion tank, there is not a weapon or a vehicle in the Rhine Army which does not date from the period of 1943 to 1945. The perpetual dilemma between defence research and defence production, linked to the needs of the export drive, provide an adequate explanation. But the soldier in Germany can only be thankful that events have dictated a change in policy, although it will be at least two years before the army begins to feel the benefit of new weapon production.

Exercise 'Broadside' was framed in a realistic setting which assumed that in the early stages of a future war the enemy would have the advantage of a higher degree of readiness including air superiority. The first part of the exercise accordingly consisted in the movement of 7th Armoured and 2nd Infantry Divisions to concentration areas with all the available air effort opposed to them. This entailed a difficult problem of night movement which the units - their vehicles mostly in the hands of young national service drivers - conducted with great skill.

The tactical part of the exercise was less satisfactory. In accordance with the criticisms of last year's plan, its purpose was to study the problem of holding a wide divisional front, which with the present paucity of troops in Western Europe would be the case in the early stages of a war. But, as General de Lattre de Tassigny pointed out, this aim was considerably compromised by creating a series of imaginary minefields and inundations along the river Weser which converted the 2nd Division's front from a wide into a narrow one. Even so the deployment of the division in defence left it with very little local reserve. From the comments of the CIGS, of General de Lattre and General Keightley, the Army Commander, it is clear that what the British army has to relearn is that no river line is an impregnable obstacle - in Western Germany the steep and densely wooded ridges may provide better obstacles to armour - and that the only way to stop the enemy is to defeat and kill his troops.

The Colombo Plan

Realism rather than ardour, and speed rather than scale are the marks of what has come out of the Commonwealth Conference on aid for southern Asia. By forming the new Council of Technical Cooperation and encouraging it to start work in Colombo before the end of the year, the participants - not including Burma and Indonesia which were represented by observers - have ensured that some use is quickly made of the £8 million which is to be spent before July 1, 1952. By dealing direct with governments the directors of the council will be able to keep an impetus behind the opening moves; these are likely to consist largely of paying teachers, scientists, and technicians - of which southern Asia is so short - and of endowing and equipping universities and training institutions.

The other main achievement of the talks is the report on a six-year development programme - the 'Colombo Plan' - to be published in a few weeks. This involves no immediate action by governments; it is rather a series of studies country by country joined to an analysis of the economic problems common to the area as a whole. Without such information, handily arranged, it would be scarcely possible to get down to the task of raising further money for long term schemes of increased output from the land, better transport services, new sources of power and - to a minor degree - industrialisation. It is, in fact, a prospectus for public spirited but intelligent finance ministers.

Development plans at this stage arouse enthusiasm only when they are accompanied by propaganda of the Five Year Plan - and Margate Conference - kind. The Commonwealth personalities working on this bold new conception are wisely concentrating on getting things done and finding the people to do them. Behind their efforts lies, nevertheless, the determination to help southern Asia and to prevent its rising population from undermining living standards and checking economic development.

Finding the Money

To prime the pump in southern Asia to the extent now required is beyond the resources of the Commonwealth, which - indeed - has not undertaken to tackle the whole task alone. The present effort is designed rather to set a course and a pace that can be maintained over a long distance. Without fixing any sum as the target, the conference has sifted and arranged priorities for a programme that would cost about £1900 million between now and 1957, and has set out ways in which the money might be raised by 'an effort of mutual help'. First in the order of possible contributors come the Asian countries themselves, which should raise internal loans and increase taxes wherever possible. Second come public or private loans from the west for specific projects, the World Bank, the American Export-Import Bank and Point Four. Last come loans, credits or gifts from government to government.

The full scheme is impossible without aid from outside, especially from the United States. Washington has been kept informed throughout the conference, and will find that the report has been given by Canadian delegates the kind of slant that will make it more readily assimilable. The Colombo Plan has been drawn up without specific reference to the need to fight the Communist challenge; but it will appeal to all who believe that one of the best ways to do so is to demonstrate how low economic standards can be raised without using totalitarian methods, and by ensuring that southern Asia takes its rightful place in the pattern of world trade.

Social Priorities

Conservative spokesmen have been criticised for their reluctance to commit themselves on how they would reduce expenditure on the social services to allow the reduction in taxation and the higher defence expenditure that they advocate. Nine of the new Conservative MPs have published a pamphlet ('One Nation'. Conservative Political Centre 1s) which expresses their own views on how the problem might be tackled. It is one of the clearest and best informed pamphlets on home policy which has appeared from any quarter in a long time, a fact which is not so surprising since the authors includes Mr Iain Macleod, Mr Angus Maude, and Mr Richard Fort, who are among the ablest of the new Tory back benchers. The pamphlet is also a tribute to the wisdom of the Central Office of the 'stupid party' in maintaining a large research department during its lean years in order to provide a reservoir of well informed parliamentary candidates and members.

The purpose of the pamphlet is to lay down priorities. Most of its proposals are familiar: the gradual elimination of the food subsidies accompanied by compensatory increases in social service payments; charges for some health service benefits; the postponement of some educational developments; the freeing of building from control, the overhaul of rent restriction and the concentration of local authority building on slum clearance. Housing itself is given first priority among the social services, and education second. Probably this order should be reversed. Of all the social services, it is education that could, provided the principles of educational policy were sound, pay the highest dividends.

The chief criticism of the pamphlet is that the authors do not quite make their case. The economies that they suggest in the social services are well conceived, but it would be optimistic to expect that they would more than offset the increased expenditure they would allow on higher salaries for teachers and doctors, the reopening of hospital beds

and so on. This means that on the elimination of the food subsidies must depend the chances of reducing taxation and of meeting the possibility of higher expenditure on defence. In spite of the pamphlet's persuasive reasoning, the sum does not quite add up.

Schuman Plan Progress

The six nations taking part in the Schuman Plan continue to make quiet progress in their talks. Especially in the matter of commercial policy there have been several advances during the past few weeks. All participants will be given unrestricted access to markets in the overseas territories belonging to member countries. It has been decided, too, that the High Authority shall be the negotiating agent for the six as a whole when it comes to bargaining with other producer nations over both domestic and export markets. If the Schuman countries do band together to this extent, there is a clear possibility that Britain, the outsider, may be put at a great commercial disadvantage.

Some of the questions which - at least in the view of British observers - lie at the heart of the plan are still unsolved. For instance, the division of tasks between the supra-national High Authority and the intra-governmental body, the Council of Ministers, is not yet perfectly clear. Delegates are also finding it difficult to agree on what price level or levels should prevail for coal and steel within the area.

A reasonable compromise on these issues can be reached, most of the delegates feel, provided that the shadow of German rearmament does not grow too swiftly. The French in particular are anxious that no German divisions should be armed before they have a chance to put the plan into working order. Otherwise they are afraid of creating the very danger that the plan was designed to avert - the re-emergence of a powerful Germany without the safeguard of a larger European unit into which it can be absorbed. Frenchmen think and say that the Americans, by insisting on an immediate decision to re-arm Germany, have put the cart before the horse and are thereby threatening the foundations of the plan while the builders are still at work.

Consumers' Representation

When the various Nationalisation Acts established consumer councils and consultative committees as a check on the possibly arbitrary behaviour of the statutory monopolies, it was hopefully assumed that they would be effective. How far this assumption has been justified has been expounded in a valuable little pamphlet ('Consumers' Representation in the Public Sector of Industry' by A.M. de Neuman) which sets its findings in perspective by quoting Mr Herbert Morrison's assurance that consumer's representatives are expected to be 'critically minded...ready to fight...active and vigorous'. But in fact, the crucial first year of each nationalisation project was passed without benefit of a complete consumer council organisation. There is a wide variation in the terms of the various acts: while some corporations are obliged to refer matters to their consumer bodies, others are not; so important a body as the Central Transport Consultative Committee need meet only twice a year; in coal there are no local bodies, in gas and in electricity there is no national body; there is no obligation on Electricity Consultative Councils to publish any reports at all. In all their organisations (except for the Air Transport Advisory Council) members are appointed by the Minister chiefly concerned, which makes it improbable that they will be persons likely to be thorns in the flesh of the Board which he has also appointed. If the constitutional framework is unpromising, the practical results are worse. One and all, the Councils and Committees have made it their business to defend the Corporations before the public rather than the public before the Corporations; an ominous tradition of secrecy has been established; and the public has mostly ignored its supposed champions and gone on querulously writing to its overdriven members of Parliament who are in this respect constitutionally impotent.

It is of course too early, as Mr de Neuman recognises, for final judgment; but it is not too early to emphasise the undesirable precedents which have been established. The Corporations and their parent ministers have only themselves to blame if the public looks on the consumer organisations nominally protecting his interests with the mingled indifference and distrust felt by the unenfranchised natives of some backward colony for their 'appointed' representatives selected from, responsible to, and paid by, the oppressing master race.

The Defence of Turkey

'Why worry about the Atlantic Pact?' says the leading article in a leading Turkish newspaper. Exclusion from it 'is not so grave when one considers that this country has pacts with Britain and France that bind both western nations to rush aid to us in the event of attack?' If this philosophic attitude is widespread, why did the Turkish government so ostentatiously apply afresh for membership of the Pact last month? What more did it want? Is it satisfied with the result of its application, which is a refusal to which has now been appended an invitation to 'associate with' Atlantic Pact defence plans in the Mediterranean?

The answer to these questions is that Turkey will not feel confident of adequate aid on D-day until the United States, as well as Britain and France, is pledged in treaty form to rush to its rescue. The request for inclusion in the Atlantic Pact was bound to be turned down, for the smaller north Atlantic nations still prefer to think that their frontier is in northern waters and not on the Bosphorus. But by making it with ostentation and by accepting refusal not as a rebuff but as the starting point towards an 'associated' alliance, Turkish diplomacy has done well enough. It has come as near as is possible, in the present state of American armaments and commitments, to securing an undertaking of American protection.

Its critics suggest that, when it sent its 4500 combat troops to Korea, it was attempting to buy its way towards its goal, much as Cavour, in Crimean days, bought his seat at the western council table. The implication is unfair. Though the despatch of the troops and the request to the Atlantic powers virtually coincided, they were independent gestures. Mere commonsense dictated that Turkey, physically placed just as near to the Russian frontier as is Korea, should do as she would be done by.

Professional Obstacle Race

A new circular issued by the Ministry of Education shows that an obstacle race of inhuman ingenuity is being devised for the young entrant to the professions. It gives details of the requirements, in terms of the new General Certificate of Education, of such bodies as the Law Society, the Royal Institute of British Architects and the Institution of Civil Engineers. Twenty-two out of the thirty professional bodies had laid down different educational criteria for the aspirants to their profession, only the engineering institutes having managed to work out a common formula. The reason for this is that the new General Certificate, unlike the old School Certificate, can be awarded for proficiency in one subject only instead of a balanced group of subjects. The professions, like the universities, have shown that they do not trust the schools to send their pupils out provided with a sound general education, irrespective of what may be displayed in examination results, and they have set out requirements which they severally demand for exemption from their own preliminary examinations. Since the different professions have different ideas about basic education, there is a bewildering variety of requirements: almost all the professional bodies require a minimum of four or five subjects, and all but three demand English and Mathematics, but some require Latin and some do not; some require a scientific subject and some a foreign language. To the masters who must devise a curriculum to fit these different requirements, and to the pupils who must follow it, the alleged freedom of the new General Certificate must appear to be an illusion.

Shorter Notes

The French decision to evacuate their garrison from the frontier town of Kaobang on October 3rd was serious; although Kaobang had for months largely depended on airborne supplies, so long as French troops were there they made it more difficult for the Viet Minh to bring arms across the frontier. But in withdrawing, a decision hastened by the loss of the neighbouring post of Dong-Khe, the French have suffered a first class disaster. Even if their offensive goes well elsewhere, they have lost not only part of their control of the frontier region, but, by the reported annihilation of over 3000 men, have received a dangerous blow to anti-Communist morale throughout the country. The gravity of the situation is shown by the dispatch of the veteran expert in guerrilla warfare, General Juin, from Morocco.

* * *

Much has been written about the military and political miscalculations made by the Communists and Russians in Korea. What has so far escaped notice is the failure of the political warfare that has accompanied the campaign. Seoul did not turn out a second Stalingrad; the South Koreans fight on with undiminished zeal; above all, the 'working masses' of the world have not taken the action against 'imperialist warmongering' for which two years of the 'peace campaign' had prepared them. Exasperated by this fact, Soviet propaganda is now conducting an outright atrocity campaign against the American army which seems to call for some official protest.

Doing and Showing

We cannot conclude without reminding our countrymen that their strong point has always been doing, in contradistinction from exhibiting. We are not sensible of any more striking moral characteristic between the Saxon and Celtic races than that the Saxons perform while the Celts exhibit. The former, though abundantly self-willed, self-confident, and self-conceited, are withal awkward and retiring. They are not gascons. What they do is done for themselves, or because the thing is worthy to be done, and it is not done for show. The Celts, on the contrary, always display all their virtues. Whether it be at the fair, flourishing a shilelah, dancing on the village green, erecting magnificent castles, or constituting a state, their great desire is to attract admiration. They prefer the arts which dazzle others to those which comfort the artist and his neighbours.

The Economist

October 12, 1850

Books and Publications

'Roosevelt in Retrospect' by John Gunther. Hamish Hamilton. 441 pages. 21s.

It looks as if Franklin Roosevelt's reputation may soon enter upon that apparently inevitable period of slump which, for most great men, is delayed until a generation or so after their death. Many circumstances point to this. Unlike most war leaders, he handed down a peace hardly less critical than the war itself; consequently the magnitude of his own achievement has to compete with the gravity of his successor's task. Moreover, the achievements of that successor, so much beyond popular expectation, and displayed through a personality and political technique so different from his own, have shown up certain of Roosevelt's weaknesses and limitations. Lastly the celerity with which the full record, both of his private life and of his administrations, has been laid bare to the public gaze contrasts strikingly with the protection afforded to so many eminent public figures by the joint operation of family discretion and the Official Secrets Act. How much more is already known of Franklin Roosevelt than of his nearest British counterpart, Lloyd George. When once the paranoiac Roosevelt-phobia of the thirties and forties ceases to evoke, by a compensatory process, a corresponding degree of Roosevelt-philia, the cumulative effects of these circumstances may not be long in making themselves felt. The election of 1948was probably the last in which the Roosevelt *myth* could be a serious issue.

Perhaps Mr Gunther feels something of this. His book at any rate suggests it. It is not written in the vein of vigorous counter-polemic appropriate to a contemporary apologia, such as the admirable 'Roosevelt' of Mr Gerald Johnson; but neither is it written with the detachment that might be expected from someone who comes to his task after the publication of such revelations as those of Mr Sherwood, Mr Morgenthau and Mr Moley. Mr Gunther has drawn upon these and all the other rich vein of Rooseveltiana now available (though not, alas, always in this country). But his book is something more and less than a synthesis of these. More, because it is primarily a tribute from an unashamedly fond admirer - a tribute, moreover, primarily to Roosevelt the human being - and only secondarily to Roosevelt the President. (The structure of the book illustrates this, the first half being devoted to 'The Character', while even of 'The Life' only about 75 pages are allotted to the years 1939 to 1945). Less, because the critical analysis of all the disclosures and interpretations now available is something which Mr Gunther has not seriously attempted.

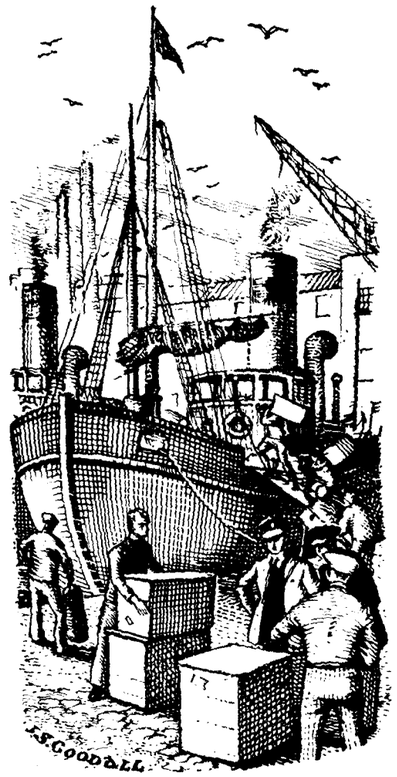
Indeed, this study is a good deal like Mr Gunther's travel books, in both its charm and its inadequacy. This is a country which he likes very much and which he describes with warmth, vivacity and an engaging loyalty to its way of life. But even the best countries have their enigmas and their problems, and on these Mr Gunther is less revealing. We tour the furnishings of Mr Roosevelt's mind in the company of a most informing and beguiling guide. There is the desk at which he sat. There is the donkey which he loved to ride. There is the battered fedora we know so well. But what is in the drawers of the desk? Why did he ride the donkey along the paths he did? What went on underneath the fedora - and behind that famous smile?

* * *

'Scottsboro Boy' by Haywood Patterson and Earl Conrad. Gollancz. 317 pages. 16s.

In the nineteen-thirties the Scottsboro case taught the world - and many Americans as well - what racial prejudice meant in the United States. It would not be true to say that the Negro boys who were sentenced to death time and again for the rape of two white prostitutes were framed. There was no need; apart from one judge who made legal history and ruined his career, all those in Alabama who were concerned in the case based their decisions on blind prejudice, not on the evidence. It was prejudice not only against Negroes but also against Communist interference. For to the Communists the Scottsboro case was, and to some extent still is, a Lenin-sent demonstration of the decadence and oppressiveness of capitalism. They made the boys their own and bombarded Alabama with protests from 'foreign' parts - from countries across the ocean and, much worse, from cities across the Mason-Dixon line. That great pleader, Clarence Darrow, was forced by the Communist tactics to abandon the boys' defence and with him went,not their hope of acquittal (there was never any hope of that), but their chance of a speedy pardon.

There is no evidence in this book that Haywood Patterson is aware that the Communists are responsible for at least part of his seventeen years in prison for a crime he never committed, or for the fact that they were ended not by release but by escape. But even he, the most aware of all the Scottsboro boys, is aware of very little except the iniquitous way in which he has been treated. He cannot be blamed for that, but as a result, the horrifying story he told Mr. Earl Conrad could be nothing more than an account of the degradation of human beings and the debasement of justice. It is not difficult to read, but it is certainly not pleasant, and it sheds little new light on the basic problem of the Scottsboro case in particular and of the South in general, the poverty and ignorance of Negro and white alike.



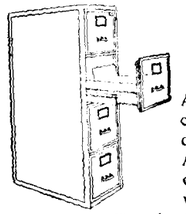
October

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AMERICAN SURVEY

Inflation's Shadow

Washington, D.C.

The theory that it could be left to the good sense and patriotic spirit of the trade unions and the employers to agree upon wage adjustments which would discourage inflation and serve the national interest was one of the first American casualties of the second world war. By the time President Roosevelt's Administration had gathered the political courage to devise a harness that would hold wages and prices from running away, there appeared to be nobody in the United States who had not learned the economic lesson of the times. The first part of the lesson was that, though dipsomaniacs might voluntarily give up drink and rivers would sometimes run uphill, trade unions would not renounce the opportunity of winning wage increases so long as the opportunity could be discerned to exist. The second part of the lesson was that whenever prices and profits were rising and manpower was valuable the opportunity would exist.

Ten years have passed and now here we are again in time of armed conflict, with a big rearmament programme launched, with prices airborne, with profits in a more satisfactory condition than ever before, and with an imminent manpower shortage foreshadowed by early September totals for employment. In these circumstances President Truman has just appointed Dr Alan Valentine to supervise the control of prices and wages if this becomes necessary.

Before it departed for home to attend to pressing election business, the Congress passed a Defence Production Act which gives the President powers (for which he had not asked) to invoke such controls. But the Congress handed over the baby with a certain diffidence. Lest there should be any unfortunate pre-election idea in labour circles that members of the House or Senate were compelling Mr Truman to frustrate current wage claims, the Act enjoined the President to have recourse first to voluntary action to stabilise wages and prices. If that did not work, then the President was to take sterner action.

Last May, the General Motors Corporation, the largest industrial firm in the country, signed with Mr Walter Reuther's United Automobile Workers a new five-year contract under which nearly 250,000 members got an immediate wage increase of 4 cents an hour, an undertaking that their pay would be raised by another 4 cents an hour each year for the next four years, a number of assorted pension and vacation benefits, and a formula under which wages would rise indefinitely quarter by quarter if the cost of living went up but would be cut by not more than 3 cents an hour however much the cost of living went down. It was a reasonably safe prediction, even before Korea, that other automobile makers would have to toe this line, and that unions which thought that they were in strong enough positions to improve on it would, as Mr Pickles might say, have a go.

Workers in the aluminium, rubber, hosiery, electrical equipment and farm implement industries are among those who have had, or are going to have, successful goes. The Chrysler Corporation, in a sort of Santa Claus gesture that shook industrial America, last month signed a new contract with the UAW, presenting unskilled workers with a 10 cents an hour increase and skilled workers with a 15 cents an hour increase out of the blue. And Mr Philip Murray, of the United Steel Workers Union, who last winter secured by means of a strike some handsome new pension and health insurance benefits, wrote to 1,400 steel companies announcing that he would be seeking a wage increase before December 1st, when the union can strike. Mr John L. Lewis of the United Mine Workers Union has not been heard from yet, but he will hardly resist the temptation to secure benefits higher, wider and handsomer than anyone else's.

Soon after the steel strike was over last winter, the United States Steel Corporation announced price increases averaging $4 a ton on a wide range of steel products, to yield an extra $80 million a year to the company, 'an amount equalling the estimated yearly cost of the new pensions programme'. Within the last week or so two steel firms have announced new price increases, and the magazine *Iron Age* is discussing the likelihood that Mr Murray's negotiations will force up steel prices by another $6 to $8 a ton.

'Inflation's Sinister Shadow Has Actually Materialised' said a headline in the *Washington Star* the other day, but the substance of inflation does not in fact seem to have arrived yet. Commodity prices are not as high as they were during the 1948 peak, production is well beyond that peak and there have been recent signs that the heart has gone out of the Korea-inspired buying scramble. So far the only restrictions have been relatively painless ones on instalment buying - which accounted for over $13 billion of the $21 billion of consumer credit outstanding in August. But stricter credit regulations are prophesied on mortgages which will certainly bring down with a rush the recent furiously high rate of house-building. The biggest curb on inflation so far has been the rise in income taxes this month.

And after that? It may be a long, long trail; but the logic of ten-year-old lessons lingers on. Wage ceilings and price ceilings, a formula to 'hold the line against inflation' and a War Labour Board to adjust disputes may once again be on the cards.

American Notes

DOs and Don'ts for Industry

The first industrial priorities to come out of the Defence Production Actare straightforward DO (defence order) ratings, telling industry that it must do jobs for the services, the foreign military assistance programme and, where necessary, for the Atomic Energy Commission, before it takes care of its civilian customers. These ratings, which will apply to practically all military contracts, even those already placed, can be passed on by the prime contractor to his suppliers and sub-contractors. The National Production Authority is expected to determine the proportion of steel, and presumably later of other commodities, that can be earmarked for defence purposes, and to work out a method of spreading DO ratings among firms, so that non-military consumers shall all suffer together. If this is done and if the services do not relapse into their old habit of over-ordering and of piling priority on top of priority, the civilian economy should not be dislocated very severely just yet.

But by early next year the recent flood of defence appropriations will be swamping factory benches and by then essential civilian and indirect military orders - steel for rails, for example - will need priority ratings if they are to stay in the swim. This is when non-essential civilian goods will find it difficult to keep their heads above water. So far the departments controlling essential civilian products have done little beyond mobilising the alphabet to name the new offices set up to deal with their new duties. But already an interdepartmental dispute has developed between the Departments of the Interior and of Commerce over the responsibility for non-ferrous metals; those who believe that it was a mistake to divide authority among existing Government agencies are saying that they told the President so.

Non-ferrous metals were amongst the most important of the 32 commodities to which the National Production Authority's first regulation applied. This was a "Don't", not a DO, order, and laid it down that industrial stocks of these commodities should not exceed 'the practicable minimum working inventory.' Metals are already being allocated voluntarily and the next stage will be mandatory allocations for copper, aluminium and perhaps some others, officially expected before Christmas. The automobile industry is talking of a 'de-emphasisation trend' which will dim its chromium sparkle, to save metals.

Crime Campaigns

The Republicans have new hopes of making organized crime and the public protection it buys pay political dividends in three close Senate races, the battles in New York, Illinois, and Missouri. Senator Kefauver has steadily resisted their pressure to devote his crime inquiry to an exposure of the links between the underworld and Democratic machines in big cities such as Chicago and Kansas City. But in New York revelations that a $20 million-a-year Brooklyn gambling syndicate spent $1 million of that on buying police tolerance throws a fresh light on the hurried departure of Mr O'Dwyer, the Democratic Mayor, for his Mexican retreat, and handicaps the Democratic candidates, however great their own integrity.

Mr Thomas Murphy, the successful prosecutor of Mr Alger Hiss, has new scope for the talents the New York Democrats found themselves unable to reward adequately. Appointed Police Commissioner, his new broom has already resulted in the hasty resignation of sixteen police officials, some of high rank, and the return to the beat of the entire plain-clothes division, which is charged with enforcing the laws against gambling and vice. Mr Dewey, the Republican Governor, has gladly entered a fray which promises to be as profitable, politically, as his own crusade against the rackets twenty years ago.

The New York exposure is the work of a Brooklyn grand jury, not of Senator Kefauver, but the conviction of the nation's largest bookmaker grew out of testimony before the committee. Civic reformers are taking heart and the alarm of the 'mobs' has brought the murder of two of the committee's witnesses in Chicago.

In Florida, the committee proved what it set out to: that gambling corrupts public officials and that the crime network crosses state boundaries and hence requires federal remedies. (A representative of the Capone gang in Chicago had muscled in on the local syndicate). But Florida is a one-party State and Republicans are impatient for the Committee's findings in Illinois and Missouri. It was a Republican, however, Senator Malone of Nevada, the only State that permits off-the-course gambling and the uninhibited use of gambling machines, who filibustered to death a Bill to prohibit the movement of these 'one-armed bandits' across state boundaries.

In the Name of Security

The anti-Communist Act passed over the President's veto already stands convicted of endangering America's prestige abroad in the name of security at home. Its exclusion of 'supporters of any totalitarian regime' is a nightmare to travellers and harassed officials who have already limited an Austrian pianist to a six-day stay because he joined the Hitler Youth at the age of ten. Senator McCarran, friend of General Franco, and the author of the Bill, would get his deserts if it kept out all unofficial Spanish visitors. The same reasoning, applied to South America, would make havoc of the good neighbour policy. It would exclude 90 per cent of all Germans, thus wrecking the re-education programme, and offend the Yugoslavs. The temptation to make a monkey of the Act by taking it literally must be strong, but allowances must be made for the 'intent of Congress', which may be clarified after the election.

THE WORLD OVERSEAS

Indonesia Now

Indonesia is now three quarters of the way through its first year. It has been a period of vigorous change, even if the violence of the last few years has died down. The new cabinet recently formed by the Masjumi leader, Mr Mohammad Natsir, under the new provisional unitary constitution, has had a fairly good reception. It was disappointing to many, both in Indonesia and outside, to learn that Mr Hatta, the moderate and realist who had negotiated Indonesia's final independence agreement with the Dutch at the Hague last year, was to give up the premiership. But the facts are that Mr Hatta had worked himself almost to a standstill after two years of constant strain and that the new government is headed by a man who is close both to Mr Hatta and to Mr Sutan Sjahrir, the strongest anti-Communist figure in Indonesian politics. On paper, therefore, the cabinet is nearly as 'sound' as it could reasonably be expected to be.

What now matters most in Indonesia is to know whether this or any other moderate government can impose its will on the country. On that score there is considerable doubt among independent observers in Djakarta, the capital. There are three particularly intransigent elements: outlying peoples, such as the rebellious Ambonese, who resent a unitary state run from Java; malcontents and guerrillas like those of the Dar ul Islam in Java itself; and everywhere the growing body of Communists and fellow travellers. These trouble-makers are once more becoming the most important, as before the Madiun rebellion in 1948. Lately the trade union organisation, SOBSI, whose leaders now take their instructions from the Soviet-directed WFTU (World Federation of Trade Unions), has greatly extended its influence, largely by means of intimidation. Alimin, one of the chief Moscow-trained Indonesian Communist leaders of two years ago - who was widely reported as dead - has turned up again.

The government's most important achievement so far has been to settle the serious strike of estate workers which started on August 20th. In loss of tea production this has cost Indonesia about 16 million rupiah of foreign exchange. There has also been a number of other sporadic strikes, which are due to the kind of local corruption that no government can tackle overnight, but which have certainly struck at the country's economy when it is just beginning to get on its feet again. Nevertheless, Indonesia has made considerable strides in economic recovery during the past six months. This has recently been accentuated by the high prices now ruling for many of its main products, such as rubber. One result is that more consumer goods are beginning to flow into the country and that the pernicious inflation has been checked. Moreover, the new financial regulations controlling foreign exchange are working very satisfactorily. Indonesia's new standing is most strikingly shown by the recent sharp appreciation of its currency. From a free market rate of 30 to the $ and 72 to the £ in May, the rupiah rose to 15 and 38 respectively in July, its best level since 1945.

Indonesia is trying to steer a neutral course in foreign policy, following India's example; the one exception, towards which it has a blind spot, is New Guinea. By working up an exaggeratedly emotional claim in the face of rational argument, of the indignant determination of the Dutch and of Australia's strategic interests, Djakarta is heading for trouble.

As the Dutch See It

(From Our Correspondent at the Hague)

Present Dutch feelings on Indonesia range from the professional, slightly ridiculous, optimism of Dutch cabinet ministers to the embittered feeling of the soldiers of the former Royal Netherlands Indies Army. The cabinet ministers are bound to appear optimistic since they must make a success of the 'Dutch-Indonesian Union' - a not very real superstructure, that was asked for by the Dutch mainly for internal political consumption and accepted by the Indonesians because they felt it was not a very important concession. But very real Dutch interests lie behind the facade of the Union. The Dutch Government estimates that between fl.5000-6000 million of Dutch capital has been invested in Indonesia. The chief reason for the Dutch willingness to give a 'general purpose loan' of fl.200 million to Indonesia is the knowledge that otherwise there would probably be a severe cut in Dutch imports. And the fact that Dutch trade, particularly with the dollar area, can practically never be balanced without the three-cornered trade with Indonesia, again makes it highly desirable for the Dutch to have a High Commissariat at Djakarta which is something more than a mere embassy.

Among Dutch businessmen in Indonesia there is a remarkable difference between the smaller firms, which continue to daydream about the colonial past, and the big business men, who ask Indonesian ministers to dinner and make incredibly rosy statements about the way things are going. In private they are not so optimistic, but there is undoubtedly a big opportunity for business people who are [redacted] to adapt themselves to changing condi-

THE BUSINESS WORLD

Policy and the Pound

Exchange policy now holds a prominent place among the problems that face Britain and the sterling area. Dollars and gold are still flowing into the sterling area reserves; the British balance of payments has been transformed; and there is no mistaking the hardening of sterling in recent months. These symptoms of improvement have been noted abroad and their implications in terms of future policy for sterling have already been argued with implacable logic in the United States. At the recent meeting of the International Monetary Fund in Paris, the justification for continuing restrictions on current payments by Great Britain and other sterling area members of the IMF was questioned. That issue will be discussed in a specific context next month, when the signatories of the General Agreement on Tariffs and Trade, now tariff-bargaining at Torquay, turn to debate the principles of commercial conduct and discuss the discrimination now applied against dollar imports by sterling countries.

Questions of exchange policy cannot have been far in the background of Mr Gaitskell's discussions in Washington and Ottawa this week. Britain's request that part of America's military aid should be in free dollars is, in present circumstances, tantamount to asking for further American help to raise the British gold and dollar reserves. It is certain to have aroused some American questioning about the size to which the reserves need to be built up before they would justify a restoration of full convertibility of sterling for current transactions. Future exchange policy, however, does not rest solely on sterling-dollar relations, important though these are. A fortnight ago, Canada announced its fateful decision to let the Canadian dollar find its level in a free market. Australia has decided to adhere, for political reasons, to a patently undervalued rate for the Australian pound. And within the next few days, the results of the first periodic compensation under the European Payments Union should be known; it may result in considerable gold payments and thus call into question the desirability and practicability of leaving the sterling area's monetary relations with certain members of EPU to the automatic mercies of that mechanism.

Many ingredients are thus being thrown into the cauldron of this debate, and the brew is kept bubbling by continuing rumours of changes in sterling's parity. The widely held and tenacious belief that the exchange value of sterling is to be raised against the dollar is an inexplicable example of economic hypnosis. Can it be seriously believed that the British Government, little more than a year after devaluation and in to-day's abnormal circumstances, would ask the International Monetary Fund to sanction a higher rate for sterling? Repeated ministerial pronouncements make it clear beyond doubt that the building up of the gold reserve well beyond the present level of about $2,800 million is the first priority in external financial policy. To revalue sterling now would seriously impede the further recovery of the reserve. It would also reduce the sterling price of gold and thus put further strain upon the loyalty of gold producing members of the sterling area. Even more incredible is the supposition that the IMF, sensitive as it is to American economic ideas, would sanction any such proposal. The Fund would surely be quick to assert that if sterling were so genuinely strong as to justify some upward adjustment in its gold parity, it should first test and use that strength by the resumption of convertibility for current transactions.

Or can it be that expectations of a change in the dollar-sterling rate are based, not on these improbable assumptions, but on an even absurder belief that the United States dollar is about to collapse and break the link with its gold parity? So long as it is cast in sensible terms, there is something in the raw material of this argument. The United States economy is undergoing greater stress than at any time since the war; little effective anti-inflationary medicine can be administered until the November elections are out of the way; wages have begun another round of nation-wide increases; a good deal of potentially unstable foreign capital that has found its way to the United States in the past three decades is beginning to look for a new home. But to jump from these premises to the conclusion that an exchange crisis is about to break in the United States is to lose all sense of proportion. Some two-thirds of the world's monetary gold is still held in the US Treasury reserve. The United States is still lending and giving abroad to the tune of about $5 billion a year. There are powerful brakes that can be applied to the American monetary mechanism, even without reckoning on the prodigious productive capacity of the American economy when it is really put to the test. If the dollar is becoming softer and more abundant, it should be a cause for profound satisfaction and it should evoke an appropriate response in the administration of sterling exchange control and in British commercial policy.

The conclusion suggested by this reasoning is that the sterling-dollar rate is much better left where it is, and that the relative strengthening of sterling and weakening



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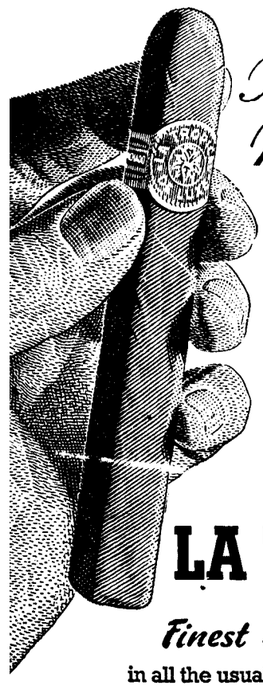


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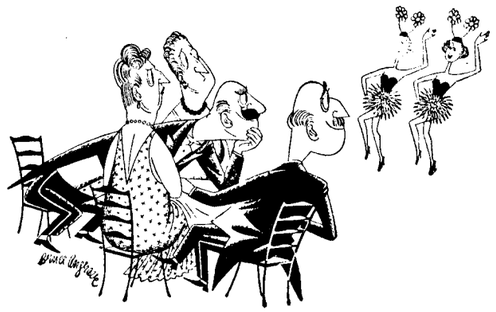
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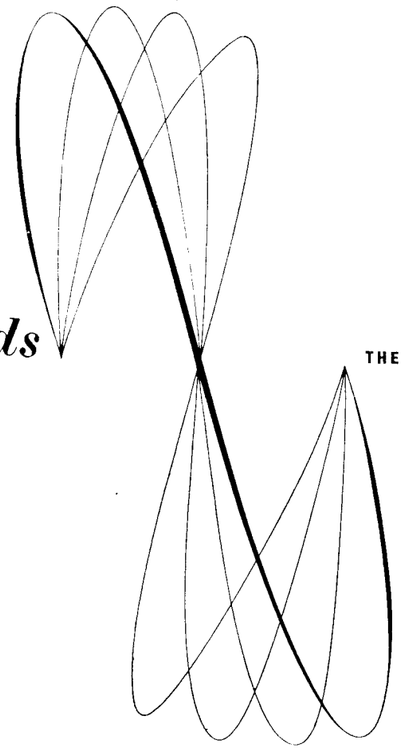


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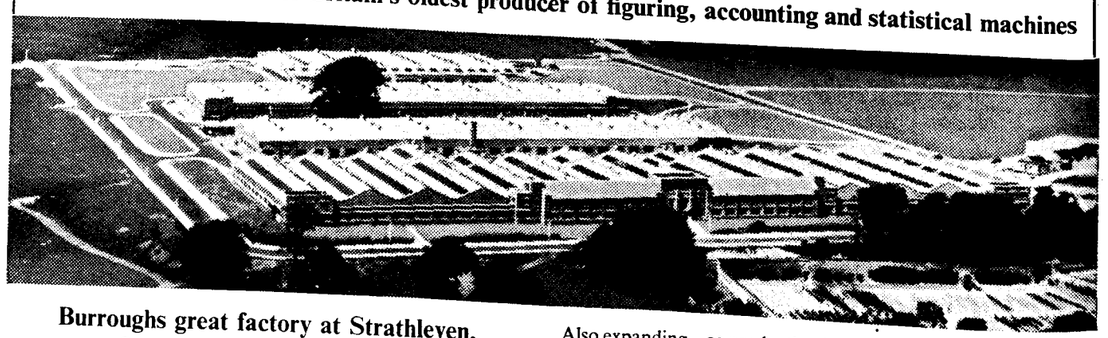


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of the dollar should be allowed to reflect itself in a measurable relaxation of sterling exchange control and of the admission of dollar goods. No sensible person would argue for an immediate jump to dollar convertibility; but the progress already made in easing the rigours of restrictions on payments to the dollar area should be accelerated.

It remains to consider the argument that Britain should emulate Canada and let the pound go free. Apart from its propriety or desirability, such a move would be reasonably safe only if free sterling were backed by a much larger gold reserve than at present. Sterling is not under pressure to repulse a massive inflow of hot money comparable with the flow into Canada in recent months. In the choice between a free rate and a fixed rate, Canada's decision sets no precedent for Britain. The Canadian dollar is a local currency. By contrast, sterling for all its limitations is still a great international currency and provides the basis of a far-flung monetary area. These wider responsibilities appear to require a firm relationship between sterling, gold and the United States dollar. It would be asking a great deal of the sterling area, and of the other countries that use sterling extensively in their international transactions, to adapt their commercial policies in pursuit of a pound that was at the same time inconvertible and freely fluctuating. A free rate may be preferable to a fixed rate first determined by thinking of a number and later discovered to be overvalued or undervalued. There may be an argument, *pace* the Fund, for a free rate that remained in practice more or less pegged, since that would avoid a succession of political acts in changing a fixed rate to suit changing economic circumstances. But there is no argument for shifting a fixed rate either up or down if nothing is done to bring a positive policy to bear on the forces that play upon the pound. All the arguments at present point, not to revaluation, but to a more liberal philosophy in sterling policy.

Business Notes

Canadian Dollar Dealings

In the first week of its new freedom the Canadian dollar disappointed many bulls by floating less than halfway towards parity with the American dollar. During this first week, speculators taking profits on hot money in the Montreal market seem to have called most of the tune; the Canadian authorities must have stood ready to even out hour-to-hour fluctuations but so far, at least, there have been no reports of large-scale intervention on their part. The New York market, after some initial aberration, seems to have followed more or less in the wake of Montreal. The Bank of England rate, announced each morning, is now based - with a little latitude in the spread - on the previous night's Montreal close. Thus at the beginning of this week the rate at Montreal was $2.96-2.97 and in London $2.95-$2.97.

Canadian security prices, which had been rising for some weeks, receded slightly at the first news but have since resumed their progress. Dealings in these securities in London have been impeded by the wide gap in longitude and, therefore, in working hours. News of opening prices on the Montreal Stock Exchange does not reach London until 4 o'clock in the afternoon - half an hour after the Bank of England has closed its exchange dealings for the day. London brokers selling stock to Canada on the basis of these opening Canadian prices cannot cover their exchange transactions until the next morning, and are thus at risk for possible changes in the Canadian dollar during a whole day's dealings in Montreal.

Hot Money in London

The inflow of short term funds into London from abroad is beginning to make itself felt in the money market. Lombard Street has been unusually flush with funds in the last few weeks - including some on offer from American banks; at the end of last week it was even reported that some short term loans had been made at 3/8 per cent compared with the usual 1/2 per cent minimum. As this foreign money has come into the central reserves, the Treasury has had to increase its borrowing on floating debt in order to find the sterling counterpart. One consequence of this was the decision to raise the total of bills on offer at yesterday's tender to the new record figure of £260 millions. Another consequence is reflected in the rise in bank deposits in September.

In the five weeks to September 20th clearing bank deposits rose sharply by £78 million to just over £5,856 million. The whole of this rise was due to an increase of £88 million in Government borrowing on floating debt from the banking system; bank cash holdings ran down by £12 million (thus depriving the Government of an equivalent volume of central bank finance) but bank advances and investments were little changed. The Government's new calls on the banks are partly explained by switching operations by the departments out of floating debt to put up their share of the £30 million call on the electricity loan on September 15th; the money raised by this call was largely used to repay bank advances. For the rest, the Exchequer seems to have run a very small deficit during the period and there was also a drain of about £10 million in net withdrawals from National Savings. It is clear, however, that internal transactions alone do not account for this upsurge in deposits.

British Jet Engines in America

Final details are now being worked out for a long-term contract between Armstrong-Siddeley Motors and the American Curtiss-Wright Aircraft Corporation. The agreement

will make it possible for Curtiss to build the present range of Armstrong-Siddeley aero engines under licence and provides for exchange of information on future developments. For some time the exchange is likely to be one way only. The American firm is soon to give up the airframe construction side of its business, which has been without orders since the end of the war. Its engine division, on the other hand, has been fully occupied building the Cyclone piston engines used in the more successful American civil aircraft such as the Dakota, the Constellation, the Skymaster and the D.C.6. During this period the company has done little or no work on gas turbine engines, being one of several American firms that rejected gas turbines for civil use in favour of the 'compound piston' engines which seek to improve the performance of a piston engine by using its exhaust gases to drive a turbine.

Without an agreement of the type now intended, Curtiss would have found it difficult now to catch up with gas turbine developments. A British firm was the obvious choice. But Rolls-Royce already have licensing agreements with Pratt and Whitney which cover most of their engines; these agreements date back to the Merlin piston engine. Armstrong-Siddeley have a smaller number of engines than Rolls but have successfully developed the Mamba and Python turbo-prop engines and the turbo-jet Sapphire, one of the most powerful of jet engines. The Curtiss contract will not interfere with Armstrong-Siddeley's licensing agreement with Westinghouse, which covers combustion chambers only.

A New Wool Scheme?

American proposals for international allocation of raw wool seem to have been changed. The latest proposal is for what the Americans call a 'set aside' scheme. No details have been published but reports from Australia give some idea of its outline. Certain quantities of certain types of wool are to be short circuited from the auction sales, and sold direct to the United States. This wool will not pass through the market, but the price to be paid will be based (so it is reported) on the average level of market prices for the grades of wool 'set aside' during each month.

In return for this arrangement, it appears that the United States has agreed to ensure that all wool 'set aside' will be used only for military purposes. Such a scheme could only operate through some such organisation as the Joint Organisation, which appraises all wool offered for sale in the three southern dominions; its acceptance must presumably imply that the United States is willing to accept the continuance of the Joint Organisation either in its present form or perhaps in a new dress as a Commonwealth wool scheme on the lines now under discussion by the international wool study group. Judgment cannot be passed on the 'set aside' scheme until all the facts are known; on present knowledge, however, it has several marks of a dubious transaction between Britain, the United States and Commonwealth suppliers.

Freedom for Softwood

The partial resumption private trade in softwood can be interpreted as an admission on the Government's part that bulk purchase has failed to deliver the timber. Softwood is critically scarce; stocks at the end of June were the lowest ever recorded - 164,800 standards compared with a figure of 199,000 standards a year earlier, itself the barest minimum. This reduction in stocks has occurred despite a 15 per cent reduction in consumption during the first half of 1950.

For the cause of the present shortage, one can blame the buying policy of the Timber Control last winter. This organisation refrained from buying in the vain hope that world prices would be forced down. When this miscalculation became obvious, little or no timber could be bought at any price. In the first eight months of this year imports of softwood have amounted to 441,670 standards, a reduction of no less than 21 per cent compared with the same period of 1949. There is usually a seasonal increase in imports towards the end of the year, but total imports for 1950 will be much lower than in 1949 and perhaps lower than in 1948 when only a million standards was received. Last Autumn, Russia offered another 153,000 standards for sale; a similar offer this year would be welcome but there is no sign of one.

Private imports are permitted only from members of the European Payments Union and Finland; and in the past these countries have provided about half of Britain's annual imports. This partial resumption of private trade is likely to result in a sharp rise in timber prices for Britain, if only because these will now have to match world levels.

South Africa's New Import Control

A statement recently issued from Pretoria lifts a corner of the veil from the new system of import control that South Africa is to introduce in the near future. Hitherto South Africa's foreign currency earnings have been divided into two pools. One pool has been made up of South Africa's earnings from gold production and from exports to and capital borrowed from hard currency countries. Gold and hard currencies coming into this pool have probably been worth between £150 to £180 million a year and payments have been made from it for 'essential' imports (i.e. imports on the 'universal' list). To the extent that these 'essential' imports have been supplied by countries that accept sterling in payment, the gold or hard currency concerned has come to London to swell the sterling area's central reserve. The second pool has consisted of South Africa's soft currency earnings and the capital inflow to the Union from soft currency countries. All 'inessential' imports have been satisfied by payments from this pool; thus America and other hard currency countries have not competed for the provision of 'inessential' South African imports.

It appears that this measure of discrimination against hard currency exporters is now to cease. Under the new system, all South Africa's current exchange earnings (both hard and soft), plus any inflow of hard currency capital, plus an additional sum in sterling equal in value to this hard currency inflow, will be put into one pool. A very rough guess suggests that between £250 and £300 million might come into this pool annually, of which about £120 million might be in sterling. Payments from the pool will be made for the vast majority of South Africa's imports - those, that is, which are covered by new 'general' licences valid throughout the world. The only exports from soft currency producers that will still enjoy differential treatment in the South African market will apparently be a limited list of 'inessentials', determined by the inflow of soft currency capital into the Union.

Less Gold for Britain?

When this new system comes into effect, American and other hard currency producers will be able to compete for the provision of a much wider range of goods to the South African market and it must be expected that they will draw heavily on the gold and hard currency in the 'general' imports pool. The gold portion of the pool that will accrue to the Bank of England, as a result of the purchases of soft currency goods by holders of general import licences, will not however be allowed to fall below £50 million annually. If American exporters earn so much hard currency from the pool that insufficient remains to cover the sale of £50 million of gold to the Bank of England, the 'essential' list will be shortened again, although it is unlikely that American competition will be so keen that a curtailment of the list will become necessary. Hard currency countries will clearly be able to battle for South Africa's gold on a much broader front than hitherto.

Under the old arrangements, it is believed that Britain got £9,000,000 worth of gold from South Africa in the first quarter of this year, £20 million in the second quarter and just under £20 million in the quarter recently concluded. If these figures are correct, and if Britain fails to secure much more than the £50 million annual minimum henceforth (as unfortunately seems rather probable), the sterling area must expect rather smaller gold receipts from South Africa in coming months.

What Price Danish Butter?

The Minister of Food, making a further attempt to restrain the rising cost of imports, has turned down Denmark's request for an increase in the price for butter under contract in 1950-51. The contract, signed just before devaluation, runs for five years; prices are reviewed each year and may be varied by not more than 7½ per cent up or down. In return for a long-term contract, Denmark agreed to reduce its export price from 321s.6d. a cwt to 271s.6d.; when, a fortnight later, sterling was devalued, the cost of feedingstuffs imported by Denmark rose sharply.

The Danish case for a higher price this year was statistically impressive. Import prices of feedingstuffs have risen by 35 per cent in the past year and fertilisers by 11 per cent. The Danish Government puts the rise in farmers' costs at almost 9 per cent during the period. Denmark has therefore suffered a sharp deterioration in its terms of trade since devaluation. From August 1949 to August 1950 the Danish price index for imports rose from 285 to 340 (1935 = 100) while the index of export prices fell from 308 to 290. Exports of butter to Britain alone represent about 18 per cent of Denmark's total exports.

The British case seems to have been rested on the proposition that at some time a halt must be called to the steady rise in food prices. New Zealand and Australia had already been refused a higher price for butter, and therefore no increase could be made for Danish butter.

Denmark has stated it will continue to ship 75 per cent of its butter exports to Britain. But the question is whether Britain's rigid attitude on prices will reduce the production of butter in Denmark. If, as the Danish Government claims, butter production is unprofitable at present prices, Danish farmers will attempt to switch to other products and to other markets. Such opportunities are limited. Bacon has to be sold to Britain at 'unremunerative' prices; eggs are abundant at the peak season; outlets for cheese and milk powder are becoming rapidly saturated; Germany, Denmark's other main market, wants to protect and develop its own agriculture. The British Government may know that it holds the trump cards; but it may one day have cause to regret that it played them for such a deliberate squeeze. It would never dare do the same to British farmers.

Britain's Overseas Investments

The Bank of England has taken up the trail that was blazed by Lord Kindersley between 1929 and 1939 in estimating the overseas investments of the United Kingdom. The figures have been brought up to date and supplemented by the information that has become available to the authorities through the operation of exchange control. They still cover only the nominal capital value of the overseas investments of British residents through the medium of securities quoted on, unofficially dealt in or otherwise known to the London Stock Exchange. Thus while Lord Kindersley's estimate of overseas investments at

the end of 1938 was £3,324 million, the Bank's estimate for the same year is £3,546 million the difference being largely accounted for by dollar securities that came to light as a result of registration with the Bank under Exchange Control regulations but which Lord Kindersley had no means of discovering.

The securities listed fall into three main classes - loans of central and local governments, shares and debentures of British registered companies operating mainly abroad,

Value of British Investment Overseas

(£ million: end year)		1938	1948
Government and Municipal Loan		1,521	797
UK Companies:	Share Capital	817	596
	Loan Capital	367	119
Overseas Companies:	Share Capital	473	304
	Loan Capital	368	144
In Commonwealth Countries		1,998	1,111
In Foreign Countries		1,455	749
Not Classifiable by area		93	99
		3,546	1,960

and those of companies registered abroad. Between 1938 and 1948 the nominal values of these securities fell by £1586 million to £1960 million; details are shown in the accompanying table. The interest and dividends received on these investments, which totalled £155.4 million in 1938, fell to £102.4 million for 1944, but had recovered to £116.4 million in 1948.

Prospects for Steel Supplies

Excellent steel production figures for September offer a good occasion to review the prospects for steel supplies in Britain and to measure the effects of the rearmament programme upon them. Weekly average production of steel ingots and castings in September was 305,900 tons, equivalent to an annual rate of output of 15.9 million tons a year. The forecast in this year's 'Economic Survey' was 15.75 million to 16 million tons for the year, and to reach the higher of these figures the industry would have to add 400,000 tons to its 1949 performance. In fact, the aggregate output for the first nine months of the year has been 12.1 million tons - about 530,000 tons more than was produced in the comparable period of 1949. The holidays are now over, and it seems fair to guess that production by the end of September was well above the rate of 16 million tons a year; the chances of exceeding the forecast seem to be good.

An article in the August *Statistical Bulletin* of the British Iron and Steel Federation, took an optimistic view of production prospects for the year, but added a note of caution about total supplies. Imports have been cut and now seem likely to be 400,000 tons lower this year than last. Exports have risen, and are estimated at perhaps 400,000 tons more in the year than they were in 1949. Some 600,000 tons were added to stocks in the hands of producers, merchants, and consumers last year, and since these stocks can very well be run down if need be, there seems no reason to anticipate any shortage. But it is unlikely that the expansion of direct exports can be permitted to go much further at present.

In the federation's view, rearmament will not affect domestic steel supplies this year in any serious way. It points out that steel-using industries would have difficulty in finding any more labour with which to increase their consumption of steel. The normal gradual improvement of productivity might lead to such an increase - but not simultaneously with any marked switch of production from pacific to warlike production. Such a switch 'would inevitably mean a temporary drop in productivity and therefore in steel requirements.'

Shorter Notes

The Minister of Supply has made an Order specifying February 15th as the general date of transfer under the Iron and Steel Act, 1949. On that date the securities of the 92 companies now specified in the schedule to the Act will vest in the Iron and Steel Corporation, which is at present engaged in recruiting staff and looking for offices.

The American Civil Aeronautics Board has at last agreed to accept in America the certificates of airworthiness issued by the British Air Registration Board to British-built civil aircraft. There are now no technical barriers to the import of British aircraft into the United States.

A revision of the hosiery utility scheme has been carried out by the Board of Trade, and a new schedule of specifications covering certain kinds of knitted goods other than silk and nylon stockings has been embodied in a new Order which comes into operation on October 20th. The purpose of the changes is to 'afford greater scope for manufacturers in the selection of materials and method of construction'.

STATISTICAL SUMMARY

Finance		Week ending Sep. 30 1950	Oct. 7 1950
Note circln.(Wed)	£mn.	1,283.3	1,282.7
Tr.Bills allotted	£mn.	240.0	250.0
Av.rate per cent		10s.3.23d.	10s.3.23d.
Total floating Debt	£mn.	5,931.9	5,950.3
Total Ord.Rev.	£'000	74,032	59,011
Total Ord.Exp.	£'000	111,209	63,563
Change in Nat. Debt	£'000	+38,744	+25,946
Total Nat. Debt	£mn.	26,252	26,278

Gilt-edged yields per cent.	Oct. 3 1950 £ s. d.	Oct. 10 1950 £ s. d.
Consols 2½%*	3 8 9	3 7 10
War Loan 3% (1955-59)+	2 5 11	2 3 3
Funding 3% (1959-69)+	3 2 0	3 0 10
War Loan 3½% (after '52)*	3 13 9	3 12 11
Br. Elec. 3% (1968-73)+	3 4 3	3 2 5
Br. Trspt. 3% (1978-88)+	3 6 10	3 5 5

* Flat yield
+ To earliest date + To latest date

Company Meetings

BEKOH CONSOLIDATED RUBBER ESTATES

Satisfactory Trading Results

The 30th annual general meeting of this company was held on September 29th in London, Mr. E. G. Estall, the chairman, in the course of his speech said: The net profit for the year is £36,010, against £11,766 last year. This represents approximately 3d. per lb. on crop harvested.

The crop was 2,801,447 lb. say 299,000 lb. lower than the previous year. Irrespective of the lower crop, there was no increase in the cost of production. The all-in cost, including replanting and upkeep of immature areas was just under 9d per lb. The result of the year's working, I am sure, is considered very satisfactory, and I have little doubt that when the dividend of 10% has been declared it will be received with acclamation.

Your directors considered it prudent to sell forward part of the crop and thus ensure that estate expenditure was covered for the current year. Since the issue of the report sales for 1951 have been made as follows:- 5 tons monthly January/December 1951 at 2/6d per lb. c.i.f: 5 tons monthly January/March 1951 at 3/3d per lb. c.i.f: 5 tons monthly April/December 1951 at 2/8d per lb. c.i.f.

The crop for the year which ends 31st March next is estimated at 2,870,000 lb. Of that crop just under 1,000,000 lb. have been sold or valued at lower than today's price, showing a profit of very nearly double that earned for the year under review. Your Directors feel that an interim dividend should be paid, and it was decided that this should be 10% payable on October 23rd.

Sir Sydney B. Palmer, who had visited the Company's Estates, confirmed their good condition.

The report was adopted.

A. C. COSSOR, LIMITED

Year of Marked Improvement

The Twelfth annual general meeting of this company was held on September 26th in London, the Rt. Hon. Lord Burghley, K.C.M.G. (Chairman) presiding.

The following is an extract from his circulated address:

The company has made a net trading profit of £114,659. Taxation absorbs £26,115 leaving a balance of £88,544. This compared with a net loss last year of £207,814. The corresponding figures for the group as a whole are a profit this year of £99,370 against a loss of £213,969.

The bank overdraft has been reduced from £679,343 to £373,490, while the group's total overdrafts have fallen from £849,849 to £383,133. The net current assets of the group at £1,305,688 show an increase of £135,851.

The company's turnover for the year (in all branches) was approximately double that for the preceding year, while its overhead expenses remained practically the same. This alone will perhaps give you some idea of the vigorous efforts made by your management to put your company upon a sound and healthy basis.

You may now, I think, perhaps begin to feel that the patience with which you have supported your board through some very trying times is coming within sight of some reward. I told you in my address a year ago that I thought the corner had been turned. The results before you justify this statement. This year, up to the present time, the indications are that we are doing better than a year ago.

To build up your company into an unassailable position remains our policy. At the same time the shareholders are fully entitled to expect a reasonable return. It is therefore our aim to resume the payment of dividends as soon as possible.

The report was adopted.

HENDERSON'S TRANSVAAL ESTATES

Strong Financial Position

The 38th annual general meeting of this Company was held on September 27 in London.

Sir Joseph Ball, K.B.E. (chairman and managing director), who presided, in the course of his speech said:- The consolidated balance sheet again discloses a very strong financial position. Both the market value of our quoted investments and the estimated value of the unquoted securities which we hold are substantially in excess of the book value.

The gross revenue received by the Parent Company is almost the same as the previous year at £90,260, but the net profit for the year, after allowing for taxation, is up by £10,333 at £50,342. There has been added to the General Reserve a further sum of £11,500. We recommend the payment of a dividend of 15 per cent., which is at the same rate as for the three preceding years.

The dividends distributed by Henderson's Transvaal Estates since 1932 amount to no less than 208 per cent. on the issued capital of the company, and since that date the General Reserve has been increased from nil to £341,500.

We hold, through our subsidiary, Mineral Holdings, Ltd., the mineral rights in the farm Vryheid No. 799, which adjoins the property of the Messina (Transvaal) Development Co., Ltd. The results of a geophysical survey were sufficiently encouraging to warrant further investigation, and a programme of boreholes is in progress.

The report and accounts of Tweefontein United Collieries, the subsidiary through which your company holds its very large interest in the South African Coal Trade, show that the company is well maintaining its position among the leading Transvaal Colliery Companies.

The report was adopted.

GOLD MINES OF KALGOORLIE

Record Output

The annual general meeting of this company was held on September 29 at Melbourne.

Sir Walter Massy-Greene, presiding, said:- The mill treated an average of 12,555 tons per four-weekly period, which exceeds the previous highest output of 12,400 tons attained in the previous year. (The figures quoted are in sterling unless stated otherwise.)

The tonnage treated was 163,213 tons, of which 163,182 tons came from the company's leases and returned 41,337 ounces of fine gold, equivalent to a yeild of 5.07 dwts per ton. The gold realisations averaged 55.3/- per ton of ore treated, an increase of 12.2/- compared with the year before. This is in part due to the increase of .07 dwts per ton in the grade of ore treated, but is mainly due to the increase in the price of gold, which from 19th September, 1949, was £12/8/- stg. or £A.15/9/10 per fine ounce against the old price of £8/12/3 stg or £A.10/15/3.

Operating costs increased by 4.11/- to 37.82/- per ton. The profit before appropriation amounted to £139,862, which is £73,919 more than the previous year's profit. The interim dividend of 1/- per unit paid on 13th April, 1950 took £61,475 and the proposed final dividend of 1/3 per unit will absorb £76,844.

The total development of 8,049 feet is 547 feet less than carried out in the previous year. The percentage of payable development footage on lode was 46.6%, an increase of 3% on last year's results, and the average grade of the ore exposed was 9.1 dwts over 56 inches. The pleasing feature is the good average grade disclosed, even though it is below last year's exceptional figure.

The report was adopted.

WESTERN MINING CORPORATION

The annual general meeting of this Company was held on September 29 at Melbourne. (The figures quoted are in Australian currency).

Sir Walter Massy-Greene, the chairman, in the course of his speech, said:-

The profit for the year was £154,204. Revenue was derived mainly from the following sources:- first, dividends from Central Norseman Gold Corporation N.L., £82,031, and from Gold Mines of Kalgoorlie, Limited, £23,082, and, secondly, profit from the sale of shares, properties, etc., £58,751.

Progress of Associated Companies

At Gold Mines of Kalgoorlie the main feature has been the good grade of ore developed recently. Progress is being made in installing the additional equipment required to increase output.

At Central Norseman additions to the mill and power house are approaching completion and output has reached a rate of 150,000-160,000 tons per annum.

At New Coolgardie developments have been very satisfactory.

At Central Victoria Dredging the Jim Crow Dredge has been brought into production.

The main features in the affairs of the companies in which W.M.C. has a substantial interest are the expansion of activities, increased expenditure on buildings and equipment, and the difficulties of obtaining speedy deliveries of plant and materials. Extra finance has, in consequence, become necessary and this has been provided by Western Mining Corporation.

The Future of Gold

Since our last annual general meeting the further devaluation of sterling and of the Australian pound has fundamentally altered the prospects of Goldmining in this country.

I do not think we have yet seen the full effect of war finance on the price of gold. America is still hanging on to the dollar price of gold of $35 per fine ounce. I believe there is nothing surer than that sooner or later the anomalous position of the dollar price of gold will be corrected.

I look forward to a still greater revival in the gold mining industry, and, as the relative rates of exchange are adjusted between the United States and the whole of the sterling area, a satisfactorily payable price for gold for a long time to come.

Until there is a free market for gold and paper money is freely convertible into gold, inflation must and will continue. The report was adopted.

AMALGAMATED TOBACCO CORPORATION

Lord Llewellin's Statement

The fourth ordinary general meeting of the Amalgamated Tobacco Corporation Ltd. was held on September 21 in London, the Rt. Hon. Lord Llewellin, P.C., C.B.E., M.C., T.D. (chairman), presiding.

The following is an extract from his statement:-

Our gross trading profit of £259,221 for the 10 months' period was running at about £25,000 per annum higher than last year. The same improvement is not apparent in our net profit after providing for taxation, because our provision for tax in this 10 months' period is almost as high at £104,262 as it was last year at £106,195 on a full year's profit.. This unusually high figure is due to adjustments arising from the change in our accounting date and the placing of our income tax on a more current basis.

As a result of this very heavy tax charge - a non-recurring event - net profit after providing for taxation is £68,819 for 10 month,, against £97,741 for the previous full year. The directors feel justified in recommending dividends for the 10 months at the same rate per annum as last year.

Walkers Tobacco Company, Ltd., our newly-acquired subsidiary, shows a profit for the twelve months to March 31, 1950, of £19,918 plus £3,000 provisions of previous years no longer required, £22,918. Taxation requires £12,500, £9,000 pre-acquisition profits are transferred to reserve and £2,070 carried forward.

The steady rise in leaf tobacco prices, whilst the price the manufacturer receives for his products remains unchanged, is a matter of concern. These conditions have been accentuated by the devaluation of sterling, but they have persisted now for some years and have very largely offset the benefits we would otherwise have obtained by developing our business in the way we have.

In conclusion, however, I am happy to say that the demand for our products and the reports we receive on them indicate the good saleability of our products under whatever conditions of competition we may have to encounter in the future and, meantime, our results to date in the current year are fully equal to those of the corresponding period last year.

The report was adopted.

WATNEY COMBE REID AND CO.

High Standard of Quality

The ordinary general meeting of this company was held on September 22nd, in London. Major A.C.Bonsor (the chairman), presiding.

The following is an extract from the chairman's circulated statement.

In April this year the Chancellor rearranged the existing heavy rates of beer duty. This did not check the continuing decline in sales, a decline particularly bad in the southern half of England.

Every possible precaution is taken to ensure that the products which we offer to the public are in all respects of the very highest standard of quality. We have, during the year, introduced a new and stronger bottled beer-Red Barrel Ale-which is meeting with a most satisfactory reception, while our container beers, which, by their special preparation and sale in stainless steel containers, possess unique attractions for clubs, hotels and ships, are gaining an ever-growing popularity. I am also pleased to be able to state that our export trade is making slow but none the less appreciable progress.

Effect of Taxation

But while these facts are all to the good, it would be most imprudent to close our eyes to the probability of a continuance of the present state of affairs, and, moreover, the possibility of still further deterioration.

I still consider that there is little likelihood of any sustained improvement until the taxation on beer is really materially reduced so as to bring the price once again within the diminished spending power of the public.

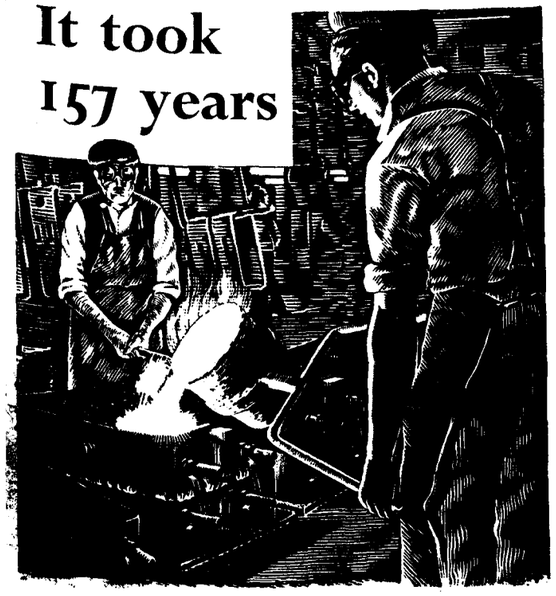
During the year, thanks to an easing of the position with regard to licences, we have been able to make substantial progress in overtaking accumulated arrears of repairs and decorations to our houses, but much still remains to be done.

The rate of progress in providing licensed houses on new housing estates and the replanning of licences in war-damaged areas is still deplorably slow and that is certainly not the fault of the brewers. The replacement of worn-out buildings is still not allowed, other than in the most exceptional circumstances.

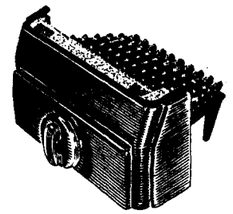
The profit on trading at £1,452,329, shows a decrease of £130,041. After providing for taxation, the net profit for the year is £70,138 smaller at £873,197.

The report and accounts were unanimously adopted and a final dividend of 10 per cent., making 15 per cent. for the year, and a bonus dividend of 2 per cent. on the deferred ordinary stock were approved.

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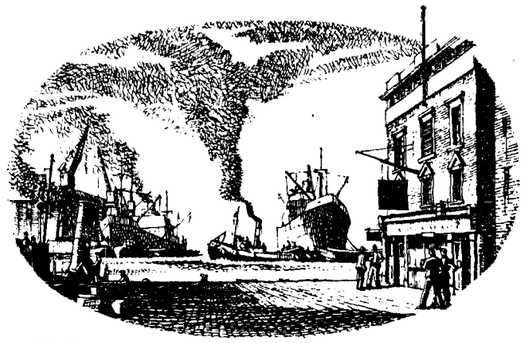
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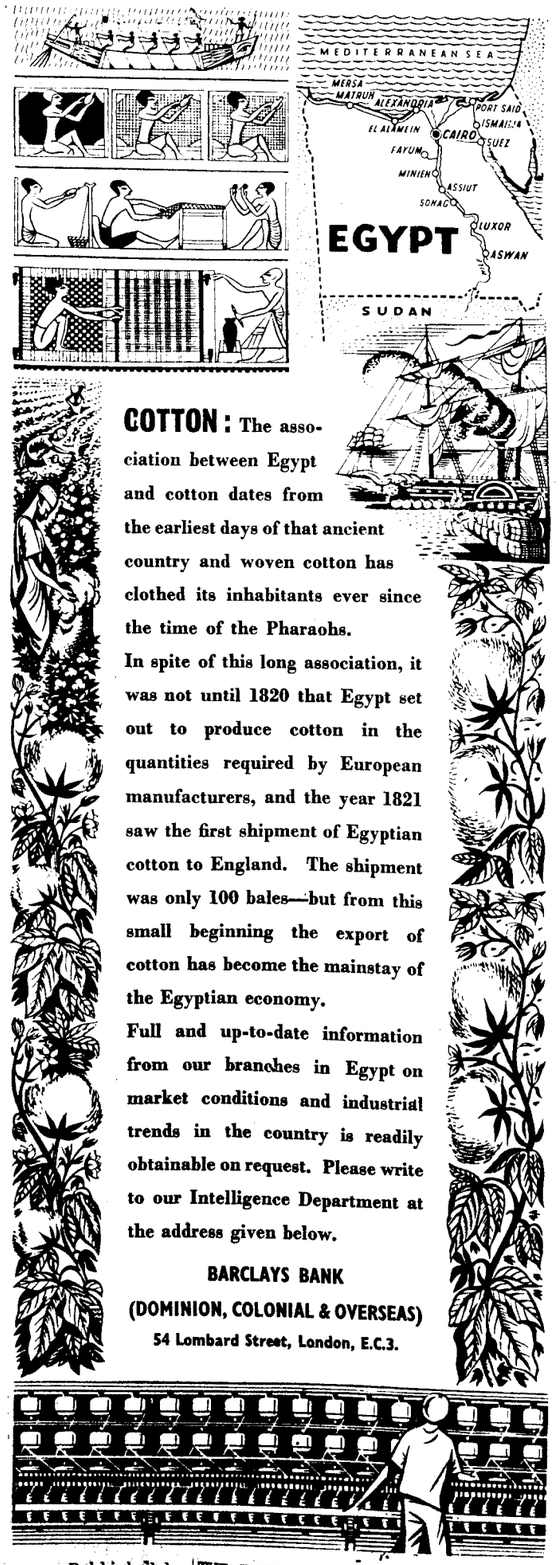
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Houses in the Air

In recent years the annual conference of the Conservative party has not been regarded as an event of much importance either by political observers or by Conservative politicians themselves. The amorphous nature of the party organisation, the fact that policy is handed down from the leader of the party and is not - even in theory - handed up from the party delegates, and the enormous size of the gathering, four times as large this year as the Labour party conference, have combined to make it into an assembly more noted for enthusiasm than for clear thinking. It has been a rally rather than a conference, the signal for a demonstration of enthusiasm rather than a serious discussion of the aims and content of Conservative policy. For the party managers the advantage of this system is clear enough, it provides an opportunity to kindle immense enthusiasm, and to send the delegates back to their constituencies with fire in their hearts and a pleasant cloud in their heads. This makes it an assembly which is more easily swayed by demagogic oratory than by a cool discussion of the implications of political policy. The more thorny questions are edged out by those on which it is possible to produce the greatest enthusiasm.

The advantages and disadvantages of this system were clearly illustrated at last week's conference at Blackpool. The hardy annuals of Imperial Preference and free enterprise performed their function of stimulating unity and enthusiasm. On the other hand neither the Schuman Plan nor Western European Union - two issues on which the Conservatives in parliament have most strenuously joined issue with the Government - were even mentioned. It was only the skilful advocacy of a young delegate, Mr J. Gower, that prevented the conference from being seized with such mass hysteria about Communism as to saddle the party with a promise to conduct a legal witch hunt against the Communists. World opinion, which pays more attention to party conferences than to political pamphlets and programmes, has been only narrowly prevented from conceiving a very false opinion of what a Conservative government in office might seek to achieve.

Much the most interesting development at Blackpool was the release of a sudden wave of pent-up protest which swept aside a carefully non-committal resolution on housing policy, and forced the party executive to commit itself to build 300,000 houses a year - half as much again as the present Government's rate of building. The resolution was moved as the result of a purely demagogic agitation among the delegates of a kind to which an unorganised gathering such as a Conservative conference is particularly susceptible. It was quite plain that it was received with the greatest reluctance by the more thoughtful leaders of the Conservative party. On a cool calculation it is difficult to see how it is possible to build an extra 100,000 houses a year and still retain the rest of the investment programme without seriously adding fuel to the flames of inflation. The

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grave men of the Conservative party have already shown how embarrassing this new demand is to them.

But considered in terms of electoral advantage, this demand may prove most useful. The trend of Conservative thought during its five years in opposition has been towards a specific policy which it could oppose to the specifics of Socialism. It has been borne in upon Conservatives that the days have gone when it was possible for Tories to pose as the party of sound government and sound men, and to expect to regain power whenever the electorate was tired of a more definite or a more expensive programme. Many Conservatives have come to the conclusion that a better educated nation expects to choose between two equally coherent and specific political programmes.

Here is an opportunity for the Conservatives. The temper of their conference showed how deeply the shortage of houses has bitten into the consciousness of the ordinary person. The rank and file of the Conservatives want 300,000 houses built a year. What better opportunity could there be for the Conservatives to take the wind out of their opponents' sails? It is true that to build so many extra houses would involve considerable cuts in the rest of the investment programme. It could only be done without creating further inflation by curtailing other forms of building, whether offices, schools, power houses or factories. But if the nation feels that domestic dwellings are more important - and there is no authority which can say that they are less important - than the provision of electricity, education or employment, then the Conservatives have, if they are prepared to explain the disadvantages as well as the advantages of the programme, a positive policy to put before the nation. Mr Aneurin Bevan made great play at the Labour party conference last year with the phrase, 'the language of priorities is the religion of Socialism'. But, in fact, the religion of Labour in office is of priority for every kind of capital and social expenditure. If the Conservatives are really prepared to use the weapon of priorities, they will have forged a formidable weapon with which to fight their opponents upon their own ground.

During the last five years, the voices of the moderates within the party have come to exercise more and more influence. There have been many Conservatives who have regarded the attempts of Mr R.A. Butler to concentrate the party's fire not upon the principle but on the inefficient practices of the welfare state, as rank heresy. But in the absence of a coherent alternative, Mr Butler's ideas have prevailed and the result of the February election greatly strengthened his hand, first, by showing that a policy of moderate Toryism can win votes, and second, by bringing into the House of Commons a number of new members of his own way of thinking. The pamphlet on social policy 'One Nation' recently published by a group of new members clearly shows that intelligent Conservative thought is now concentrated upon the means by which the priorities within the welfare state can be better arranged in order to produce more efficient results and make the cost less onerous.

Unless the present government has an unexpected run of luck in the forthcoming by-elections, or unless it can summon up new reserves of energy and pertinacity, it is probable that there will be another general election in the spring. The Conservatives have therefore only a few months in which to prepare a new election programme. It will be a tragedy if it is merely a reproduction of the programme for the last election, that is a collection of promises of future benefits with little indication of the corresponding rearrangements and sacrifices which must be made. From the temper of the three recent political conferences, it is clear that the main preoccupation of the ordinary citizen is with the danger of war and with the steady growth of the cost of living. If the Conservatives are wise, they will not underrate the intelligence or courage of the ordinary citizen nor his capacity to learn that in a dangerous and insecure age it is not possible to pursue every desirable form of social activity at once.

Third Front in Asia

Frenchmen and their allies can no longer pretend - as they have been frequently tempted to - that the war in Indo-China is a matter of colonial and not of international policy. If there lingered any reasonable doubts on that score they must have been scattered by the grave events of the last fortnight. For, at the very moment when a deeply worried Europe was beginning to sit back and appraise the recent triumphs and future risks of the Korean campaign, there came the news of a French offensive nipped in the bud, of a garrison of seasoned troops almost wiped out and another suffering heavy losses, and of new and urgent requests from Paris for American aid. The blow came, too, at a time when the French were congratulating themselves on the capture of Thai Nguyen - for a long time the Viet Minh capital - and reports suggested that Ho Chi-minh could not mount another major offensive. Now it seems that his partisans have been reinforced, reformed and supplied with high class weapons from camps and dumps in Communist China; and the French face not a further sequence of guerrilla operations but set battles with a force of some 50,000 men in which decisive gains might be made by either side.

The response from France has been resolute. General Juin, its outstanding soldier, is on the way to Indo-China to report on the situation. Public opinion, so long divided by bitter argument and searchings of conscience over the rights and wrongs of *la sale guerre*, has been brought by disaster hard up against the fact that Ho Chi-minh and his partisans are cast for a major role in the plot of the cold war. He is no longer just the leader of nationalist resistance against what Mr Nehru would call effete colonialism, a personality attractive to the European left and even - not so long ago - to the Americans. His role now is a military one: to maintain a third front in the cold war by pinning down in a crucial area of Asia men and material needed for the defence of western Europe. How successful he has already been is seldom grasped outside France. Here on China's southern frontier, 8000 miles from home, are engaged 150,000 troops, the cadres of NCOs and technicians around which the new French army in Europe of 20 divisions should be forming. The budget for the campaign of 1951 is almost half of the cost of home defence - that is to say, of France's contribution to the Atlantic Pact.

Even at this high cost the French effort has always fallen short of complete success and pacification; now even the limited gains of the past are in danger. Fresh American aid in arms and supplies is expected and reinforcements are on their way from North Africa; but it may be that the Chinese can now keep up along the newly built frontier roads a flow of aid to Ho Chi-minh's army, which will keep the odds heavy against the French. In short, it is impossible to see any end to war in Indo-China unless more strength can be marshalled there against the Communists than France can afford to send. The alternative is either a partial or a complete French withdrawal, solutions not only unthinkable but impracticable in the present situation. In such a plight France has every right to turn to its allies for help.

Sentiment and solidarity apart, what exactly are the stakes in this corner of Asia? What is there in Indo-China that can justify this steady drain on French strength and American aid? There is first the strategic situation: if they could control Indo-China, Communist armies would be on the march towards the main sources of the west's rubber and tin and Asia's rice. Through the adjoining states lies the way not only to India and Malaya but to enlisting the Chinese minorities throughout south-east Asia on the side of the Communists. If there is anywhere in that region a line where containment is vital it is in Indo-China; and no power has a stronger interest in holding it than this country. Second, there is the infant state of Viet Nam, on the way to almost complete independence in the French Union, aspiring to be one of the successful new regimes of Asia. Is this too to be overrun in the name of liberation and civil war? If it is, then the repercussions will be felt wherever the white man is coming to terms with the new Asia. The case for helping the French could not be clearer.

On more than one occasion Mr Acheson and Mr Bevin have said as much, but with an air more of condolence than conviction. There has seemed to be in Washington and London a lukewarmness towards the appeals from Paris which probably is due to misgivings about the Bao Dai regime - which they have recognised - and the French handling of it. Moreover, American policy in Asia has been going through a period of uncertainty that has hampered any concerted action with British policy, which persists in believing that the Chinese Government can be wooed and won away from solidarity with Moscow. With the American elections approaching, and with President Truman and General MacArthur apparently now in rough agreement, the time may be close when some order can be introduced into the present confusion of western policy towards Asia. If so, it is time for the French to make up their minds just what they expect of a collective approach to their problem in Indo-China.

One thing is certain; if there is to be collective action by the Big Three, there will have to be a joint policy. That is a fact that the French have so far been loth to face, largely because of their fear that what happens in Indo-China will set precedents for North Africa and other spheres of interest oversea. But the first need is to stop the present military threat, and to make it clear - as France alone cannot - to Ho Chi-minh and his Chinese backers that there must be no repetition of Korea. With guerrilla operations turning into full-scale warfare, this may be the moment for the French - or one of their allies - to bring the threat to peace in Indo-China before the General Assembly of the United Nations. Such an appeal means far more now, after Korea, than it has meant in the past. It would be a warning that the Communists could not disregard. It offers the prospect of a fair and full presentation of the case for Viet Nam and for French policy, the declared object of which is to give the country virtual independence. It would focus the world's attention on the dilemma that has been created there. For, so long as the partisans of Ho Chi-minh threaten the security of Vietnam, so long must it be protected by foreign power in some form or another; and so long as that power comes from France, and from France alone, so long will the government of Bao-Dai be regarded with distrust in all Asian capitals.

The pros and cons of referring a problem to the United Nations depend on calculations of certain and marginal votes, and on a knowledge of procedure and powers, that are beyond the layman's competence. If careful consideration of such a course shows that the risks outweigh the advantages, that there is nothing practical that the General Assembly could do, then it is for the Big Three to find other means by which collective power can be brought to bear in this vital area. One of the lessons of Korea is that military action against an aggressor needs the support of clearly conceived and firm political action. It is that above all which has been lacking in Indo-China, which is strategically far more important to the West than Korea.

NOTES OF THE WEEK

Aggression and the Veto

The current debate in the United Nations Assembly is making it clear that Mr Acheson earned the sympathy of large parts of an exasperated world when he produced his 'United Action for Peace' plan. Its purpose is to by-pass the veto when the veto is used to prevent action to stop an aggressor. At the time of writing it is being redrafted to meet amendments from all over the world, few of which, however, seem to amend its substance. It is also the subject of a wordy difference between the lawyers of east and west as to whether it does or does not amend the Charter by the back door. Mr Vyshinsky, arguing ably but on the defensive, is fighting to defeat it by proposals to use old apparatus afresh; but he has so far shown no indication of readiness to use this in a new way.

Amidst a welter of legal technicalities two main facts about the Peace Plan should be kept in mind. The first is that it is not a substitute for the veto. This, as originally conceived by several great powers besides the Soviet Union, was designed to give any one of the Big Five state members the right to say that it was not automatically prepared to act in fulfilment of the Security Council's compulsory powers. It is wilful misconception of this sensible purpose that has transformed it from a contracting-out system into a system for preventing any action whatsoever.

The second fact is that the 'United Action' plan does not and cannot transfer the Security Council's powers of compulsion to a two-thirds majority of the Assembly. The Assembly can only recommend, and must rely on a powerful consensus of national opinions to execute its recommendations. Presumably, if these are widely viewed as un-enforceable (as they were in the case of its recommendation to internationalise Jerusalem), they will simply be left in abeyance. A vote for the Acheson plan, with its dependence (whenever the Security Council has reached an impasse) upon a two-thirds majority which may consist entirely of small states, therefore exposes the Assembly to the risk of an indignity - to that of voting impotently for some worthy plan that cannot be executed. But in the impasse to which the Russians have reduced the Security Council, it offers the optimum chance of widespread cooperation to stop an aggressor. Its best point is that it provides a loophole for the exercise of common sense.

Tito Faces Famine

Marshall Tito's problems have been increasing for some time. The attempt to carry out the gradiose plan of industrialisation with insufficient manpower and inadequate machinery was bound to run into difficulties; and Cominform hostility has forced him to divert much of his scanty wealth to rearming. Largely owing to his unwillingness to accept the foreign advice and inspection which are the normal conditions of loans from abroad, he has obtained less than $80 million in foreign loans. Yet, according to Jugoslav estimates, $300 million is required for economic and defence needs alone. Now the drought, which has reduced the harvest to about half of last year's, may come near to being the straw that breaks the camel's back.

The Jugoslav government is doing what it can. It has banned the export of maize and cut the compulsory purchase of maize from the peasants; it has also decreed the abolition of the special privileges for Government and party officials which have created so much resentment among ordinary people. But only the import of about $50 million worth of grain will suffice to avert a famine. And this cannot be bought without a dollar loan or grant-in-aid. Tentative talks on the matter have been going on for some weeks in Washington. Now Marshall Tito, who has shown an understandable reluctance to compromise himself with his own Communist supporters by too open dependence on the west, has at last decided to apply to the United States for aid openly and in writing. He must realise that his greatest asset has been and still is the loyal support of most of the Jugoslav people. It has survived tremendous material hardship but might well give way under the strain of actual starvation. From a failure to give prompt and adequate help to Tito only the Cominform will benefit.

Problems of the Thaw

'Restraint' in wage claims is over. It has now been more than rejected by a narrow majority of the Trades Union Congress; its stoutest practiser has abandoned it. Mr. Deakin's great Transport and General Workers Union decided last week to take up officially the demands for higher pay that have been agitating two of its main constituent groups, the dockers and the bus workers. Though the details are not yet settled, the promise is of 'substantial' claims. Mr Deakin is one of the few union leaders who has tried to apply in his own union's policy what he accepted in discussions with Ministers. When the T and GWU turns to claim higher wages no union will be far behind. The long-heralded thaw for wages is coming.

The thaw may still be gradual. What has ended is union restraint in making claims. That was never the most effective part of the wages policy. The main practical expression of restraint was the unions' acceptance of the long delays, and small results, which the processes of negotiation and arbitration have secured since 1948. The engineering unions last week rejected the employers' offer (after previous refusals) of as much as 11s a week for skilled workers. The barriers to wage advances are still unlikely to be swept away so completely that an immediate large inflation of British wage costs must follow. But, with some barriers still standing, the thaw is likely to create dangerous oddities in the wages structure. The coal industry's National Reference Tribunal decided last week that the Coal Board could afford to pay out £3,500,000 a year more in wages, but it left the miners' union and the Board to work out how this should be done. In its financial effect this new departure in wage awards is very like the usual compromise of arbitration - less than a third of what the union asked and 50 per cent more than the employer offered. But in dodging the difficult part of the award - the decision on which miners should get what - the Tribunal has created a disturbing precedent. The £3,500,000 seems to have been chosen as the estimated surplus the Coal Board may earn after paying off its remaining losses from 1947 Will a nationalised industry that reduces costs ever be allowed to use the resulting surplus either to cut its prices or to plough back savings for investment?

Trouble at the BBC

Recent events must have convinced the BBC that it never rains but it pours. Of the 'Party Manners' controversy, which Mr Clement Davies has announced his determination to keep alive, one can say two things. Firstly, Lord Simon's apologia for his ban - viz: that BBC impartiality should not extend to any matter bringing democracy itself into disrepute - would have carried more weight had the ban been imposed in the first instance instead of following, however coincidentally, on the assault upon the play of the organ of Lord Simon's party. Any suspicion of censorship on political grounds does infinitely more harm than a little mockery. Secondly, the Postmaster General's refusal to hold an enquiry, on the grounds of the undesirability of Parliamentary interference with day-to-day programme-building, entirely misses the point, which is to establish whether or not there was any interference by a political party in the day-to-day administration of the BBC.

The resignation of Mr Norman Collins raises afresh the uneasy question of the relationship between sound and visual broadcasting. Had both techniques been invented simultaneously that question would hardly have arisen, since there would surely have been but one service from the start, using sound and sight in the proportions required by the subject matter. Division of authority according to matter transmitted - drama, music, spoken word- has a sounder logical foundation than division according to the technique employed - visual or aural - which inevitably gives the technique mastery over the content of the programmes, as if printers should decide what was printed. The more experimental nature of television does indeed call for a chief of exceptional calibre with considerable scope for initiative; but this is a very different matter from elevating television to virtual independence and parity of status with the parent Corporation, - which must, in any case, heavily subsidise it.

ECA speaks out

America's generous and vital grants of dollar aid since the war give it every right to pass judgment on other countries if they do not make satisfactory use of that aid. In both Athens and Rome, however, there has lately been a good deal of dismay at American criticism directed at domestic policy. While the Greeks have suffered the most - their total ECA aid has been reduced from $267 million last year to $207 million in 1950-51 - in Italy some reported remarks of Mr Leo Dayton, head of the ECA Italy mission, recently caused a political explosion.

The ECA mission in Greece was more careful, in that it placed the blame squarely on all the major political parties, and only after very lengthy discussions in private. It condemned the Greeks for their inadequate investment programme. This, it felt, was partly due to political instability, as a result of which the Greek government had not carried out several measures repeatedly recommended by ECA. These include reorganising the civil service, increasing and enforcing direct taxation, controlling investment to avoid luxury and unproductive projects, and promoting foreign exchange earnings.

In the 'Dayton affair', as it has become known in Italy, the ECA mission condemned the deflationary policy pursued by Signor Pella, Christian Democrat Minister of the Treasury, as excessive. Mr Dayton has since partly withdrawn his statement by a letter to Signor De Gasperi, the Prime Minister. But it is known that his view was substantially shared not only by Republican and Socialist ministers in the Italian cabinet, but by Mr Foster the new head of ECA in Washington, if not by the American government as well. In Greece American criticism was certainly justified. In Italy there is more to be said for caution after a 5000 per cent inflation in a decade. But, however awkward politically, American views deserve treatment as disinterested advice. There can be few small Italian business men who do not hope that it will be taken.

The Attlee of the Amazon

The final results of the Brazilian elections are not yet fully tabulated, but the Presidency is already being conceded to Dr Vargas, with over 50 per cent of the votes so far counted. His closest rival, Brigadier Gomez, has to date received less than 30 per

cent, and the balance is held by Dr Machado, the candidate of the outgoing government.

Until he was ousted by the Army in 1945, Vargas had held the Presidency of Brazil for fifteen unbroken years, in the last eight of which he had dispensed with democratic elections. It is difficult to translate his current victory into conventional European terms. The bulk of his supporters are well to the left of centre, yet he does not speak for either the Brazilian Socialist or Communist parties. The roots of Vargas's success probably lay in the insipidity of the outgoing Dutra regime, the discontent among all classes with the rising cost of living and his promises to extend social benefits to the backward rural population. His own colourful personality and vigorously conducted campaign were also potent factors.

In a recent statement to the press, Vargas indicated that his new government would follow Socialist models of Britain and Sweden; it would be a government, in his own words, of 'evolution, not revolution'. In practice this is likely to mean greater expenditure on the social services, increased government investment, possibly some attack on the fantastic profits of the coffee producers, and - if he is to keep to his models - eventual devaluation. Vargas has no doubt benefitted at the elections from at least the passive support of some sections of the business community. They are likely to be the first to regret the consequences of 'evolution'.

Throughout the elections all the candidates consistently ignored the subject of foreign policy. Since the outcome has been clear, however, Dr Vargas has affirmed his enthusiastic support of the 'Good Neighbour' policy pursued by President Truman and expressed a desire for closer ties with the Latin American countries. These generalisations do not throw much light on the future of Brazil's commercial relations with the outside world, particularly Britain.

Exercise Emperor

The nine-day air exercise 'Emperor' which finished last Sunday was not designed primarily to test the present air defences of Great Britain, but to study new methods of defence and attack. It will be some months before the final analysis of the results is available, but it has been agreed, by those who took part, that the exercise has shown that current developments in the technique of both defence and attack have been shown to be on the right lines. Since the exercise was spread over a number of days, the weight and persistence of the attack could by no means be described as a rehearsal or simulation of an actual high level bombing offensive, but the way in which the fighters were able to locate and make contact with their targets - which necessitates the ability to reach a height of 40,000 feet within a few minutes of receiving the warning of approaching bombers - was encouraging. The speed of fighter operations has, however, created fresh problems of control, since aircraft moves from sector to sector in a matter of minutes. The problem is to create control sectors sufficiently large to ensure unified control without overburdening the operations staffs.

On the hoary Anglo-American argument over the relative virtues of day or night bombing, there is still no sign of compromise. Each party to the argument has developed its own technique to a point where it seems possible only to agree to differ. Exercise 'Emperor' has however illustrated how important inter-allied cooperation on the ground has become, since the defences of Britain are now virtually dependent on the cross channel and Western European radar network. Encouraging as the results of the exercise have been, they should create no illusion about the enormous expansion in guns and aircraft which is necessary to ensure even the barest margin of safety from air attack.

Planning for Planners

The Report of the Committee on the Qualifications of Planners (Cmd. 8059; HMSO 2s6d) raises wider questions than its title implies. To discuss constructively the qualifications of planners one must consider the nature of planning itself; and while a narrow interpretation of that term - e.g. the architects' focus on aesthetically satisfactory physical design - makes the assessment of necessary qualifications comparatively straightforward, the Committee has wisely rejected it. Planning the use of land is only one aspect of planning in general. Yet no other aspect so directly, intimately and permanently affects the daily lives of ordinary people. Planning decisions are civic decisions; the expert can indicate possibilities and impossibilities, he can synthesise, reconcile, implement and administer, but as servant, not as master.

The powers of the planning authorities have only too obviously outrun both what the report calls 'the limits of the plannable' and the supply of persons qualified to use them. The 'limits of the plannable' will presumably be discovered by trial and error; the supply of qualified persons will begin to emerge in due course from the present post-graduate courses in Town and Country Planning. But will the qualifications be the right ones? It is for a complex of functions, not a single profession, that students must be fitted; there must be those qualified to gather and interpret facts - economists, statisticians, sociologists; there must be technicians - architects, surveyors, engineers; there must be administrators and lawyers; and at the head of each local team an absolutely first rate organiser, possessing that 'wisdom of good minds' which should go with a University honours degree and in addition enough special training in the physical technique of town planning to enable him to coordinate his experts. This is a large order, and the schools and universities will have their work cut out to fill it. Yet it is the minimum necessary of town planning to become more than on the one hand the accumulation of Utopian blueprints and on the other the exercise, by arrogant and half-baked 'experts', of a vocation for pushing round and slapping down the ordinary citizen.

Votes for Yes-Men

The elections held last Sunday in eastern Germany appear to have been the most crooked that countries beyond the iron curtain have yet seen. The pressure put upon voters was carried to almost farcical lengths; they were warned again and again that those who failed to record their votes would be regarded as enemies of peace, prosperity and German unity. To make assurance doubly sure no official means of casting a negative vote were provided, and it was difficult either to abstain or to spoil a voting paper. It is, therefore, hardly surprising that the Communists can announce triumphantly a 90 per cent poll in favour of the official lists of candidates. Since these lists were thoroughly sifted beforehand, the east German government can count on a set of completely subservient yes-men throughout the state, *Land,* county and municipal governments.

It is, in fact, these purges which, in Communist eyes, differentiate these elections from the 'obsolete form of democracy' practised in the West and turn them from a 'bloodless phantom' of democracy into the 'living reality'.

Where the Communist republic will go from here is not yet clear. Nothing has been said of any immediate reward from the Russians - such as a peace treaty or membership of the Cominform - for this demonstration of solidarity with the Soviet Union. Perhaps the east Germans must first achieve a little more success in their efforts to draw the west Germans into their camp. At any rate it looks as if a new campaign will be run side by side with the shock tactics advocated by the National Front a few months ago. According to Grotewohl, the east Germans will work hard to fulfil and overfulfil their five-year plan; their economic successes will reverberate more and more strongly in the west until finally they will cause a 'political landslide', in which the west Germans will be bustled into sharing the 'prosperity' of the east.

Russian Grain on Offer?

Mr Myrdal's endeavours to expand east-west trade through the Economic Commission for Europe at Geneva have at last been partially rewarded with the news that the Soviet Union has accepted his invitation to a grain conference on November 14th. This means that both sides (with the Soviet representative apparently the sole spokesman for the one) will sit down at the same table to discuss the proposal for a multilateral exchange of eastern cereals for western goods. Sceptics can but wonder at Soviet motives.

There are three arguable possibilities; difficulty in disposing of their grain; shortage of west European currencies; a tactical move to embarrass the west. Local reports tend to eliminate the first. The Jugoslav drought has apparently spread east and north affecting the green fodder and maize crops of Hungary, Rumania, and the Ukraine. Judging from past experience and present omens, any Soviet surplus that is not needed to make good this shortfall will more probably be negotiated bilaterally and privately with the British then multilateraly and publicly through ECE. This suggests that if the Russians deal at all, it will be in wheat. At best they can have only a modest wheat surplus; the Ukraine harvest is reported as over a million tons larger than last year but some will be needed to make up bad harvests elsewhere.

Nor does it look as if the Russians need to supplement their existing sources of foreign exchange. They have been buying sterling area raw materials at a steady but not voracious rate, while their sterling receipts have been high. The British have taken their maximum option under this year's timber contract and would almost certainly be prepared to renew the coarse grain contract at not much below last year's volume and above last year's price.

If the Russians have little scope for real negotiation, they will have plenty for some effective wire-crossing. They have made their gesture at a time when the west is under renewed pressure to curtail its trade with the east. If they come to the table determined to extract concessions, they may force the west - even though it needs non-dollar cereals - to appear sulky and obstructive, or to reveal the internal stresses which this issue is inevitably creating.

Soft and Hard Water

Extremely soft water is not pleasant to drink, and water is only agreeable when it is to some extent hard. Nowhere is water found pure in a state of nature, except rain water; and if men and animals had been destined to drink rain water, their mouths would have been buckets to catch it as it falls.. It is giving ourselves needless trouble to make all water soft and pure, like distilled water; and the companies which followed Dr Clarke's plan would be more likely to delight washerwomen than water-drinkers. But the ingredients in the water which make it hard and palatable, also prevent it from corroding lead, and conveying a stream of poison into every house. Pure soft water.. flowing through leaden pipes, poisoned the family of the late King of the French at Claremont.

The Economist

October 19, 1850

AMERICAN SURVEY

Campaign in Connecticut

(From a Correspondent in Connecticut)

The familiar electoral rhythm is given variety from time to time by political accidents or colourful personalities, or, as in Connecticut this year, by both. It is axiomatic that the Presidential year is the most significant, but 1950 in Connecticut shows signs of being anything but an off-year. Of the thirty-six Senate races which will determine control of the upper house, two will be run in this State. For Republicans, eager to upset the Democratic apple-cart, and for Democrats determined to hold their slight Senate majority or increase it, the Connecticut campaign is of intense importance.

Moreover, the Governorship is also at stake; Mr Chester Bowles, Mr Roosevelt's energetic price administrator, is seeking re-election. And the two Democrats defending their Senate seats are national figures as well: Senator Benton, Governor Bowles's former advertising partner and once in charge of information activities at the State Department; and Senator McMahon, the chairman of the Joint Congressional Committee on Atomic Energy, who has fought a long battle to preserve civilian control over the atom.

To this is added campaign colour of a type rare in New England. The west has its film stars and its singing cowboys who run for public office, but this is the first time the northeast has seen a Senator campaign by helicopter and distribute comic books, anda candidate for the Governorship whose handsome blonde wife solicits votes by dancing the tarantella. Such differences in technique are possible because Connecticut, though influenced by the nearness of cosmopolitan New York, has a population that is about half of foreign origin or foreign parentage (Italian, Polish, Hungarian); there is another cleavage between the rural north and the industrial valleys and coast towns of the south. The native Americans are counted as indomitably conservative, but this legend is belied by the large independent vote.

Before the New Deal, Connecticut ranked as a Republican State, and the Republicans have not given up their hope of winning it back from the Democrats who, in recent years, have overlaid the hard core of Republican officials still running state affairs from minor posts. Mr Roosevelt carried it in all his campaigns. Mr Truman lost it in 1948, but Mr Bowles scraped into the Governorship by 2,250 votes out of some 900,000. The thinness of that majority feeds Republican hopes this time.

These are pinned to their candidate for Governor, a man who struggles hard for popularity with foreign-born factory workers. Mr John Davis Lodge, brother of the Senator from Massachusetts and grandson of Senator Henry Cabot Lodge, and thus impeccable as to Boston ancestry, is also a personable young man with a theatrical flair, a fine broadcasting voice and a good voting record on foreign affairs during his two terms in Congress. A lawyer by profession, he speaks reasonably good Italian, a political asset in Connecticut which he reinforced by marrying an actress of Italian extraction.

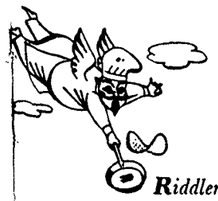
The Democratic Governor whose seat Mr Lodge seeks is still a devoted and determined New Dealer. Elected by a narrow margin in 1948, he started at once to reform the State's archaic government, a plan that has been accepted only in part and has made him enemies as well as friends. It was Mr Bowles's unconventional ways which brought about this year's double Senatorial fight. In 1949, when the Democratic majority in the Senate was even lower than it is now, he persuaded the Republican Senator from Connecticut to accept an important state judgeship. This left him free to appoint a Democrat until the next regular election - a manoeuvre more popular in Washington than in Connecticut, where both parties regarded it as heresy. His choice was Mr William Benton, former Assistant Secretary of State, trustee of the University of Chicago, delegate to Unesco, chairman of the board of the 'Encyclopaedia Britannica', and his former partner - but an independent, not a registered Democrat.

It is this which gives voters in Connecticut the extraordinary chance to return not one, but two Senators. The other Democratic incumbent is Senator Brien McMahon, a more traditional political figure. They are opposed by old-line Republicans who are expected to 'balance the ticket' by pleasing the conservatives, but who have excited little interest among independents whose favour may be decisive. There is always the chance, however, that Mr Lodge might set a Republican tide flowing.

This danger has prompted Senator Benton to apply all his knowledge of publicity and communications to his own campaign. His weakness, he feels, is that he is not well known in Connecticut, and to remedy this he has made recordings for radio stations, motion picture films for street showings, meetings, and television, and a series of cartoons for the 'comic' sections of newspapers. He also descends from the skies for personal appearances in the helicopter which covers more ground than an automobile and can land on a smaller space than an aeroplane.

The outcome is, at the moment, anyone's guess. Voting in an off-year is traditionally light and hence favours the Republicans, but 1950 in Connecticut lacks only a Presidential race to make it the most exciting political year in the State's history.

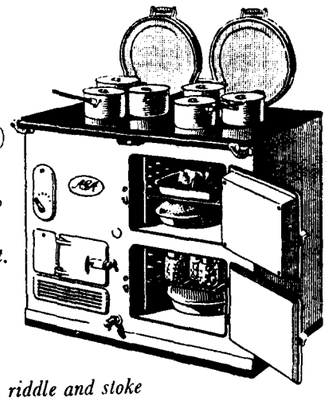
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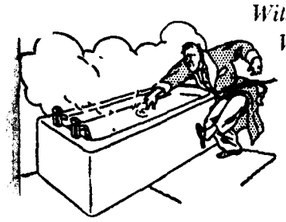
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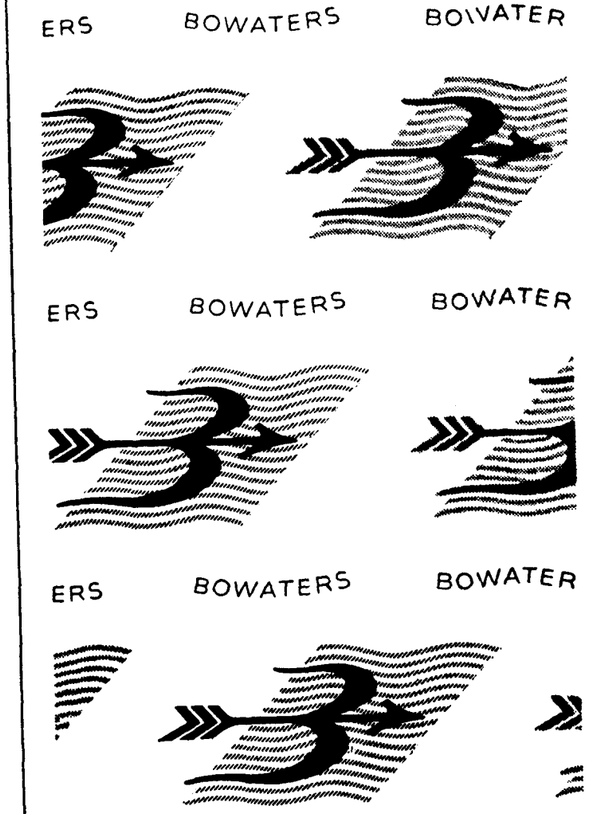


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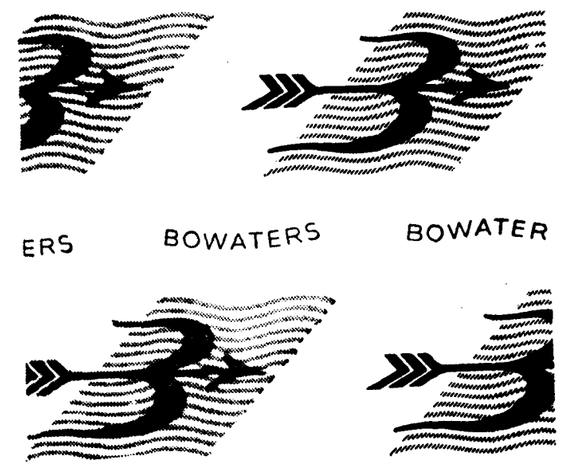
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American Notes

The President Goes to MacArthur

It is easy to explain President Truman's visit to the far-eastern Mahomet in terms of domestic politics, as the disgruntled Republicans are doing. The trip scotches their charge that the Administration never consults General MacArthur, the practical expert on the Pacific; it gives the Democrats at least a branch of the laurels of the Korean victory; and it reminds the voters of Mr Truman's chief political asset, the generosity and lack of ceremony which made him go more than halfway to meet one of his subordinates. The Democrats certainly have reason to be thankful that the ending of the initial phase of the Korean outbreak made it necessary, just three weeks before the election, for the US Commander-in-Chief to meet the UN Commander-in-Chief.

But the necessity arose from the obligations of international statesmanship, not of domestic politics. With the immediate emergency over, the United States could no longer postpone making up its mind on a long-term policy for the Far East. Such a policy will, it is presumed, be outlined by the President in the speech he is making at San Francisco while *The Economist* is in the press. Mr Truman went to Wake Island not to consult General MacArthur on the basic principles of this policy, but to make sure he understood them. That in the past he has not has been apparent from the divergences of opinion between Washington and Tokyo on the question of Formosa.

The joint communique issued at the end of the surprisingly brief talk did not mention Formosa and the fact that complete unanimity of view is said to have prevailed makes it doubtful whether both sides had an opportunity of presenting their view on this question. This is only one of the important omissions in a communique which keeps strictly to such matters as Korea and Japan, on which General MacArthur has a right to give advice. If Mr Truman has made him understand that the responsibility for the foreign policy of the United States is the President's in fact as well as in theory, then the fresh start in the Pacific will at least have got off on the right foot.

Topsy-Turvy Cotton

The agricultural situation has been turned upside down in the last few months and nothing is more topsy-turvy than cotton. This most troublesome of all surplus crops is in short supply and shipments abroad of this most traditional of all agricultural exports are being restricted. To Congressmen representing cotton States, this means that the Department of Agriculture has betrayed the farmers to the textile industry, which is concerned because its cotton now costs 40 cents a pound, 10 cents more than in June. The Korean war, unfavourable weather and boll weevils are all partly responsible for this price rise, but Congress itself bears as much if not more of the responsibility for the potential scarcity of cotton. Last year it reimposed controls on the amounts of cotton that might be planted and marketed, in order to reduce the expense of price supports.

The latest estimate is for a crop of 9,870,000 bales this year and a carry-over of 6,500,000 bales, both less than the planners planned - and they did not plan for the new defence programme. This total is just about enough for domestic needs as estimated, or overestimated, by the textile industry, and exports are therefore to be limited for the present to an annual rate of 3 million bales, half last year's rate. Farmers are being told to aim once more in 1951 at the 16 million bales which seemed so excessive a year ago. But they may not take kindly to the idea of reversing themselves again, now that they have at last begun to learn the lesson of diversified agriculture, especially if a manpower shortage makes it hard to find the labour needed in the cotton field.

Deflating Housing

The housing boom that credit built is to be deflated by giving the credit tap another, sharper, turn. The needs of the defence programme for men and materials, and the fear that they will drive up prices further, have brought the Administration round to the position of critics who have declared for years that easy credit for housing is the fountain-head of inflation. Regulation X, issued last week by the Federal Reserve Board, marks the spot; it requires private, as well as government, lenders to stiffen their terms, something that could not be done before the passage of the Defence Production Act.

The government agencies, whose guarantees finance about half the new housing, were ordered last July to be less liberal; now, even higher down-payments, rising to 50 per cent, and repayment, in most cases, in 20 rather than 25 years, must be demanded by all lenders. The only exception is private credit extended on existing houses. Interest rates are not affected, and veterans retain their advantage over other home-seekers, but even they must put substantial amounts down in cash for all but the cheapest houses.

The aim is to reduce the production of new houses in 1951 from the present rate of 1.3 million a year to 800,000 or 850,000 and to release some of the 2.6 million men in the trade, as well as some of the copper, steel, and aluminium the snow-balling boom has consumed.

The building industry is convinced that the curbs will prove severer than intended, and that ruin threatens for itself, if not for the whole economy. But the housing boom might, in any case, have reached its peak. And if armament orders fail to take up the slack, or building sags too far, the Administration, which has always regarded housing as the essential driving-force behind an expanding economy, can reverse gears once again.

THE BUSINESS WORLD

Markets for Motors

The difficulty that the average British citizen meets in trying to buy himself a car has not blunted his interest in the Motor Show; for these ten days the motor industry enjoys as much public attention as ever falls to any industry. The moment is appropriate to take stock of the industry's performance in the postwar period - the more so because other considerations may well make the autumn of 1950 the end of one phase in its existence and the opening of another. The easing of extreme dollar shortage as the single dominant factor in national economic affairs may well permit the industry to form its trading policy on more normal commercial considerations. Many schemes of reorganisation or expansion, held up for so long, are now under way and may soon take effect, giving the manufacturers for the first time in twelve years some freedom of manoeuvre within their own workshops. At the same time, the demands that rearmament is bound to make on materials and components must, before long, set a limit to the expansion of the industry's volume of civil production, which may, indeed, be able to go little further than it has gone already.

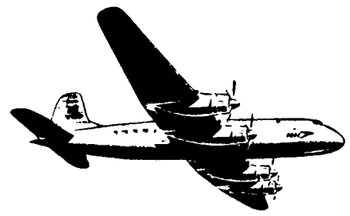
On no industry has the export drive imposed more severe demands, but these demands have for the most part been met, and more than met. To require an industry traditionally based on a protected home market to send three-quarters of its most important group of products abroad imposes a severe strain; yet this has been done with comparative ease, and as conditions now appear it may very well continue for much longer than even the authors of the policy can have envisaged. In 1947, out of a total production of less than 287,000 passenger cars, the industry exported 143,000. In the first eight months of 1950 passenger car production was 337,000, and 270,000 were exported. There seems to be no reason to suppose that saturation has been reached in export markets; the exporters' problem is rather to spread a limited volume of product to the best advantage among markets that cannot be fully satisfied.

It is true that a closer examination of the export performance reveals some flaws in the picture - on the assumption, at least, that the task which was set the motor industry was altogether the right task. The industry still sells preponderantly to the British Commonwealth, with a group of European countries following at some distance behind. It is true that most of its members had some doubt about their ability to sell to the United States, and it can perhaps be argued that to require them to do so was a miscalculation. In the event there have been expensive, if sporadic, selling campaigns in the United States, and they have produced only small results; in the first eight months of this year the United States took less than 10,000 British cars, and this with the American economy in a condition of boom. What proportion even of these sales would be held in an American recession, when they would really be needed? Apart from two or three types of sports car, it is unlikely that any British car can claim to have established itself in the market.

This is not to say that the motor industry cannot be a direct earner of dollars. Car exports to Canada in the first half of this year amounted to 39,000, compared with 12,000 in the first half of 1949; and the rate of export to Canada has increased further in July and August. Canada is now the largest market after Australia; but Australia, which took some 70,000 passenger cars and chassis in the first half of the year, has become the dominant export customer, and the present wave of inflation in Australia seems likely to raise the question whether the British motor industry is physically able fully to meet its demands.

Now that the balance of foreign payments has moved, if only temporarily, in favour of the sterling area it may not be necessary to regard this as an unhealthy state of things. When the overseas members of the Commonwealth were running a dollar deficit it was necessary to question a state of affairs in which British manufacturing output was being preempted to an overwhelming extent by the soft-currency markets. But when those countries are prospering in world trade and are good dollar earners, it is reasonable and in no way disastrous that their expanding purchasing power should be met with British manufactures. The problem becomes different; and as it confronts the motor manufacturers at the moment, it is to organise their production and sales economically for the best result. Any answer to this question likely to emerge at the moment can be expected to exclude costly marketing efforts and elaborate sales promotion in the United States for relatively small results.

But it would be unfortunate if the present world-wide boom were to induce the motor industry to rest on its oars and become indifferent to the possibility of competition with the greater American industry. Competition is perhaps best not conducted on the American industry's own doorstep. It is still no less essential to the industry's future health that its cars should be bought from choice, not from necessity, by people



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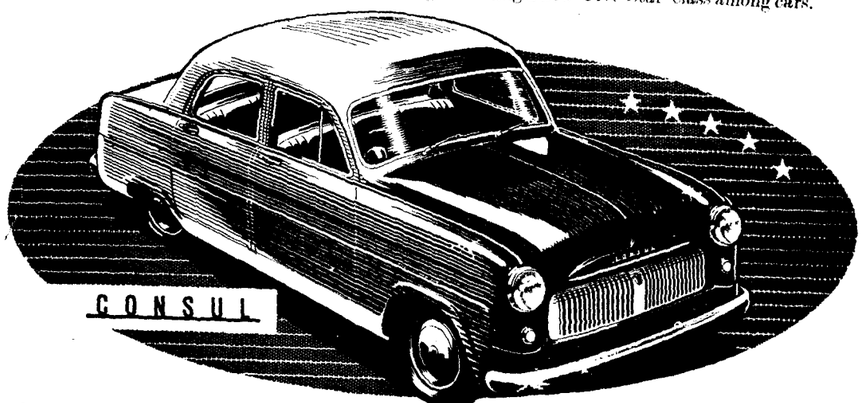
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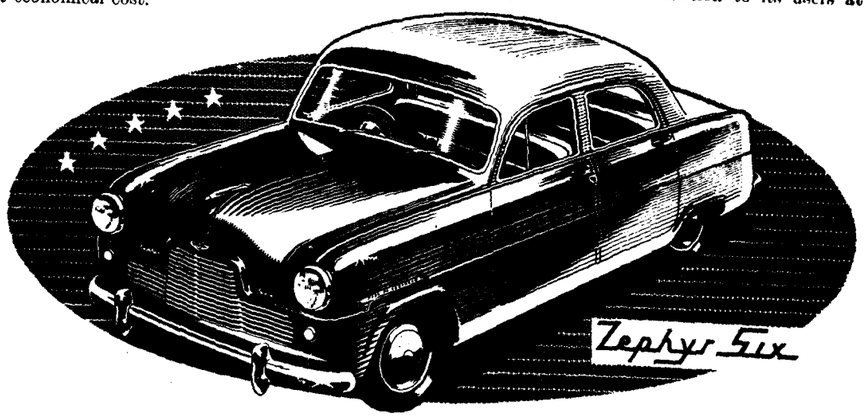
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who would not change their choice if they suddenly found themselves free to buy an American car instead. This ought to be the spur to technical improvement, to changes in design, and to the pursuit of economy and efficiency in production. It is not a condition that has approached fulfilment yet.

Changes in car design and improvements in factory methods have alike been slow in the five postwar years. The constant pressure of demand has inhibited manufacturers from allowing their output to fall off while production lines were retooled. Shortages of steel sheet have caused plant to be only partially employed, and at the same time the difficulty of new building and re-equipment has obstructed expansion and change. It may in some ways be disheartening for the manufacturers to find that, when these obstacles are on the point of being overcome, a rearmament programme should threaten to set unexpected limits on the supplies of steel sheet and components which they had expected to flow so freely in 1951. But the industry has still to make itself fully competitive in markets that may soon be less strongly fenced with currency restrictions. Their answer must be to grasp the opportunity for technical change that has been too long delayed.

Business Notes

New Issues and the Funds

There seems to be no shaking the strength of the gilt-edged market. One would hardly suppose that rearmament and inflation existed, or that a single economist had ever breathed the recipe of higher interest rates in the last month or two. Spilling over from its immediate port of arrival, foreign money has spread its influence beyond the money market into the 'shorts' and thence to the 'longs'. It is pleasant to see old market influences at work after an absence of many years, but it may be questioned whether the influx of funds from overseas could work such an effect on long-dated gilt-edged without assistance by other factors. There has been no lack of institutional support during the past month, and more recently the opportunist camp-followers of the big battalions seem to have joined in. A month has seen rises of up to a point in the 'shorts' and of up to two points in War Loan and the 'longs'. It is hardly to be conceived that the latter are regarded as a specially attractive haven by the overseas investor; their improvement must be largely domestic in origin. And while overseas money makes its mark upon the 'shorts', the premiums on dollar stocks remain, narrower than they were but substantial still. Evidently one school of thought is prepared to take Mr Gaitskell at his word.

Coupled with the strength of the funds, the new issue market remains in an active state. Perhaps it is the threat of further rises in commodity prices that has provoked some of the recent demand for cash. The fact is that high class industrial issues and a handful of dominion and colonial stocks have together absorbed £46 million of new money since the end of August, and calls amounting to £27 million are outstanding. To extract £75 million or so of new money from the market in such a short time must have left the institutions fairly fully invested, for they have not been idle in other directions. The latest in this impressive series of issues is the offer of £20 million of 4 per cent unsecured loan stock to preference and ordinary shareholders of Imperial Tobacco. A large issue by 'Imps' has been on the tapis for a long time - ever since the company was forced into a disproportionate expansion of its short-term debt. Some £20 million of these obligations has been given a static form as redeemable Notes, while a year ago the group had £27 million outstanding in bank loans and acceptance credits.

Direct comparison with recent issues of similar standing is not easy. The highly successful Unilever issue was of different type and carries 3¼ per cent. But since that stock was issued at 98½ and is now at 1½ premium, it is not likely that much of the 'Imps' stock, with a 4 per cent rate and issued at 99 will go begging. Its calls are well spaced, and its maximum life is in fact five years shorter than the Unilever stock (1960-70 compared with 1955-75). Twenty million pounds is a large sum to seek even from stockholders as numerous and as influential as those of Imperial Tobacco; but it would be very surprising if many of them passed such an attractive offer by.

Free Market in Canadian Dollars

Since Monday this week the London foreign exchange market has been dealing freely in Canadian dollars. During the first fortnight of floating rates in Montreal and New York, the London market had dealt in Canadian dollars at rates fixed daily by the Bank of England on the basis of the previous night's close in Canada. In fixing these rates London had not always anticipated with great accuracy what Montreal and New York would be deciding a few hours later, and some losses were incurred. It was therefore decided to allow dealings in Canadian dollars through authorised banks, acting as principals. The new market has been organised around three firms of foreign exchange brokers, the sole survivors of the galaxy of talent that flourished before September 1939, when the control took over. The authorised banks are called upon to notify their positions monthly to the Bank of England and a careful check will no doubt be kept in this way on any undesirably large positions that they may carry. The authorities hope that the authorised banks will maintain fairly even books and that they will cover in Canada positions that emerge from London dealings. The authorised banks will also have recourse to the Bank of England for evening up their books.

The early stages of this return to a free market in Canadian dollars have revealed a welcome survival of the old expertise. A narrow range of rates has been quoted, the normal turn between buying and selling being

one half-cent; the spread of $2.95 - $2.97, which the Bank of England had maintained throughout the preceding week, was narrowed to a quotation of $2.95½ - $2.96 by the end of the first free dealings. By this decision to restore a free market in Canadian dollars the London market is retaining business which it undoubtedly would have lost to Montreal and New York if it had persisted in limping along behind the rates set in these other centres. Its resumption is another illustration of the manner in which freedom can be reconciled with controls.

Australia Shirks the Issue

The Australian Government has decided to prod the menace of inflation on a number of widely scattered fronts instead of launching a large scale offensive. Mr Fadden's budget last week included proposals for the prepayment by wool growers of £103 million of income tax, (a sum representing one-fifth of their current income), for increased sales taxes on luxury goods and for higher postal charges. His budget speech also foreshadowed the re-imposition of controls over capital issues and scarce basic materials, a 20 per cent cut in the public works programme, a tighter credit policy by the Commonwealth and the commercial banks, and some sort of excess profits tax (the details of which have yet to be worked out). Each of these weapons is apparently to be used as far as political susceptibilities allow. Unfortunately, in present conditions, and with the possibility of an election, they cannot be pushed very far. The Budget provides, for instance, for a surplus of only £400,000 over total expenditure (including some capital items) of £738.3 million. The receipts expected from the new taxes will be offset by higher defence expenditure and by concessions to those directly threatened by rising inflation, such as pensioners and consumers of wool products.

Meanwhile the opposition of the Country Party has apparently put the revaluation of the Australian pound out of court, at least for the time being, and opposition by Australian industry (particularly the high cost sector of it) will presumably prevent any action being taken to implement the common sense suggestion of Mr Colin Clark. that 'at least three hundred thousand employees in the manufacturing industries must be guided into useful work'. The chances of so guiding them might have been higher but for the recent ruling of the Arbitration Court that the basic wage for all workers should be raised by £1 a week.

Scramble for Rubber

On Monday rubber reached its highest price in the London market since 1912; it was selling at 4s.8½d. a lb, a rise of 7½d. in a week and a halfpenny above the peak reached in 1925. This astonishing performance has been due to the shortage of spot supplies. In the first six months of 1950, the American stockpiling authorities bought 80,000 tons of rubber for delivery in the second half of the year. Since June they have been attempting to buy more rubber for current delivery.

Other countries are also scrambling for rubber. China bought only 250 tons from Malaya and 4,900 tons from Hongkong from January to June; its purchases in the following three months were 9,334 tons from Malaya and over 12,000 tons from Hongkong. Russia bought 28,000 tons from Malaya in the third quarter of this year against 35,800 tons in the first half of the year. Japan, too, has been buying more heavily since June, taking 18,500 tons from Malaya in the third quarter against 916 tons in the previous six months. Italy has been very active in the rubber market, but part of its purchases was apparently for transhipment to the United States. Even Argentina has more than doubled its purchases in the third quarter of the year compared with the first half of the year.

Individually, these purchases may not seem very large - not, at least, in comparison with those of the United States. But since American buying has been aggressive the increased demand by these smaller countries has produced the biggest squeeze the rubber market has ever known.

Is the Wool Scheme Wise?

The international study group's discussions on wool have ended without provoking much excitement. American suggestions for a scheme to allocate wool among consumers were not tabled. Nor was the study group officially apprised of an impending wool shortage. It estimates that the world's wool consumption this year will exactly equal the supplies coming forward, and if next year supplies fall by 10 per cent it is thought that consumption will fall correspondingly owing to high prices. The Commonwealth wool scheme was endorsed by the full study group without amendment. Since the Joint Organisation is to be wound up this season some replacement was needed; the new scheme is virtually the Joint Organisation scheme reenacted, and it will be run by the same staff. The three wool-growing dominions want to finance the scheme (it may need about £70 million of finance) in part at any rate by imposing a levy on their producers.

The prospect that wool prices will need no support for a long time seems to have encouraged the consuming countries to accept a scheme that is consciously designed in the producers' interest. But to give the scheme official endorsement when it is to be operated by four countries only (Australia, New Zealand, South Africa and Britain) seems open to question. The provisions of the international trade charter on the conduct of commodity schemes were acknowledged by a resolution providing that 'when buying operations are expected to assume substantial proportions, there should be a further opportunity for full international consultation'. But when the four countries operating the scheme are financially heavily committed (as they will be if buying in operations ever assume substantial proportions) will they be prepared to modify their course because of representations by consumers?

The Joint Organisation's reserve prices (which will be the basis for reserve prices under the new scheme) are less than half present market prices; hence the latter can fall a long way before the organisation has to buy in any wool. Yet, it is claimed, the new scheme will prevent wide price fluctuations. Experience alone will demonstrate the merits of the study group's action. But it has created what may be a dangerous precedent by interpreting Chapter VI of the trade charter so as to establish a producers' agreement that lacks full international representation.

America Restricts Cotton Exports

The United States has decided to conserve its cotton stocks by restricting exports this season to 3,000,000 bales; shipments on this scale would represent little more than half of the previous season's exports and these were not large. The American crop is put at only 9.9 million bales against 16.1 million bales in 1949-50; this fall is mainly explained by the acreage restrictions imposed by the United States Government twelve months ago. Carryover stocks in August amounted to 7 million bales, equivalent to 9½ months' supply. If American consumption this season is no larger than last (8.7 million bales), the export surplus would only be 1,200,000 bales, so that to export 3,000,000 bales would reduce the stocks carried over next August to 5,200,000 bales. In normal circumstances this would be a more than adequate stock. As circumstances are far from normal, the limitation on American exports might seem justified, though consuming countries, and in particular Britain, may regret that a miscalculated attempt to keep American cotton prices high by restricting output should twelve months later react so severely on them.

Lancashire has become used to 'making-do' with small supplies of American cotton. Last season, when there was raw cotton to spare, dollars were scarce. In the first eight months of this year imports of raw cotton from the United States amounted to only 204 million lb against 319 million lb in the same period of 1949. Stocks of American growths in this country cannot be large, but fortunately the Cotton Board is able to claim that they will suffice to keep Lancashire fully at work. Substitutes for American cotton are not easy to find. Since the war, Brazil has become one of Britain's main sources of American growths (1 1/16 to 1 1/16 inch staple) and smaller quantities have been bought from Nigeria, the Belgian Congo and Russia. Ashmouni, the shorter staple Egyptian cotton, has also been used as a substitute.

There is no threat of an acute shortage of cotton. The spinners' concern is how best to use cotton slightly longer than American middling; in this task Lancashire may well show something of its old superiority. In any case American cotton is very dear; only ten days ago, the Raw Cotton Commission raised its selling price for middling 15/16 inch to 41.65d a lb. - the highest price yet recorded. Twelve months ago such cotton was selling at 29.15 d a lb.

Boom Days for Oil

No vestiges remain, unless as purely psychological manifestations, of last year's depression in the American oil trade. Average production of crude oil and condensate in the United States in September is estimated at 5.8 million barrels a day. This is nearly 19 per cent more than the average in September, 1949; and in the week ended September 16th production averaged 5,938,000 barrels, the highest daily average ever recorded. The recovery of demand preceded the recovery of production, and in the first half of this year absorbed the big stocks that had piled up. Internal demand in the United States averaged 6,300,000 barrels in September, and this was an increase of 12 per cent over the level of September, 1949.

These figures lend further point to the account of the continuing change in Europe's sources of oil given by Mr Vernon Smith last week in a paper to the Institute of Petroleum. The Middle East, which furnished only a quarter of the crude oil and products supplies to Europe in 1938, is supplying more than 65 per cent this year and is expected to supply nearly four-fifths in 1953. This is not necessarily trade lost to the American companies, which are expanding their Middle Eastern production in order to be able to meet the rising consumption of Europe and other markets in the eastern hemisphere. One great American project, the trans-Arabian pipeline, was ready for operation on October 1st and is now carrying oil to Sidon from the Saudi Arabian fields on the Persian Gulf. Its full capacity of 15 million tons a year will be reached next year.

As Mr Vernon Smith recalled, it was an American principle, contained in the Economic Co-operation Act, that laid it down that ECA should procure oil for Europe as far as possible from sources outside the United States. Now that the recession is over and forgotten, the expansion of supplies is, once again, demonstrably more important than the protection of markets. Perhaps the reserved attitude of ECA to British oil development can now be reconsidered. The prohibition on ECA financing of British refinery projects on the Continent seems to have become out of date, but in principle at least it is still in force.

Trade Trends

In August, for the first time in thirteen years, the value of imports into the United States exceeded the value of American exports. A single month's figures may not be a very safe foundation for discussion, but

in the light of recent pressure on the dollar, the August trade results are something more than a statistical curiosity. American imports during the month reached a record of $819.4 million, while exports were only $760.7 million. The value of imports was 50 per cent above the monthly average for 1949 and 29 per cent above the average for the first six months of this year. The increase arose mainly from larger imports of coffee and sugar, but heavier shipments of rubber, vegetable oils and metals were also cleared.

Britain's trade balance also continues to move in the right direction. In September the excess of imports (c.i.f.) over exports and re-exports (f.o.b.) was £13.5 million, the lowest figure since July, 1946. The cumulative surplus of imports for the first nine months of the year amounts to £284.7 million against £328.5 million in the same period of 1949. Exports in September fell by £18 million to £171.4 million, some £3 million below the average for the first eight months of 1950. September trade figures are normally higher than those for August, but this year the effect of the holidays seems to have been delayed. Exports to the United States and Canada both declined slightly last month but were still above the average so far this year. For the nine months to September, total British exports to North America were worth $US558 million, compared with $384 million in the first three quarters of 1949. Imports into Britain last month fell by £21 million to £194 million while re-exports rose to the exceptionally high figure of £9 million.

The Freight Markets

One effect of the demand for shipping for the Korean war was to make charterers more receptive to shipowners' ideas about freight rates and more fearful of being left without tonnage to move their commodities. In a season of the year that is usually dull, therefore, freight rates in most markets have received a boost, and this in spite of the falling-off in British coal exports. The Chamber of Shipping index of tramp freight rates, which is based on fixtures in sterling only, rose from 74.3 (1948 = 100) in June to 78.8 in July and 86.6 in August. In 1949 the trend of freights during these months was almost exactly the reverse; the index then fell from 86.7 in June to 73.3 in July and 70.6 in August.

The advance in freight rates has not affected all markets equally. Ships were urgently required for the North Pacific trades. This had the effect of relieving the chronic congestion of tonnage in Indian waters, so that higher rates were obtainable than for a long time past for the movement of Pacific lumber and Indian exports. But trans-Atlantic routes have been dull and only recently have Mediterranean ore freights advanced by 3s. in the £. Prospects of employment from the Plate have been so thin that as much as 52s. 6d. has been paid for the few coal cargoes outward, compared with 27s. 6d. when Plate grain cargoes were freely available at schedule rates.

Rising Profits

Any doubt that a profits inflation is again in full swing can be set aside by the September quarter analysis. Some 586 companies whose reports were issued in that period showed a rise in gross trading profits from £271.8 million to £290.0 million, while their total income including extraneous items rose from £299.1 million to £324.0 million.

It is well to be clear what this means. It will lead - indeed, is already leading - to the usual attacks from the usual quarters on profits. But this is not an issue that can be determined by the simple exercises of Margate morals and economics. Profits are high because output is high, prices are rising and a world-wide inflation is afoot. The question remains whether the broadest national interest could afford to see profits any lower, and if so by how much. The latest figures show that a tiny proportion only of the increase in profits has gone to increase personal incomes - ordinary shareholders receive £30.4 million whereas a year ago they received £29.1 million. This hardly suggests that voluntary dividend limitation has virtually broken down. Indeed the main uses to which the increase in industrial profits has been put are to swell depreciation (£54.1 million against £41.1 million) income tax and profits tax (together £123.7 million against £117.9 million) and reserves. In short, what the Chancellor leaves is being put to effective use towards maintaining industry's existing capital resources. It is indeed doubtful given the continued rise in prices whether all sectors of industry are in fact succeeding completely in doing so.

Printing difficulties prevent the publication of our detailed analysis of profits for the past quarter. This will appear as soon as possible.

STATISTICAL SUMMARY

Finance	Week ending Oct. 7 1950	Oct. 14 1950
Note circln. (Wed) £mn	1,282.7	1,281.0
Tr. Bills allotted £mn	250.0	260.0
Av. rate per cent	10s.3.23d.	10s.3.25d.
Total Floating Debt £mn	5,950.3	5,954.3
Total Ord. Rev. £'000	59,011	46,690
Total Ord. Exp. £'000	63,563	54,706
Change in Nat. Debt £'000	+25,946	+12,970
Total Nat. Debt £mn	26,278	26,291

Gilt-edged yields %	Oct. 10 1950	Oct. 17 1950
	£ s. d.	£ s. d.
Consols 2½%**	3 7 10	3 8 0
War Loan 3% (1955-59) /	2 3 3	2 3 2
Funding 3% (1959-69) #	3 0 10	3 0 11
War Loan 3½% (after '52) *	3 12 11	3 13 0
Br. Elec. 3% (1968-73) #	3 2 5	3 2 10
Br. Trspt. 3% (1978-88) #	3 5 5	3 5 7

* Flat yield
/ To earliest date # To latest date

Company Meetings

BRITISH SUGAR CORPORATION LIMITED

Progress In Mechanisation

The fourteenth annual ordinary general meeting of the British Sugar Corporation, Limited, was held on September 25th in London, Sir Alan Saunders, O.B.E. (the chairman), presiding.

The chairman, in the course of his speech, said: The 1949 beet crop in weight was above average for the country as a whole and was an all-time record in Scotland, Yorkshire and North Lincolnshire. The total yield was 3,962,000 tons of beet, but the average sugar content was the lowest on record, due primarily to the autumn rains and mild weather which followed the prolonged summer drought. In many cases also virus yellows disease was a contributory cause.

Considerable progress was made in the mechanisation of the beet harvest, and over 1,600 machines were in operation. About 11 per cent. of the crop was harvested by machine, compared with about 3½ per cent. in the previous season. This achievement has been made possible by the co-operation of manufacturers which has been stimulated by the annual demonstration of mechanical harvesters, organised jointly by the Corporation and the Ministry of Agriculture.

Two hundred and sixty five thousand tons of dried sugar beet pulp - a valuable feed for livestock - were manufactured and sold to farmers.

In addition a very large quantity of leaves and crowns - about 3 million tons - was made available to growers for stockfeed, and 190,000 tons of molasses were produced.

Reconstruction

During the year capital expenditure amounted to £1,125,369. This sum is larger than in any year since the corporation's formation and represents the beginning of a large-scale plan for reconstruction and improvements in our factories. For several years the existing plant has been heavily overloaded and the need for replacement of obsolete plant, increased sugar gains and greater factory capacity became very urgent. Moreover, there was much that could be done to mechanise many of our processes, reduce casual labour, and improve the welfare and general amenities.

Large-scale plans for this reconstruction work have been prepared and are proceeding satisfactorily. In order to assist the executive in the planning and execution of the work of reconstruction, a central production coordinating committee was set up and working parties were appointed at each factory, under the chairmanship of the factory general manager.

This programme of re-equipment and modernisation is likely to involve an expenditure, mostly within the next four years, of between £9 million and £10 million. A substantial part of the money required can be found out of the corporation's own accumulating resources, but it is proposed to raise part of it by an issue of debenture stock. As has already been announced in the press this issue will be by way of a placing on the market and will be without a Government guarantee but with appropriate assurances from the Government departments concerned to ensure regular payment of the interest and sinking fund of the new stock, which will take the form of £3,500,000 of 3½ per cent. redeemable debenture stock.

We are faced with a record beet crop this year, and it will take all our ingenuity and goodwill to deal with it with our present equipment. I am confident, however, that we shall do our very best to cope with the many problems which we shall meet.

The report was adopted.

ASSOCIATED LONDON PROPERTIES LIMITED

Pre-War Dividend Resumed

The 23rd annual general meeting of Associated London Properties Limited was held on October 5 in London. Brigadier-General Wallace Wright, V.C., C.B., C.M.G., D.S.O., D.L., the chairman, said:

The accounts show improved results. All our properties are fully let and seem likely to remain so.

Consolidated revenue increased by £14,536 during the year and there is a net improvement of £8,720 despite rising costs. Of the year's profit after taxation, Preference dividends take £43,175, leaving a margin of £31,800 odd. In considering the proposed Ordinary dividend we had regard to the prospects for the year to June, 1951, and the conversion rights of the Preference stockholders. We decided that we could and should revert to the pre-war 6%. This will leave a retained profit of £18,591.

The consolidated balance-sheet shows an improvement in shareholders' funds of some £48,000. The figure of £78,189 for various surpluses placed to capital reserve includes a surplus on the sale of St. Ermin's, on a factory property purchased and sold during the year and on realisation of some Stock Exchange securities. Referring to our temporary investment in Stock Exchange securities, stockholders might like to know that yesterday's market value showed a small surplus compared with cost. We have no intention of holding such investments when opportunity occurs for reinvestment in property.

I repeat that the Board's policy is to make sure of a profitable investment of the company's money, and I think we may be confident of ultimate success.

The report and accounts were adopted.

BRITISH HOMOPHONE COMPANY

Sir Herbert Morgan's Speech

The annual general meeting of The British Homophone Company, Ltd., was held on September 29 in London.

Sir Herbert E. Morgan, K.B.E., (the chairman) said that the net profit for the year before providing for taxation, showed a modest improvement, being £15,122 as against £13,850. The final result of the individual trading of the parent company, Homophone, was a net profit of £6,222, compared with £6,010, the net profit for 1949.

Last year he had told shareholders that the profits of the Homophone section of the business showed a certain consistency from year to year, and results had justified him in making that statement. At the same time he had said that for the then current year they did not think the previous year's rate of profit could be maintained, particularly in the Ebonestos Company, and unfortunately that had proved to be the case. The Ebonestos Company were moulders of plastic materials - in fact Plastic Engineers. They obtained their orders from large companies principally engaged in the electrical and wireless trades. While their trade with those companies had fallen off, they had not lost those customers.

The immediate outlook appeared to be somewhat brighter, particularly as trade had recently improved in the electrical and radio industries. In addition, the General Post Office, with whom they had had a long and friendly association, were again placing orders for the articles with which they supplied them.

He must pay a tribute to their staff for its loyalty and the strenuous efforts it made under the direction of their managing director, Mr. Jack Lesser.

The report was adopted.

Finally, India was the only important abstainer. The majority attained - 50 votes to 5 with 3 abstentions - offers a heartening margin over the statutory two-thirds, which is at present 40 votes.

But to jump to the assumption that the new scheme will work marvels whenever the Security Council reaches deadlock is to go much too far. The scheme has all the familiar limitations. It does not alter the fact that the responsibility of deciding to withstand a major aggression still lies, and will always lie, with the great powers. The scheme will work only if a majority of them concur. Nor can it work miracles even then. It is likely to serve less often as a preventative than as a cure. To meet many misgivings, its sponsors agreed to an amendment whereby a recommendation to use force can be made only *after* the breach of the peace or the aggression has started. It can invent *no magic* for generating the preventive force of public opinion behind the Iron Curtain - - for instance, the opinion of the millions of war-weary Russian signatories of the Stockholm Peace Appeal. Lastly it does not obviate - nothing can - the sheer physical difficulty of massing effective numbers of troops and heavy equipment at the right spot and at a moment's notice. In addition, the new plan presents some drawbacks that are peculiar to itself. Recent experiences at Lake Success suggest that the Assembly is by no means an ideal body for handling all the kinds of problem that are apt to threaten peace. It is too unwieldy for jobs of conciliation. It has been known to vote in moods of irresponsibility, swayed by motives that bear no *relation to practical possibilities*. In addition, it is a prey to block voting, and the largest block is capable, singlehanded, of depriving it of all possibility of a two-thirds majority. The new plan will succeed only if it is reserved for straightforward cases of aggression. It will fail if it is overstrained by attempts to apply it to most problems on which a majority of great powers are not prepared to act together or, indeed, on which no one may see the way to a workable course of any kind.

Yet against these drawbacks must be offset the risk of a great disaster. Who is in mortal danger of impotence in face of all aggressors save those of whom Russia disapproves. The hopelessness of the slough into which the Security Council has sunk has been masked by its success over Korea. People forget that this was entirely due to the fact - apparently fortuitous - that the Russians were absent when the North Koreans attacked the South. Either new machinery must be devised, or else the most important section of the United Nations' fabric collapses. The new proposals certainly possess some intrinsic advantages. They immensely speed procedure: within twenty-four hours of a crisis they would make it possible to know whether or no a majority of great powers was set upon preventive action.

The most trenchant argument against them comes from the advocates of regional pacts as the best method of stopping aggression. Clearly these, within their own locality, work more quickly and surely than any other system. But they would provide a worldwide network only if the globe were girdled with a chain of them, each centred on a great power. But the world today is not so shaped. Only one regional group, that of the Atlantic Pact is capable of countering a major aggressor. The nations have no alternative to handling aggression on a unitary basis, or else doing so inadequately. The good news from the current Assembly is that over three quarters of the world now recognises this fact. The Communists have themselves to thank for this further stiffening of the ranks against their 'wars of liberation.'

Two Chancellors

In times of inflation a Labour Chancellor of the Exchequer may frame and execute a right financial policy, but only if he can stand more blame than praise from his own party. In time, as the country grows more heartily sick of persistent inflation and Labour's established sentiments evaporate, this may change; or a transformation of the British economic problem may make the ideas of the thirties again up to date. But for the present inflation will be resolutely avoided only when the Labour party is so badly frightened - by loss of foreign confidence and a run on the pound - that it has temporarily no will of its own. A strong man, a Sir Stafford Cripps in 1947, can then take things into his own hands. But the strongest Labour Chancellor is unlikely, as the last two years have shown, to maintain the impetus of an unpopular policy once its first fruits have been obtained and immediate disaster avoided.

Implicitly the Prime Minister has recognised these unpleasant facts by choosing as Sir Stafford's successor the man most likely to fight against them. Mr Attlee has also shown himself to be, personally, on the side of the angels and financial probity. It required courage to appoint the best Chancellor available by raising Sir Stafford's assistant above many senior members of the party hierarchy. For the present, Mr Gaitskell, with an able new assistant in Mr John Edwards, is likely to do as well at the Treasury as Sir Stafford has been doing for the past two years. He may do better.

But this is the comparison with a Chancellor in decline. It is no measure of adequacy to deal with the problems that now face the British economy. If Sir Stafford Cripps had retired at the end of 1948 he would have been one of the great Chancellors. His essential achievement was to appreciate earlier than other Ministers the force of the economic limitations on Labour policy. He went to the Chancellorship without any particular disposition to use financial measures rather than physical controls as the instruments of a sterner economics. But in the office he listened to good advice, absorbed it with all the great lawyer's skill, and applied it with scant regard to the politician's normally timid estimate of what the public will stand. He was the man, in Professor Robertson's phrase, 'capable almost single-handed of putting heavy engines into reverse'.

The Budget of April 1948 made tremendous first steps towards harmonising internal policy with the needs of export trade. It cancelled the Daltonian divorce. The tragedy is that what the upright Sir Stafford achieved instead was merely an uneasy liaison, not a re-marriage. The first steps were never followed up. Early in 1949 internal policy was allowed again to get out of harmony with external need. Reluctantly the adjustment had to be made by devaluation. That combined with the American boom temporarily to modify the impact of the external situation. But, as Mr Gaitskell takes over, the internal policy that has now set so hard is becoming again painfully out of adjustment.

The things that made Sir Stafford fail to take the second steps are likely to inhibit Mr Gaitskell more completely. In 1948 inflation was checked in the only way then possible. The habits of war-time extravagance in Government spending could not be undone in a day. The higher taxes of Sir Stafford's first Budget were the necessary method of securing a large Budget surplus. But during 1948 it became plain that, if taxes were raised again, they would be paid much more by saving less than by cutting personal consumption; on balance, they would probably add at least as much to inflation as they subtracted from it. A large Budget surplus was as necessary in 1949 as in 1948; but if flexibility and incentives to efficiency were to be restored to the British economy, it would have to be achieved by cutting Government expenditure rather than by piling on taxation.

In his aversion from cuts the Chancellor was as unbending as in his resolute use of taxation. The insistence that Government expenditure could not be reduced was maintained without systematic enquiry and in words of which many had to be eaten six months later. Such obstinacy was possible only because it was buttressed by the greatest of all the fallacies of Labour's post-war economics: that full employment, even if the threat of unemployment arises in the export trades, can be permanently maintained simply by turning on the Keynesian taps of internal spending. Government expenditure was increased in 1949 by keeping taxes unchanged and allowing the Budget surplus to fall. The plea was that the inflationary danger was lessening and a slump lay ahead. There was never any evidence of this in the home market. The serious turn to a buyers' market was in exports. The smaller Budget surplus implied that the loss of exports should be accepted, and the demand for labour switched to the home market, rather than that workers should fall into temporary unemployment. For a country with Britain's difficulties in paying for necessary imports this policy is at best a short-term expedient, and if persisted in for long it must be disastrous. In 1949 inflation revived, exports were reduced, in spite of the demand provided by larger releases from the sterling balances, and devaluation became inescapable.

The things that killed the Cripps policies are the new Chancellor's weaknesses also. Mr Gaitskell is conciliatory in manner; he is a trained economist who can be relied on at least to listen to advice. But he is not less a doctrinaire, he holds no less strongly to the belief that present over-full employment must be preserved at all costs, that the inflexible British economy of high Government expenditure and savage taxation can somehow be cajoled and driven into maintaining a sufficient external income even in competitive conditions abroad.

To this must unfortunately be added a further liability. With so short a political experience behind him, as a younger man with his career still to make, it will be more difficult for Mr Gaitskell than for Sir Stafford to disregard the sentiments of his party. However hard he presses his views, they are bound to carry less weight with his fellow Ministers than did those of the Chancellor who, grudging as was the acknowledgment he received for it, everyone knew to have saved his party in 1947-8. Even if Mr Gaitskell is more right-minded than his predecessor he is bound to be a less effective Cabinet Minister. It would, one must trust, be going too far to fear that Treasury control will suffer another Daltonian eclipse. But it is almost certain to slip farther into the background.

This would have been dangerous enough before the Korean war. Now there is little doubt that, without prompt Government action, inflation in Britain will gather considerable force this winter. This is not the stage of preparing for an approaching danger. The inflation has begun: the question is how far it will go. No policy acceptable to any Government could now prevent widespread increases in British prices, costs and profits. Those are the consequences of past policies.

Mr Gaitskell's immediate task is to confine the inflation of costs to what is truly inevitable. All the signs are that it is now in fact being fed by a growing expansion of credit. If the Government is content to wait we may easily find ourselves early next year back in a financial situation very close to that of 1946. It would not be a galloping inflation any more than Mr Dalton's was; but trotting or cantering could be quite enough to turn the sterling area again from dollar surplus to heavy deficit. The inflation can be kept to walking pace in the short run, and before long stopped altogether, only by large economies in the government's civilian spending. Whether or not their preparation is his first concern will be the test of Mr Gaitskell's ability to make his mark as a British Chancellor in spite of all the party pulls against him.

Plain Men and the Pact

In Western Europe's partnership with the United States the stage has now been reached where the common man must get ready to understand yet another set of initials. Having got used to Uno, and very nearly inured to OEEC, he must now prepare to cope with NATO. That this stands for the North Atlantic Treaty Organisation, and that this is an immensely important body with a function and identity of its own is self-evident only to a few officials and staff officers in Nato capitals. To the common man in this country Nato has no personality at all; and on the Continent a hundred will cheer the struggling but powerless Council of Europe for every one who will say a word for the mighty Council of the Atlantic Pact.

This may be because so much of its work has been kept secret - quite unnecessarily secret in many cases; and because there is a persistent and highly intelligent propaganda campaign against the Americans both in this country and on the Continent. But that so little gratitude, interest, enthusiasm are felt for this body - offering not only security against war but the most fascinating possibilities of new relationship between the free democracies on both sides of the Atlantic - is due quite simply to this fact: that there is still nothing of importance - save communiques and committees - to which people can point and say: 'without Nato this could never have been achieved'.

During the present and coming week there is to be a series of decisive committee meetings which should yield, among other things: the plan for an 'integrated international force'; the plan for equipping and paying for it; the plan for sharing the contributions of manpower, materials, production and money over the next three years; the decision 'in principle' whether the Germans are to make any contribution; and lastly, the calculation of aid that is to be asked of the United States for its impoverished and - let it be said - so far timid and reluctant partners in rearmament.

Clearly those are all very important decisions; progress over the next three years can hardly be made without them. But the ordinary man asks whether they are being taken by methods and by persons capable of yielding the quick results which the military weakness of Europe demands. As the day-to-day news will show, they involve meetings of twelve Defence Ministers and twelve Chiefs of Staff in Washington; long sessions in London by twelve Deputies of the Foreign Ministers; detailed calculations of manpower, weapons and equipment by the three-power Standing Group in Washington; a further study by the Deputies of economic possibilities, short-term and long-term; and then, at the end, a hardfought battle to decide how much American aid shall be given

Compare this procedure and these plans with what ordinary people expect of the Atlantic Pact. First, at any rate on the Continent, they want to see in or near Germany air and ground forces sufficient not only to deter the Russians from reckless action but to give a strength to western diplomacy that does not rest entirely on superiority in atomic weapons under the sole control of the President of the United States. Until this is done - or there are clear signs of an intention to do it - rearmament in Europe will be a half-hearted business. The second thing that ordinary people look for is that each member of Nato should take on those defence tasks for which it is most clearly fitted, that each nation should do one or two things well and not half a dozen things fairly well or badly. If there is to be integration, its result must be greater power and efficiency for the whole than the parts can achieve separately. The third thing that is looked for is a method of rearming, training and equipping forces that will be cheaper than the methods of previous rearmament programmes.

It is true that this combination of demands is not altogether reasonable: integration is bound to be a lengthy and experimental process; the sharing of burdens presents political difficulties; the economies of standardised weapons and rationalised production come at first only slowly. But in his first demand the ordinary man is surely right. If Nato were arranging now for greater strength in Germany; if the Supreme Commander and his chief of staff had been chosen; if the headquarters had troops to command, and if the soldiers had practised cooperation as eagerly as the sailors and the airmen - then it could be confidently felt that Nato was not just another piece of planning for planning's sake but an efficient defence executive in the making.

In short, the layman refuses to be daunted, as the staff officer and the official are daunted, by the tug-of-war between long-term and short-term policies that has gone on since 1945. He asks for action and visible results now from a body whose first purpose is to keep the peace and protect western Europe from invasion.

If this can be done only by streamlining the immense committee structure, by appointing to Nato national representatives who can report direct to Prime Ministers, and by concentrating executive powers into a few hands, then - for the short-term task - let those things be done. The danger at the moment is that the working of Nato should become an end in itself, and that ordinary people should come to the conclusion that rearmament is not, after all, urgent.

NOTES OF THE WEEK

Molotov Cocktail

These are days of bewildering activity in the public diplomacy of the power blocs. Mr Vyshinsky at Lake Success has been showing inklings of reasonableness on one or two matters, and it was - by Uno standards - a quite statesmanlike debate that led last week-end to agreement by the Political Committee that the Big Five should try and settle some of their differences by consultation. So much initiative has fallen into western hands through the Korean fiasco, the further progress towards west Germany's independence, and the passing of the Acheson security plan, that Moscow may well feel it is time to try the effect of the smile on the face of the tiger.

Yet the tiger goes on snarling and padding around in the dark. The declaration that came from Prague last Saturday was, it is true, a clever rather than a fierce document; and there is nothing in it that has not been foreshadowed in Moscow's German policy during the last two years. But it is hard to believe that either Mr Molotov, or the Foreign Ministers of the Cominform governments and Eastern Germany, think its terms acceptable to the Americans, British and French. Dr Adenauer, indeed, smartly got in first and asked just the right questions. If occupation forces are to be withdrawn after a peace treaty has been settled with a united Germany, how far away will the Red Army move? And how are free elections to be possible with eastern Germany's present superiority in armed men and after the 99 per cent result recorded by the Communists on October 15?

If Mr Molotov wanted to do more than reassure his satellite colleagues about his German policy or complicate the debate about the west German contribution to the new Atlantic Pact forces, there are several more convincing moves he could have made. He could have replied to the western proposals for free elections throughout Germany, and to their inquiries about the large para-military forces in eastern Germany. Instead Mr Molotov has merely reiterated the familiar chief points of the Soviet propaganda line: the appeal to the German people's desire for unity and peace, the insistence on a return to the legal basis of Potsdam, and the hint that Soviet troops might retire behind the Elbe. It is a formula for deadlock.

Paris Versus Bonn

Whatever may be the effect on the Kremlin of Dr. Adenauer's reply to Molotov, it will not soothe the Quai d'Orsay. In the past few weeks French officials have gained the impression that Germany's leaders are once again preparing to settle issues by means of ultimatum and blackmail.

Until mid-summer, there was every sign that Western Germany would take part in the Schuman Plan as a step towards the integration of Western Europe, political and economic. For two reasons the German delegation had, at this stage, been instructed by its government to cooperate fully. The politicians in Bonn saw the plan as a way in which Germany could share as an equal partner in Western councils. At the same time the Ruhr industrialists hoped it would help them to meet what seemed to be a rapidly approaching buyer's market for both coal and steel.

The Korean war created entirely new conditions. On the one hand all signs of a buyer's market disappeared; on the other hand Washington, followed by London, became obsessed with the urgent need for an army in western Europe, ready to check a Soviet attack. Thus, when the Big Three Foreign Ministers met in New York last month it was chiefly to discuss an unrehearsed demand from Mr. Acheson that an immediate decision be taken in principle to arm German divisions.

Almost overnight the French found that they were dealing with a new Germany. In Paris the representatives of the German industrialists began to discover flaws in the Schuman Plan. Meanwhile in Bonn Dr. Adenauer chose as his new Minister of the interior Dr. Robert Lehr, a former member of the German steel cartel who had only recently made a forthright attack on the Schuman Plan. Both Dr. Lehr and fellow industrialists have made it clear that the German steel cartel is determined to throw off all allied controls, to regain all its former powers and to negotiate with its neighbours on its own terms.

At the moment the deadlock between Paris and Washington persists. The French stand by their earlier - and perfectly reasonable - view that the formation of an integrated international force must precede the arming of any German troops. Developing this view further, the French Government has now put forward two new proposals; that the continental force - not the British and Americans - be placed under a European Defence Minister and that the Schuman Plan be expanded to provide for complete coordination of the western European arms industry.

Emergency Powers

It is hard to understand why the Commons on Monday allowed the Government to get away so easily with the renewal for another year of the Supplies and Services Act and other emergency laws. Everyone knows that the Government would have wanted to keep many of the wartime defence regulations alive even if there were no rearmament programme. To rest

their plea almost entirely on the needs of rearmament, as Ministers did, would have got scant respect if the Conservatives were not still by temperament the party of authority. The Liberal protest was inevitably ineffective.

No one supposes that all the reserve powers given to the executive since 1938 can now be swept away. What is entirely objectionable is that a great mass of these powers should be renewed, after one short debate, on the vague plea that the Government may at some time need some of them in a hurry. Mr Morrison admitted that 'at the appropriate time' there should be permanent legislation to define the sphere in which the Government may make regulations. He did not explain what may be supposed to make 1951 or 1952 more appropriate than 1949 or 1950. The last thing that is wanted is, in any case, a general consolidating act. That would inevitably confirm the executive in wide powers without adequate debate. If a Socialist Government feels that it must always have in the background the right, say, to direct labour without fresh legislation, then that specific power ought to be delegated by a particular act of Parliament. If Ministers had to frame a series of such acts they would quickly find that they could get along with far fewer powers than they will think essential as long as Parliament makes their retention easy.

Labour Answers Blackpool

That Mr Bevan should respond to the Conservative demand for 300,000 houses a year with a virtuoso display of righteous indignation is so normal as hardly to be worth comment. Rather more interesting is the response of that apostle of conciliation and sweet reasonableness, Mr Herbert Morrison. He makes no overt accusations of hypocrisy and finds no speculative builders under his bed; but the pains which he took, in his party political broadcast of October 21st, to brush aside the Blackpool resolution as an impracticable dream, to be contrasted with solid Labour achievement, indicate an uneasy suspicion that the raising of the Conservative bid may be effective with the voters. The spectacle of Labour denouncing as Utopian a Conservative programme of social betterment has its humorous side, the more so as - unless the Conservatives are willing to offer the electorate a realistic programme of capital cuts to match their projected housing expansion - the denunciation is perfectly justified.

The disturbing element in Mr Morrison's speech is the resurgence of Utopianism in world affairs, the attempt to appropriate the leading idea of President Truman's Fourth Point as a Labour specific and thus to recapture a tactically useful preeminence in conspicuous idealism in a field where voters have little chance to check performance against promise. The Labour attitude to European unity can serve as a warning of what may happen to the idea of international co-operation for the advancement of backward areas if once that idea is envisaged as a trump to be laid on the Tories' domestic ace.

The Printing Dispute

The Court of Inquiry into the dispute in the London printing trade has now published its conclusions. They have been worth waiting for, since they reveal a clear understanding of the problems of the industry. On the substance of the dispute the Court finds, on balance, in favour of the employers. It is true that the report recommends an increase in the minimum wage from £7.3.6d. per week to £7.15s., but this recommendation is subject to two conditions: first, that it shall be

> linked with conditions which will ensure a long period of stability in the industry, an increase in its manpower, and the adoption of working arrangements which will facilitate greater output;

and secondly that it shall in fact be no more than an increase in the minimum, without any increase to those who were, before the dispute, receiving more than the minimum. On the question of manpower in the industry - the other main bone of contention - the Court finds that the union has been unduly restrictive and recommends it to admit adult entrants. On the methods by which the dispute has been conducted, as distinct from its substance, the Court uses very strong language towards the union: it has adopted an 'intransigent attitude' and has been 'determined to exploit its key position without regard to the interests of other sections of the industry.'

We appreciate that many of our readers, particularly those overseas, must be very perplexed by this dispute. To set out all its intricacies would require a great deal of space. Put very briefly, however, the substance of the matter is that in the absence of negotiating machinery for the printing industry as a whole, each section in turn feels itself aggrieved. As the report of the Court of Inquiry puts it,

> The present practice of 'leap-frogging' demands from individual unions has kept the industry in a constant state of unrest for over three years, and it is vital that it should be brought to an end.

The way to do this is to set up a Joint Industrial Council empowered to make wages agreements for the whole industry. The other main issue at stake has been that of fair play and honest dealing in the conduct of a dispute. As one of the victims of the dispute, we feel that it would be far better that it should continue than that it should be settled in any way that compromises the main issues at stake.

Korean Reconstruction

As the United Nations forces complete their occupation of North Korea, it must have become clear even to the Communist world that this Soviet puppet has been left to its fate, at least for the time being. The North Korean authorities fled from their capital, Pyongyang, at the end of last week. In spite of sabre-rattling in Peking, the Chinese have - sensibly enough from their own point of view - made no move. Tass, the Soviet news agency, has gone so far as to alter its version of the text of a last-ditch appeal to his people by Kim Il Sung, the North Korean Premier, from the statement that 'we are receiving the absolute support of the Soviet Union and the Chinese people' to 'the sympathy of all progressive mankind'.

The people of North Korea certainly do have the sympathy of the whole world. For now that the fighting is at its last stage, the political and economic problems of pacification are becoming acute. Already, for instance, Mr Syngman Rhee, the South Korean Premier, is at loggerheads with the new United Nations Commission, which is to establish a single Korean state. He disputes its wise decisions that the authority of his government must be confined to the South, and its own view that fresh elections also should be held there at the same time as in the North. The task of fusing this government into a new administration for united Korea is indeed prickly, since Mr Syngman Rhee has done little to earn the support of progressive opinion in the non-Communist world.

The Americans propose setting up a United Nations Korean Reconstruction Agency, led by an Agent General and responsible to the UN General Assembly. As the major share of relief work will undoubtedly fall on them, their plan for this agency should be accepted. There is no reason, however, why the Russians should not contribute; to their astonishment they were voted on to the seven-member UN committee drafting measures for relief. It would also be of real value to future relationships in the Orient if the Chinese could be asked to associate themselves in some way with the Reconstruction Agency.

France and Indo-China

The unhappy French government finds itself in an almost impossible position over the war in Indo-China, from which the growing casualty lists are increasing the sense of despair, frustration and irritation throughout France. With a general election in prospect next spring no party - except the Communists - cares to commit itself to any clear statement or to admit that the war may have been in vain. That is one of the main reasons why General Juin has been sent to make a report. His report, which should be available next week, will be used as a gospel and may prove to be one way out of an internal political impasse. From M. Pleven, the Prime Minister, downwards there is increasing tendency to say the best course may be to withdraw, politically and militarily, if only terms can be established which would give Bao Dai a chance to carry on alone, safe and free.

On the other hand, a kind of paralysis is setting in, particularly among certain French colonial officials. Some want to hang on at any cost, in the belief that a world war is coming anyway and if it starts with them in possession they might be restored afterwards. Both tendencies make an appeal to the United Nations difficult, until the military situation in Indo-China itself gets quite out of hand. If anything is to be done, however, such an appeal should be made now as soon as possible, before it is too late.

India's Voice in Asia

When the new United Nations Commission for Korea was formed three weeks ago, many hoped that India would accept a seat on it. Indeed, its participation was thought so important that, on its refusal, the size of the projected Commission was reduced from eight to seven members; as now composed the body will lack some of the authority it would have had if India had been in it. These disappointing hesitations in Delhi have two main causes. There is, first, a determination to avoid full commitments either to the western or to the Communist camp; and there is also a feeling that Delhi has special knowledge of China's intentions, conveyed in the despatches of the ambassador in Peking, Mr K.M. Panikkar, whose relations with the Chinese are at present closer than those of the envoy of any other major power, except the Soviet Union.

Regarded as the voice of free Asia, India's views have lately come to be regarded with something approaching awe both in Washington and London. But in view of India's rejection of a course which other free Asian states - Pakistan, Siam and the Philippines - have accepted at Uno, it might be wiser to regard more critically India's ability to reflect Asian opinion. Indeed, is there even a coherent Asian opinion to be reflected? To judge by the many voices raised at the recent conference of the Institute for Pacific Relations at Lucknow, there is not. Indeed, as Mr Nehru, the Indian Prime Minister, himself said last week: 'To talk of Asia as a political unit is misleading.' It is true that there is growing up in Asia a universal desire for political freedom and economic improvement, with all the repercussions on traditional relationships that this involves. But it is no more accurate to speak of a general opinion in Asia on intricate international questions than it would be in Europe.

The Chinese, moreover, may be trusted to make shrewd use of their access to Mr Panikkar's ear. They know that the gist of his reports, when it reaches London, may at least cause the western powers to waver in a firm attitude to the problems of Korea.

Debts for Dollars

The White Paper on the balance of payments in the first half of the year - which is examined in detail on a later page - helps to make plain the economic tasks to which British policy must now be directed. Since devaluation the United Kingdom has been incurring extra short-term debts to the rest of the sterling area almost as fast as the gold

and dollar reserve of the whole area has been rising. During the first six months of 1950 the claims on London held by sterling countries rose by £200 million while £262 million was added to the reserve. In large part this exchange of debts for dollars was, of course, inevitable. Britain could not expand its exports to the sterling countries as quickly as they could, after devaluation, cut their imports from North America. In fact the expansion of British exports has been far too little to offset the worsening of the terms of trade as the prices paid for British imports have risen. Britain's surplus with the rest of the sterling area was reduced from £135 million in the first half of 1949 to £80 million this year.

Quickly to increase exports to the sterling area is now as important as earning more dollars in direct trade with North America. Britain's own dollar deficit is being - and must be - financed, and the gold reserve increased, from the dollar surplus earned by the sterling area's primary producers. In the twelve months since devaluation Britain has been lucky to do this so largely at the expense of claims on future production. The process cannot go on indefinitely. The claims will be cashed sooner or later - and, with inflation mounting in Australia, probably sooner. The sterling area's dollar surplus has been achieved chiefly by cutting imports from North America. Britain's monetary partners will be content to go on passing their dollars to London only if they can buy what they want here as easily as in the United States. To make the British payments position secure, therefore, the country has in future to increase the dollar reserve not at the expense of fresh sterling debts but by current payment in the form of a bigger export surplus to the sterling area. It will be necessary to squeeze many more exports - not merely, or even mainly, a thin stream of dollar exports - from an economy on which the domestic demands are being allowed to grow still heavier.

Fair Prices for the Colonies

The Colonial Development Corporation shines by contrast with the Overseas Food Corporation, and its better reputation was apparent in last week's debate, which completely lacked the political sparring of debates on the East African groundnut scheme. Members on both sides of the House showed themselves in sympathy with the corporation's aims and anxious to be constructive in their criticisms of its methods.

It may be that the House was a bit too friendly. One or two members suggested that the time had come for the corporation to take stock, to refuse to undertake any new projects and to examine its organisation to see whether its administrative overheads could be reduced. Another question was the extent to which the corporation was going to retain the active management of its many and varied projects. Ought not its main function, or one of its main functions, to be the launching of pilot agricultural schemes rather than the actual running of poultry farms? The place of the public corporation in colonial development has still not been satisfactorily determined, and care must be taken lest in a few years' time the Colonial Development Corporation finds itself out of its depth.

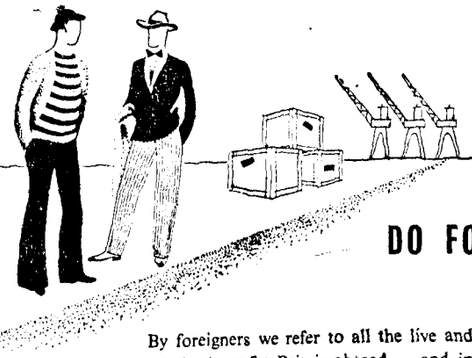
There is, above all, one issue that has not yet been settled. In its last report hints are given that the corporation expects to have some say in the fixing of prices for the products of its enterprise. It appears worried lest, having undertaken some £30 million of capital development at a time of high prices, it should find that the price of colonial produce has fallen by the time its schemes bear fruit. It is right to feel some uneasiness on this score, which must make it doubly cautious in approving a project. But it is wrong if it thinks that the Ministry of Food, or whatever Department is involved, should automatically guarantee a remunerative price irrespective of what happens to world prices. Yet this was the attitude of almost every member who spoke in the debate, and the Government spokesmen did not reject it. Only one member said that the fair price must be a reasonable price and that 'this poor old country cannot be a milch cow for all these schemes'. Great Britain has a duty to help to raise colonial standards of living. But the help should be through investment and taxes, when it can be measured, not through the consumer.

Thunder in Egypt

King Farouk, fresh from his gay holiday in Europe, has returned home to alarms and excursions. The opposition leaders have served on him a memorandum complaining of the Palace entourage, stating that the public breast is 'boiling with anger', and warning him of imminent revolution. The Wafd countered by staging street demonstrations of welcome. Anyone who counted the heads in these could have estimated their cost to a piastre.

The King is vastly unpopular. He is disliked not for his trivial taste in pastimes, but for his taste in friends - often foreigners - and for his waywardness. Though highly intelligent, he is a volatile person with a hand that seems the wrong shape for keeping a steady grip on a tiller. Nevertheless, the Egyptian crown itself is a strong institution, hence the assiduity with which successive governments - whatever they may say while they are in opposition - cultivate 'the palace' when in power. This is what Wafd has done since the elections. Its position is that it enjoys popular support because its sick leader, Nahas Pasha, is a public hero, and it has palace support because other prominent Wafdists are hand in glove with certain palace officials. Therefore the opposition must attack both. Its manifestation is largely a party manoeuvre, and if revolution were to happen opposition leaders would be among the victims.

At present, however, it is difficult to see where the revolutionary leader is to come from. Perhaps he is lying low or being



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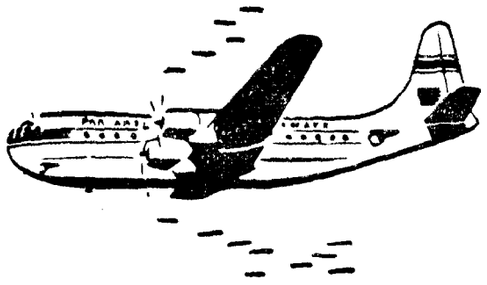
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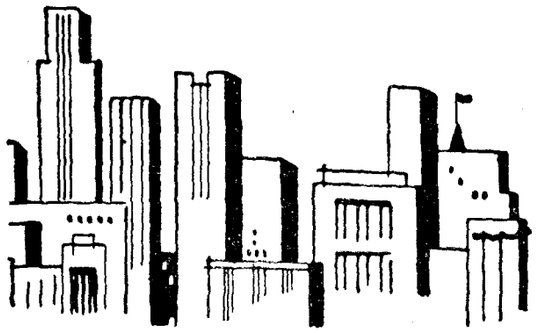
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trained in Moscow. If so, the moment for launching him is more likely to be one when there is confusion and tension in the world than one like the present, when a Soviet puppet has just been worsted.

Can Germans Plan?

The Managerial Board of the European Payments Union have now made the first quarterly compensations under the scheme. With perhaps an excess of reticence, the Board declined to publish the positions of its members, but it is clear that a major feature was the rake's progress of Western Germany. In three months the Germans have acquired a deficit of something over $150 million, at least half their total credit for two years of $320 million. Some of the reasons for the deficit are temporary - such as the anticipatory buying of raw materials inspired by the Korean war - but others are more permanent, and it is clear that the Germans cannot afford to continue borrowing in the conditions which apply to their present position under the scheme.

Only three immediate possibilities are open to the West German financial authorities. The first is dollar aid, on which the Germans themselves have clearly been gambling, but with little encouragement; the second is tighter import and other physical controls, and the third, tighter money. There are already signs of a stricter import licensing policy, but it is doubtful whether the German licensing system is adequate to the task, and even more doubtful whether the Germans would be prepared to supplement it with the necessary internal controls, such as rationing; but it looks as though it will be the first expedient to be tried. It would mean a reversal of Germany's movement towards liberalisation, and the creation of new, or rather the return of old, problems for other participating countries, especially the agricultural producers. Holland and Denmark have relied on Germany as a market and the Dutch in particular have relied on a trade surplus with Germany made possible under liberalisation, to help offset their deficits elsewhere. Tighter money - reduction of demand by financial control - may well prove to be the only effective expedient, but its consequences for Western Germany, with an already tight financial policy and a continual threat of unemployment, would be serious in the extreme.

Vengeance or Reform?

The purpose of the Criminal Justice Act of 1948 is, in brief, to reform the offender if there is the slightest sign of this being successful and to keep out of society for a long period the hardened persistent offender who appears irreclaimable. The Act recognises what penal reformers have long been urging: that a prison sentence, to be effective, must be accompanied by hard work, not hard labour, by the teaching of self-discipline rather than the imposition of petty discipline. Corrective training, in fact, takes time, and for the young lag the short sentence in, if not brutal, at least brutalising conditions does more harm than good both to him and to society.

Many judges, however, would have none of this, and Lord Oaksey appears to be among them. Addressing the Magistrates' Association last week-end, he advocated in effect savage punishment for savage crimes as being the greatest deterrent, although both the evidence and expert opinion, including that of the Metropolitan Police Commissioner, uphold the view that the prospect of a long deprivation of liberty is much more effective. There is no evidence at all for Lord Oaksey's contention that a prison sentence is virtually no deterrent if prison diets are improved and the brutalising conditions removed. Is he, moreover, really trying to suggest that honest normal boys and girls commit crimes in order to escape from the back street and live in the luxury of an approved school? It is fortunate that penal reform does not have to wait for the approval of His Majesty's judges, for if it did, there would be far more crime and criminals at large today.

Visitors to the Exhibition

The persons who visit the Exhibition will, with few exceptions, be the select of all classes in the civilised world. The most intelligent artisans and mechanics - the most skilful manufacturers and machinists - the most advanced of artists - the most learned and intelligent of the aristocracies and princes, from all quarters, will be our visitors in 1851, and the naturally chosen representatives of all the world. They will come for the enlightened purpose of gaining and imparting instruction and improvement; they will be, as the rule, orderly, well-conducted men, given to run about ...and not given to low debauchery...How the increase of people is to be supplied with provisions and water, is for us a more important matter than how they will be accommodated with lodgings. But we believe that both may be safely left to private enterprise and private interest.. If...such an influx of people should be supposed to make it necessary for the Government to interfere with the supply of either food or water, we should regard the moral results of the Exhibition as more likely to be disastrous than beneficial.

The Economist

October 26, 1850.

Letters to the Editor

Consumers' Representation

Sir, - As chairman of one of the committees which you criticise so severely in your emergency edition of October 14th, I must join issue with you in your very sweeping statement that these councils and committees set up in the nationalised industries to protect the consumers' interests have made it their business to defend the Corporations before the public rather than the public before the Corporations. You go on to say that as members of these bodies are appointed by the Minister responsible it is improbable that he will select persons likely to be thorns in the flesh of the Board which he appointed.

On behalf of my colleagues I resent the implication that we are yesmen or there to whitewash the imperfections of the British Transport Commission. I am sure if you had taken the trouble to check the membership of the committee such shortcomings could not be substantiated. I am also certain that this is far from the mind of the Minister responsible.

In examining the work of Consultative Committees it is important to keep one or two factors in mind. We are not there to act as a postbox between dissatisfied users and the various Executives. We are anxious that those who have any complaint should first make contact with the Executives concerned or their representatives. It is only if they fail to reach agreement or obtain a satisfactory answer that we feel we should be called in; I can assure you that those cases which have been referred to us have received the closest examination, and, if we considered necessary, the strongest representation has been made either to the Commission or, failing satisfaction there, to the Minister direct, so far with satisfactory results.

Secondly, our functions should be constructive and not destructive, in an endeavour to assist the Commission to build up an efficient, integrated transport system. My committee has already had differences of opinion with the Commission. If as a result we can get any shortcomings rectified without unnecessary fuss or publicity, then I feel that we are satisfactorily carrying out the work which it is intended we should perform.

The Consultative Committee system is new in industrial life. The general public is still not aware of its existence. If the machinery does not function it is largely the fault of users of transport in not taking advantage of the facilities afforded to them. Surely it is only when the machinery has had a fair trial that it is possible to judge whether it - and those of us who are not only giving our time but also paying for the privilege out of our own pockets - can be likened to the appointed representatives mentioned in your last sentence. The whole reason why we sit on these Committees is that we believe they can serve as a check on any arbitrary behaviour of a statutory monopoly. - Yours faithfully,

EGBERT CADBURY

Chairman,
Central Transport
Consultative Committee
London

Pension Reform

Sir, - During a recent holiday in England I had the opportunity of meeting some retired people whose pensions had not been adjusted to the depreciation of currency and to the consequent rise in the cost of living. Having resided in a country where currency depreciation has caused greater havoc than in England, I venture to submit for consideration a remedy which has been put into practice in France with a view to improving the sorry condition of pensioners. It is based on the simple principle that, in each profession, the active members must support the retired members. An equitable pension scheme ought to fulfil two conditions, first, to ensure the same pension to two men who have carried out the same duties for the same length of time, irrespective of the year when they retired and, secondly, that pensions are continually adjusted to the cost of living as reflected in the present scale of wages.

Under this system funds need not be accumulated. The question of depreciation does not therefore arise. The premiums now collected from the active members are distributed now to the retired members of the profession. It is more or less the system of state pensions, linked with an automatic increase of pensions in proportion to the increase of wages of the active members.

One must not imagine, however, that the system of 'distribution' is a panacea. It needs careful handling in order to maintain the right proportion between the active and the retired members of each profession. But this difficulty is not insuperable and can be overcome by wise administration. - Yours faithfully,

V.S. GARIBIAN

Paris

Books and Publications

'While Memory Serves' by Lt. General Sir Francis Tuker. Cassell. 667 pages. 25s.

General Tuker's new book is a contribution to history by an experienced, observant, and sensitive soldier. It is not the story of the last two years of British rule in India, but a record of military aid to the civil power in North-East India, amid the communal horrors and political uncertainties of 1946-47. The comparative peace of three quarters of the sub-continent, historically relevant, is barely mentioned. The chronological arrangement and an occasional lack of selectivity impair the sequence and perspective of the narrative. The theme which pulls it together is a testament of the true, impartial temper of the undivided Indian Army, and of the British soldier in India, proved in a furnace worse than any battle.

The author's political and social judgments, notably on the future of Hindu Orthodoxy and Communism in India, have yet to stand the test of time; and, in other respects, certain passages are premature. Wounds have not yet healed, and, even in the interest of truth, salt is not a good ointment. This book, *pace* the publishers, will not encourage Hindu and Muslim to mend their quarrel.

* * *

'The Secret Army' by General T. Bor-Komorowski. Gollancz. 407 pages. 21s.

No matter how high the price of freedom, the Poles have always been prepared to pay it. In the terrible years of German occupation it rose to an extortioner's ransom. The sacrifice in youth and blood made for that pitiless ransom is General Bor-Komorowski's story - the story of how the Poles built up the clandestine 'Home Army', the largest underground force ever created by a suppressed people for their liberation. At the time of the Warsaw rising in August, 1944 its numbers had reached 380,000 of which women formed one-seventh of the strength in the capital.

That such a huge force was raised explains the extraordinary achievements of the Polish resistance army. The author points out that, although five consecutive commanders for the Silesian sector were arrested in two years, there was never the slightest difficulty in finding a successor. And if the ways in which that secret army was operated, or made to operate, still remain somewhat obscure, it is because the narrator has for the most part, and rightly, allowed human incident to tell his story.

With its nerve-breaking turns of fortune and misfortune, its incredible feats of ingenuity, daring and selfless steadfastness in the face of torture and cruel personal ordeal this story makes bleak and terrible reading today. On the political issues General Bor-Komorowski comments with a soldier's restraint; he is writing, after all, primarily for the British public, but he admits at one point that he had 'no illusions where Soviet' Russia was concerned'. He is convinced of Soviet responsibility for the Katyn massacres.

As to the events leading up to the ill-fated Warsaw rising and their political complexities, he writes about them as a man in a dilemma - as well he might be. At last he had his vast army - supplied and straining at the leash; it was the weapon of deliverance against Germany - but what of the Russians? The Red Army guns could already be heard in Warsaw, yet not a single official Soviet liaison officer had appeared and there was a split in the London Polish Government over policy. Sosnkowski wanted to base the Home Army's fighting action on the Soviet Union's resumption of diplomatic relations with his London Government; Mikolajczyk 'seemed to believe in the possibilities of a compromise'. But it was obviously left very much to the General on the spot to decide. Once Mr. Churchill had persuaded Mr Mikolajczyk to go to Moscow, there was a chance that the rising of the Home Army could weight the scales of diplomacy. As the Poles rose, squandering their home-made ammunition with frenzied valour, the Red Army artillery over the Vistula became as silent as the grave. All the Kremlin could see was that the Polish white eagle flying over the telephone building bore a crown. In a few weeks Warsaw was a dynamited ruin and 100,000 of its defenders lay under the debris.

* * *

'Social Case Works in Great Britain' Edited by Cherry Morris. Faber, 223 pages. 12s 6d.

Although much has been written in America this book is the first of its kind to be published in England. The first two chapters are devoted to analysing the principles of social work which has as its object not groups or classes of people but the individual or the family in need. Then follow six chapters showing the professional social worker doing his or her job in a specific setting. The account of how this work began, in the efforts of a few enlightened people to combat ignorance, indifference and prejudice, is admirable; the case-histories quoted are interesting; and what the worker sets out to achieve, and, largely, how she achieves it, is clear.

In a brief concluding chapter there is an outline of how modern psychological theories have affected not only the attitudes of many workers by making them aware of the need to understand both themselves and their 'clients', but also the selection and training of students.

AMERICAN SURVEY

Premature Inflation

Washington, D.C.

The inflationary effect of the rearmament programme in the United States can now be seen; the cause, the programme itself, as is so often the case, will follow later. Up to the present there has been no additional expenditure on defence and on October 17th the weekly Treasury statement showed an accumulated deficit for the fiscal year up to date of only $124 million compared with $2,344 million at the same time last year. But inflation has not waited for any factual justification and its immediate impact on the rearmament programme itself was dramatically illustrated on October 4th by Mr John McCone, the Under-Secretary of the Air Force, who told a sub-committee of the House Armed Services Committee that the rise in prices between April and September had cost the equivalent of 750 jet fighters. A supplementary appropriation of between $315 and $360 million or more would be needed to pay for the additional cost of materials for the 4,428 aircraft to be constructed by 1952; and there would, no doubt, be wage increases to consider later as well.

The steps taken to meet the inflation have so far been cautious - even excessively cautious. When the Korean war broke out the Administration relied - and pretended that it could go on relying - on exhortations and the operation of the public conscience. It was not until September 18th that Regulation W, which set a statutory limitation on hire purchase credit, was put into force. But, as was predicted at once, it proved to be by no means strong enough to have much effect at a time of increasing employment and rising wages. If it had any effect at all it was probably to act as a warning to those who, seeing a long period of prosperity and shortages ahead, wanted new motor-cars and refrigerators, that they had better arrange their credit terms quickly before sterner regulations made buying more difficult.

On October 16th Regulation W was amended and motor-cars must now be paid for in 15 months instead of 21 and household appliances and furniture in 15 instead of 18 months. Down-payments of 25 per cent instead of 15 per cent for appliances and 15 per cent instead of 10 per cent for furniture are also required. The new Regulation W will probably have a significant effect, but even in its present form it may do no more than reduce the level of demand to, or nearly to, the level of supply. It will certainly not cut it to the point where critical materials flow naturally away from consumer goods into armaments.

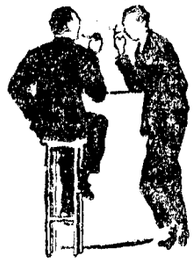
Much more effective will be Regulation X, issued on October 10th, under which mortgages on new houses - though so far only on one or two family units - are controlled. The housing boom had, under the competitive generosity of credit terms, reached the point where 1,200,000 houses are at present being built. Regulation X is designed, and is expected, to reduce this number by a third during the next year. As a by-product, it will probably also have a greater effect on the sale of household appliances than Regulation W because 400,000 of the refrigerators, washing-machines and other trimmings which the speculative builder must now offer will not be needed.

Regulation X is, too, only a beginning. Restrictions on credit for commercial buildings are being drafted and on October 18th Mr William Harrison, the Administrator of the new National Production Authority, had a rather stormy meeting with representatives of the building industry to whom he was trying to explain the necessity for stopping, more directly than by credit regulations, the construction of dance halls, racecourses and amusement parks. Mr Harrison is also getting under way in other directions. Civilian use of copper and aluminium will be controlled, as rubber already has been, and before long the same types of priority controls are expected to be put on steel and, later, on other materials.

But up to the present the emphasis has been on the redirection of supplies required by the rearmament programme rather than on the direct control of inflation. The supplementary tax bill, the mortgage restrictions and the credit controls added together do not go very far towards closing the prospective inflationary gap. The kind of measures which are needed to do that are those which must, of political necessity, wait until after the election. When Congress comes back at the end of November it will be faced with a task which, superficially, will be much harder than it would have been had it been possible to undertake it earlier. But it is probably not, in spite of appearances, too late for resolute action. It has been estimated that actual cash expenditures during the fiscal year ending June 30, 1951, will be only just under $5 billion more than in the previous year. Cause is, therefore, following effect at a respectable distance.

By the second quarter of 1951, however, a larger labour force, longer working hours and wage increases will have produced a demand for goods and services which cannot be

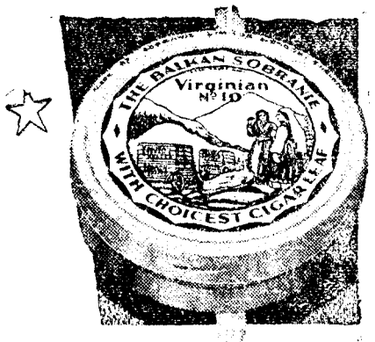
'AMERICAN SURVEY' is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.



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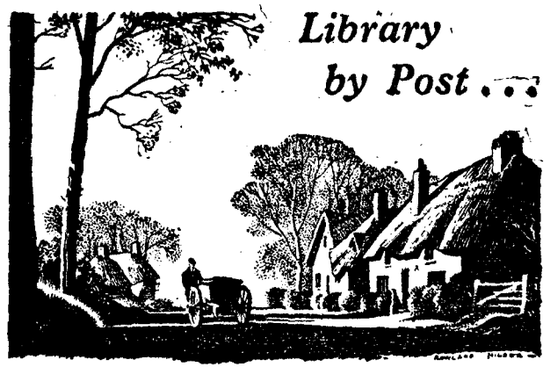
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controlled except by a much more drastic reduction in the availability of credit and by new taxes designed to produce a budgetary surplus. If these two things can be done in the last weeks of the present Congress or early in the new one, the inflation which has already taken place - and some was inevitable over the next twelve months - may be enough to soak up the balance of the surplus demand. In which case, the period of inflation without armaments will be followed by one of armaments without inflation.

American Notes

Peace and Progress

President Truman, in his address on the fifth anniversary of the United Nations, repeated in general international terms what he had said in specific American terms at San Francisco a week earlier, and added a special plea to the United Nations to continue to work for effective disarmament. Korea has, in his opinion, shown that the United Nations Charter works and has given a new impetus to peace and progress, the only constructive answers to the Communist challenge. The Korean campaign is already 'the symbol of the resistance of a united humanity against aggression' and Mr Truman is determined that Korean reconstruction shall become a symbol of international co-operation for improving the conditions under which people live.

Congress is to be asked to finance relief and reconstruction in Korea and this problem was one of the chief subjects discussed at the President's famous meeting with General MacArthur on Wake Island. This meeting turns out to have been a much more clear-cut proceeding than could at first be discerned through the fog of rumour that reporters built up on hints from 'official spokesmen.' The President finally dissipated the fog at his press conference last week with a shaft of furious lightning directed especially at the speculation on what had been decided about Formosa. There was nothing to decide, said Mr Truman, for the decisions had been made (by him alone) five weeks earlier. For the present, it appears, the US fleet will go on neutralising Formosa; for the future the United Nations will decide its status.

Communist Dead-line

The day has come and gone on which Communists, Communist-action and Communist-front organisations were supposed to register under the Subversive Activities Control Act, and no one has signed up voluntarily. Now the Department of Justice must go and get those who it thinks are Communists and bring them before the new subversive activities control board. It will take millions of dollars and many years to get through all the legal processes required if the 55,000 alleged Communists in America are to be forced to register.

Long before that, the whole procedure may have been shown to be unnecessary. The Administration has always contended that the Smith Act, under which the eleven Communist leaders were convicted for conspiring to overthrow the government, is all that is needed; the Supreme Court has now agreed to review these convictions and is expected to rule on the constitutionality of that Act.

Congress will be more ready to amend the Subversive Activities Control Act after the election in consequence of the Department of Justice's decision that Spanish Falangists are inadmissible to the United States, under the section which forbids entry to persons with Communist or totalitarian connections. Senator McCarran, the author of the Act, will take the plight of his special pets more seriously than he has that of the many Italian musicians who have been herded on to Ellis Island, even though he claims that this is merely part of an Administration attempt to discredit the Act. In order that the Island should not become an overcrowded concentration camp worthy of any Communist or totalitarian country, the State Department suspended all outstanding visas for reconsideration, with the result that US Consulates abroad have been made demonstration centres for the shortcomings of American democracy.

Politicians in Glass Houses

Democratic politicians in New York have stumbled upon a rare opportunity to be self-righteous at Governor Dewey's expense and they are making the most of it. Politicians who live in glass houses evidently are an exception to the rule, particularly when their party is under fire for tolerating a gambling syndicate in Brooklyn.

It now appears that, when Mr Dewey patriotically decided not to retire from public life after all, the rejoicing in the Republican party was less than unanimous. In a letter to one of his backers Mr Hanley, who had been promised that he should be the candidate for the Governorship, reveals that he stepped aside only when he was given, in addition to the nomination to the Senatorship, an offer to discharge his private debts, a promise of a secure state job if he failed to dislodge Senator Lehman, and an assurance that his salary as Senator would be augmented by a state pension. None of Mr Hanley's explanations is convincing, and the existence of some such deal is hard to ignore.

Mr Lynch, Governor Dewey's Democratic opponent, is taking a high line and demanding grand jury and Senate inquiries into an alleged violation of that part of the penal code which prohibits the bartering of public office. But promises of appointment, after all, are the coin in which all parties deal; Mr Impellitteri, the independent candidate in the New York mayoralty triangle, volunteers that he was offered a $28,000-a-year job if he would oblige the Democrats by standing down. What is really disillusioning is not that Mr Hanley was persuaded to give up his ambitions to become Governor, but that a man of 74, with failing eyesight, was encouraged

to aspire to a Senate seat for which he is clearly not qualified.

The Hanley letter reached the Democrats because of the indignation - perhaps not altogether disinterested - of its recipient. There is a story that it was speeded on its way by a Republican supporter of Senator Taft and consequent critic of Governor Dewey. When Mr Dewey re-entered the political ring, there was much speculation that perhaps he had not given up hope of the Presidency, after all. Last week he announced firmly that 'under any conceivable circumstances' he would not be a candidate a third time. But he threw down a challenge of another kind to Senator Taft and the conservative and isolationist wing of his party when, on a television programme, he rang up the curtain on a new Eisenhower-for-President boom. If Governor Dewey cannot be king, he can aspire to king-making, and General Eisenhower's amiable disclaimer sounded less final than it has in the past.

Calling Up the Ships

Of the six new express liners that were to give foreign shipping lines a run for their money, four have been called up as troop transports: the superliner *United States*, and the *Presidents Jackson, Hayes,* and *Adams*. The *United States*, originally scheduled to be completed in 1952, will be able to carry at least 12,000 troops; if it had been ready this summer, it could have landed a division in Korea within two weeks of leaving New York. The other three smaller vessels have troop capacities of about 2,500. The government is contributing more than half to the cost of each, through construction subsidies and special defence features which enable them to be transformed from luxury liners into military auxiliaries with little waste of time or effort.

The industry is disappointed at the indefinite postponement of its bid for the blue ribbon. But it is delighted that defence needs have so soon justified the liner programme, and shipbuilders naturally hope that new legislation expanding subsidies and a large building programme will sail through the next Congress before favouring Korean winds. More money for more liners is not likely until an investigation shows whether the Maritime Commission (now reorganised inside the Commerce Department) was grossly extravagant in its distribution of subsidies. But the new Maritime Administration is already pressing for $250 million for cargo boats, on the ground that the Victory ships in the reserve fleet are too slow to be safe or economical. Design work has already been given out for a 20-knot ship, with twice the speed and two and a half times the carrying capacity of the Liberty ships.

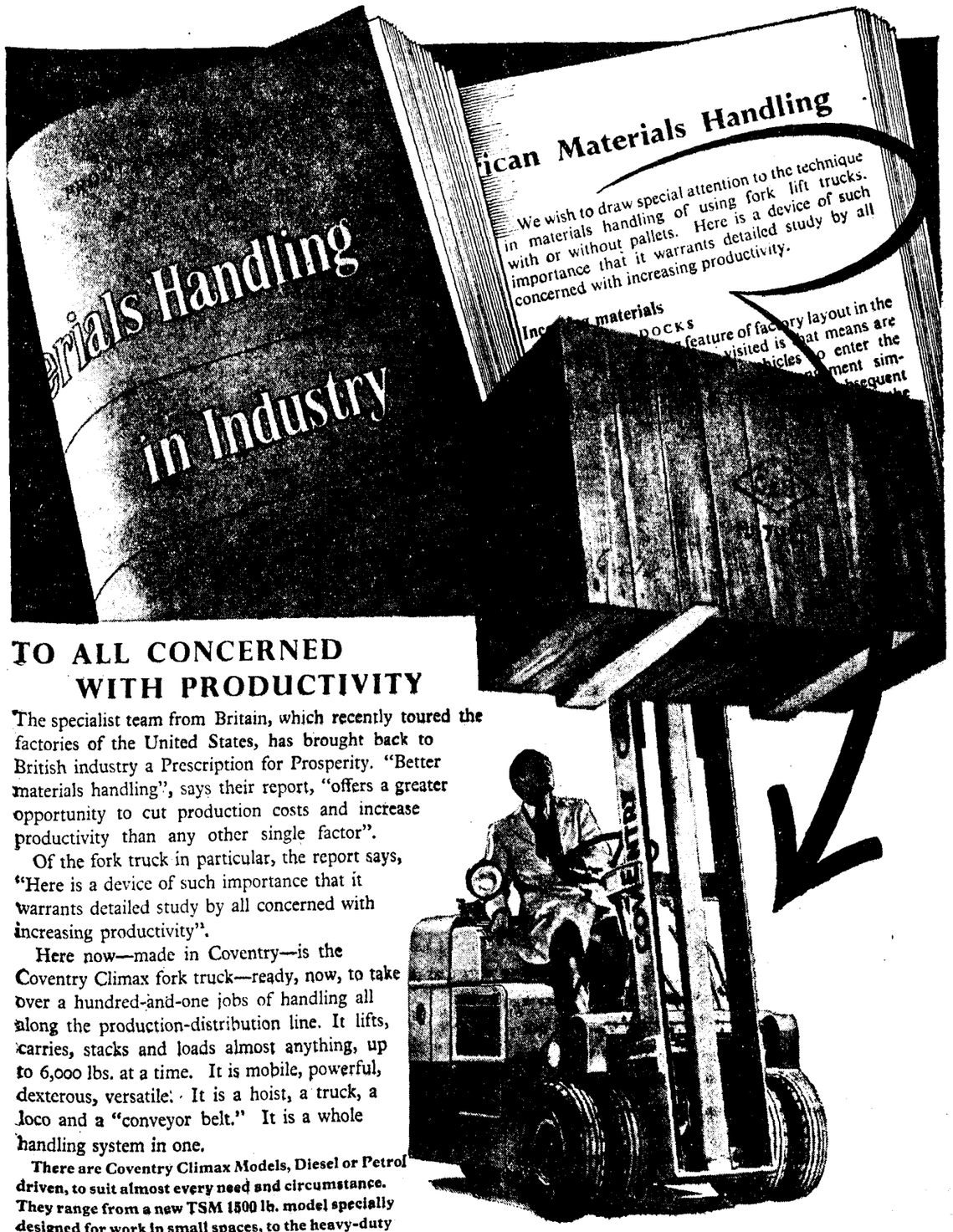
The Bureau of the Budget has so far failed to give its approval, presumably in accordance with the Administration's view that one promising way of easing the dollar shortage is to give foreign shipping a larger, rather than smaller, share of the trade. A big shipbuilding programme not only would mean an expensive duplication of effort, but would further reduce foreign earnings. This view is hotly contested by the industry, and six subsidised lines and the Maritime Committee of the Congress of Industrial Organisations, who have sometimes worked together successfully in the past, have officially joined hands to 'educate' the public in the need for more subsidies and smaller taxes, and the danger of relying upon foreign fleets in an emergency

Doctors in Arms

Three military hospitals are being reopened to deal with casualties from Korea and young men are no longer judged unfit for conscription because they have fewer than sixteen teeth. The Army has thus a rapidly growing need for doctors, dentists and, more unexpectedly, veterinarians, none of whom are showing any enthusiasm for joining the forces. Their reluctance is in part explained by the services' reputation for failing to make the best use of the medical skill at their command and by the great shortage of civilian doctors, which might be catastrophic in the event of air-raids.

But it is surprising that there has not been a greater readiness to volunteer amongst the young doctors and dentists who received their training at government expense during the war or were deferred while they completed their training at their own expense and who, in the end, only saw active service for a few months, if at all. The recent special legislation, for conscripting medical men up to the age of 51, was directed largely against this particular group and the Army expects to be able to get about 5,000 doctors and 3,000 dentists in this way, enough for its immediate needs. The prospect of conscription does not seem to have stimulated volunteering, as both Congress and the Army hoped it would, in spite of the $100 a month bonus and the immediate commission given to those who come willingly.

It would be easy, but hardly fair, to explain the doctors' apparent neglect of their duty to fight for their country by their preoccupation with their fight against their government. The American Medical Association seems to regard 'socialised medicine' at home as a greater danger to the nation's freedom than the Communist threat abroad, but not all its members go so far. Many of them objected to the compulsory levy of $25 a head, out of which comes the $1,100,000 the association spent in the last few weeks on a concentrated advertising campaign against the Administration's compulsory health insurance plan. As a result few Americans will go to the polls next month without having heard of the government's attempt to guarantee medical care for every citizen. Democratic candidates hope, but not very confidently, that the campaign may defeat itself by winning votes for the government making that attempt.



TO ALL CONCERNED WITH PRODUCTIVITY

The specialist team from Britain, which recently toured the factories of the United States, has brought back to British industry a Prescription for Prosperity. "Better materials handling", says their report, "offers a greater opportunity to cut production costs and increase productivity than any other single factor".

Of the fork truck in particular, the report says, "Here is a device of such importance that it warrants detailed study by all concerned with increasing productivity".

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THE WORLD OVERSEAS

Cures for India's Poverty

(By a Correspondent)

Of the development schemes considered at the recent Commonwealth Conference by far the largest is that for India. This involves an expenditure of about £1,380 million, of which £600 million is sought from outside sources. Much of this will be spent on agriculture. Three Indians in every four make their living from agriculture, yet agriculture is the least productive of all India's occupations. Yields are at present no higher than when Buddha preached, and total output is little greater than half a century ago. But, though agriculture remains stationary, the population goes up by 1 per cent every year; and so the rural standard of living goes inexorably down, however this may have been concealed over the last few years by the improvement in the countryside's terms of trade with the towns. Today there is only one cultivated acre for each of the 250 million people who live off the land; and that acre produces only a third as much rice as in Japan, or a third as much cotton as in the US, or a third as much wheat as in England.

The inevitable consequences are an upset balance of payments and a subhuman poverty for millions. India has more acres under cereals than any other country in the world, and more under cotton than any country except America; but in 1949 it had to import 3½ million tons of foodgrains and £75 million worth of cotton. Even then 130 million people had to be content with 1,500 calories a day each, the diet of the least favoured classes in Germany in the days when German hunger shook the conscience of Britain and America; and India had available only half as much cloth per citizen as the Gold Coast. Before the war India was the world's greatest exporter of groundnuts; today there are not enough for India's own needs. Calcutta was built on jute; but India last year imported two-thirds of its requirements. A hundred years ago there was land enough for all; today one family in three is landless. Moreover, other outlets are rare, since the poverty-stricken countryside provides only a poor and limited market for industry.

Starvation of the Soil

In India, therefore, an increase in agricultural production is truly a panacea. If the land could be made as productive as in Japan or England, there would be no more risk of revolution, no more difficulties with the balance of payments, no more grinding poverty. If India's annual 60 million tons of food could become 74, if its 3,000,000 bales of cotton and of jute could each become five rationing, budgetary limitations upon development, and susceptibility to economic pressure by Pakistan, would all be swept away in a great economic renaissance.

It can be done. The remedies are well enough known. The two most important are more fertilisers and more water. The soil is starved, because for centuries it has been growing nitrogen-exhausting cereals without replenishment. Religion makes night-soil taboo. Cow-dung is burnt for want of firewood; refuse and urine are wasted. The land is rarely fallow and never laid down to grass. The only nitrogen-fixing crops grown are pulses and groundnuts. The lack of water is more serious still. Only two-fifths of India's cultivated area has an assured water-supply; for the rest a poor monsoon, or simply a badly-distributed monsoon, means famine. Every year the monsoon fails somewhere; this year it is Madras, last year it was Gujerat; in 1943, as everyone remembers, it was Bengal. The protection which irrigation affords has been given to 49 million acres, more than anywhere else in the world, but still it is only a quarter of the area which needs it.

How to Increase Output

More irrigation, however, takes time and money. Fertilisers pay for themselves at the very next harvest. The first need is to turn every available ounce of refuse and cow-dung in the countryside into compost, and every ounce of night soil in the cities into sludge. Direct application of rural night-soil to the land is dangerous to health, but city sludge is germ-free. This alone could increase output by 30 per cent. One could get perhaps another 20 per cent by a series of minor measures - from improved seed, by ploughing along contours and growing more crops like Sann hemp to use, for example, as green manure.

Immediate help on a large scale must come, however, mainly from a greatly extended use of artificial fertilisers. India at present uses a featherweight of 250,000 tons, one-sixteenth as much as Japan for 15 times as many acres. The Government is aware of the need and is building a plant at Sindri which will produce 500,000 tons of fertilisers a year in five years' time. But one Sindri is not enough; half a dozen are required. Meanwhile the filling of the gap should be left to the private enterprise which sold 100,000 tons to the peasant at the bottom of the slump. The present Government monopoly has to give a subsidy at the height of the boom in order to sell hardly more, although each cwt. of sulphate of ammonia gives 3½ cwt of paddy - at today's prices a return for the peasant of 170 per cent on his outlay.

Unemployed in Belgium

(From a Special Correspondent)

Belgium is still, with Germany and Italy, one of the few European countries where the problem of unemployment causes concern, although the general economic situation has remained satisfactory. It first became important in Belgium at the end of 1948 and the post-war peak was reached in January, 1950, with a total of 309,000 registered unemployed, about 15 per cent of the insured population. But during recent months, apart from seasonal influences, the first beneficial effects of the financial measures taken at the end of 1949 and of the improving economic conditions have been felt. After the abnormal period of holidays and social troubles which characterised the months of July and August the number of unemployed has now fallen to roughly 160,000 at the beginning of October, 1950, against 250,000 in October, 1949. The number of completely unemployed fell from roughly 165,000 to 108,000 during the period.

At the end of 1949 the Government took three main measures to check the growing numbers of workless people. First the 1950 extraordinary budget, which includes financing of public works, subsidies to private construction and most of the unemployment allowances, provides for an increase from 15.8 milliards of francs in 1949 to 17.5 in 1950. Then the rate of discount was lowered from 3.5 per cent to 3.25 per cent in October, 1949, and a reform of the banking organisation was prepared in order to facilitate credit to the private sector. Finally the payment of indemnities for war damage was accelerated. In fact, the progress of public works and private building with public assistance has been evident for some months, and between April and June, 1950, unemployment in the building industry decreased by 8,000 to 21,000.

Misleading Statistics

As a result of the Benelux agreements, the exceptional expansion of textile exports to the Netherlands during the first quarter of 1950 reduced unemployment in the textile and clothing industries in the month of March from 39,000 in 1949 to 28,000 in 1950. But this temporary improvement, which was felt especially among women and in Flanders, where 70 per cent of the total unemployment is concentrated, has already disappeared with the return to more normal conditions of activity. The metal industry which still had 39,000 unemployed in April, is already beginning to benefit from rearmament. Nevertheless there still remains a considerable number of registered unemployed, accounting, till July, for approximately 10 per cent of the total insured population. The question arises whether these unemployment statistics give a true picture of business activity and employment.

The latest half-yearly census of unemployed in May indicates that 35,000 of the 177,000 totally unemployed are partially disabled or unemployable. In any case, out of a total of 134,000 men more or less employable 45,000 are over 50 years of age and 52,000 are unskilled workers. The OEEC Report on Internal Financial Stability suggests that in April, 1950, of the 221,000 unemployed, 50-75,000 were in transit to new jobs, 50-60,000 were unemployed for structural reasons and a further 50-60,000 for cyclical reasons. This suggests that the figures of registered unemployment in Belgium must be interpreted carefully, especially if comparisons are made with other countries where definitions are different.

Results of Rationalisation

The conditions under which unemployment allowances can be obtained in Belgium seem definitely to be less rigorous than those stipulated in the United Kingdom. For example, with the exception of some restrictions on female workers, almost every occasional worker can be registered as unemployed, because the payment beforehand of a certain number of weekly contributions is not required in Belgium, as it is elsewhere. Also the unemployed worker benefits, except for the first day of unemployment, for as long as he is unable to find a suitable job. Whereas in the United Kingdom limits are set to the period over which he may benefit. Other factors which may partially account for the increase of some thousands of unemployed as compared with 1949 is the reduction of approximately 25,000 in the number of frontier workers or seasonal workers whose work in France or the Netherlands depends largely on conditions in those countries - and the presence of 4,000 foreign workers among the registered unemployed in Belgium.

There are, therefore, several reasons for believing that the figure of registered unemployment gives a misleading idea of the general economic situation in Belgium. This impression is reinforced by the fact that, in many industries where there are still large numbers of unemployed, employers report difficulties in finding the necessary skilled manpower. Likewise, it is remarkable that in many industrial sectors there has recently been pressure to obtain higher wages, even before there was any rise in the cost of living. These various manifestations are usually associated with periods of full employment rather than of under-employment.

High Labour Costs

None the less, there are undoubtedly a large number of workers who have lost their employment since 1948. This cannot be explained, as in Germany or Italy, by a rapidly growing population or by the destruction of productive capacity. It cannot even be explained satisfactorily by a marked recession of business activity. It seems, therefore, that the most important factor in explaining the rise of unemployment from 37,000 in September, 1946, to 160,000 in October, 1950, must be the improved rationalisation of pro-

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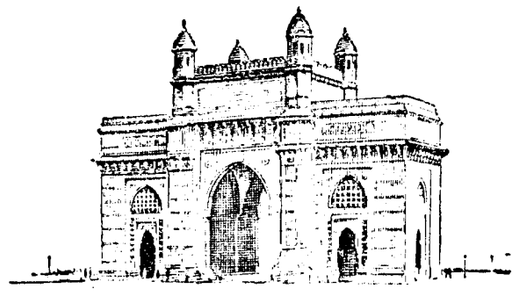
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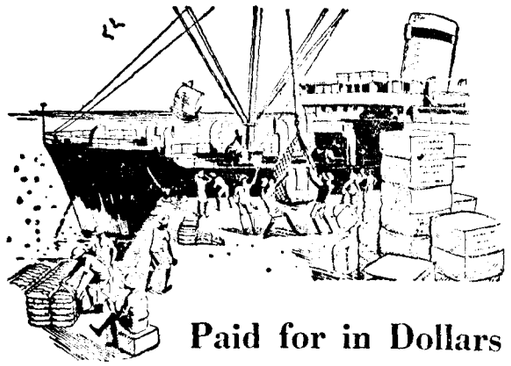
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A sensible policy for process steam - No.21

Better condensate return systems

BY SPIRAX

Nature almost always operates in a cycle. In the steam plant the cycle is (i) the generation of heat in the form of steam, (ii) the utilisation of the readily-available bulk of that heat, (iii) the utilisation of the remaining heat by returning the condensed steam to the boilers, where it began.

As the water of condensation holds some 20 to 30 per cent. of the heat provided by the fuel at the boilers, the condensate return system is an essential item in the economical working of the plant.

There are few places now where that simple fact is not recognised: but there are many where the methods of utilising hot condensate are not as effective nor as profitable as they could be.

Plainly the aim should be to put the heat to work before it has a chance to slip away unused. Yet it is not uncommon to find quite long lengths of condensate piping without heat-insulation, and boiler feed tanks without either insulation or a top cover. It is not uncommon for condensate return systems to waste heat or cause waterlogging trouble due to faulty designing.

Particularly regrettable are those instances where considerable quantities of low pressure condensate are sacrificed because of some expected difficulty or the supposed high cost of recovery; whereas there is available a quite simple pumping apparatus for that very purpose.

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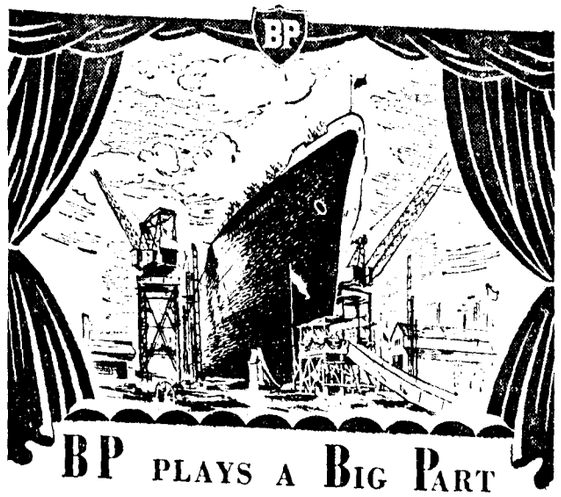
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duction and the ensuing greater output per man-hour. The high level of labour costs in Belgium (now approximately at the index figure of 460 as compared with 100 prewar) in relation to falling wholesale prices (for which the corresponding figure is 367 in May, 1950) has imposed a drastic contraction in costs of production and especially economy in the use of labour. This necessity has been greatly increased since the middle of 1949 by the rapid fall in export prices, which dropped roughly from the index 410 in the second quarter of 1949 to about 350 in the first quarter of 1950.

Every industry and firm is experiencing, in concrete terms, the effects of this economy of manpower, which results from a redistribution of labour as compared with 1946, the modernisation of equipment, and the elimination of the less efficient workers or marginal units of production. This improvement of productivity is, of course, partly due to the end of the sellers' market for labour, and is therefore more precarious than that attributable to modernised equipment. Another reason for the present unemployment is the fact that more than 30 per cent of the unemployed still need training at a time when qualified workers are in demand in many trades.

Fear of Over-Investment

It is difficult to agree, as has been suggested in some foreign circles, that unemployment is due to the policy of monetary deflation which it has been necessary to follow for years in order to make exports possible and to preserve the international value of the franc. But the fact remains that, in relation to other countries, Belgium has been slower to start public works and re-equip public services; the remaining 'Bailey bridge' on the high road from Brussels to Antwerp is often seen as a symbol of this reluctance and delay. Private industrialists have been more anxious than they have been in other countries to avoid any form of over-investment, especially as industrial re-equipment had to be financed from private funds and had not been assisted to any large extent by public financing or ECA grants.

In spite of the efforts already made to promote new industries there still remains, for an economy which is under pressure to improve the productivity of labour, the problem of creating fresh possibilities of employment. They may be found in new lines of production, or in the development of personal services, or by promoting greater mobility, or by envisaging a reduction in working hours and a change in the school-leaving age.

On September 5th the National Council of Employers and Employees *(Conseil général paritaire)* passed a resolution, for transmission to the International Labour Office, to discuss the question of a reduction of working time. It seems, however, that this proposal for an international shortening of working hours, which could have eased the Belgian situation some months ago, is inopportune now. For the new rearmament effort, the prolongation of military service and the better prospects for Belgian heavy industry are likely to stimulate appreciably the present improvement in employment.

Austria Wins a Round

(From our Special Correspondent)

Evidence about what lay behind the recent troubles in and around Vienna is now clearer, and the Austrian Government may now boast that it is not every European cabinet that can claim to have frustrated an attempt to disrupt the life of the country and bring down the regime. The Chancellor, Dr Figl, and his Socialist Minister of the Interior, Herr Helmer, showed justifiable pride in the conduct of the people, and in particular of the Vienna police, when they presented the Federal Assembly at a special session on October 12th with an account of what happened. The western occupation powers can also congratulate themselves on having resisted any provocation to become embroiled in the affair. Only the Soviet commandants intervened to prevent the Austrian police from doing their duty in a number of incidents which Herr Helmer fearlessly denounced.

Cudgels of Steel

The Russians must now bear the odium of interference and - even worse - they must share with the Communists the stigma of failure. The hollow pretence of the Communist peace campaign and their championship of the working people's grievances have seldom been better exposed than by Herr Helmer, when he brandished a bundle of steel cudgels with which Communist 'factory guards' in the Soviet Zone had broken up a meeting of Socialist trade unionists. This incident occurred only last week, after the general strike had been called off, and has been hastily repudiated by the Communist Party. In every way the Communist leaders, of whom only five sit in the Austrian Parliament, are endeavouring to deny that they had aimed at a *Putsch* or that they attacked their fellow workers. At the Allied Commission meeting on October 13th the Soviet representative, confronted with irrefutable evidence, had to make a weak and obviously false statement to the effect that the Soviet authorities were entitled to do what they liked in their zone.

For Moscow Austria has proved a miniature Korea. In the pride of victory it would be well for the Government, the National Bank, the industrialists, the peasants, and, in particular, the army of traders who batten on the Austrian economy, to remember that they owe their survival in the first place to the workers and to the Socialist trade union leaders. More of the British principle of 'fair shares for all' in an era of rising prices would help to ensure that another and better prepared attempt on the regime, if it comes, will meet with equal failure.

THE BUSINESS WORLD

The Balance of Payments

In the first six months of this year the United Kingdom's current transactions showed a surplus of £52 million, compared with a deficit of £34 million in the preceding half-year and a surplus of £16 million in the first six months of 1949. Current and capital transactions combined to produce a rise in official British holdings of gold and dollars of £262 million and in official holdings of other foreign currencies of £18 million, while Britain's sterling liabilities to overseas countries increased by only £131 million. By any criterion of the statisticians's fancy this is a notable performance.

These encouraging figures summarise the elaborately detailed information in the latest Balance of Payments White Paper (Cmd 8065). This document now appears in a much improved form. To give one example, its assessment of the current account surplus is now much more accurate because, at long last, it puts investment expenditure by oil companies and other British enterprises overseas where it belongs - in the capital account. Its thirteen closely packed tables give a clear picture of how sterling has been shunted round the separate monetary areas of the world in the last five years; they supply the answers to many postwar monetary riddles - and pose as many new ones. The analyst of current trends, however, is most likely to look to the White Paper for enlightenment about the remarkable strengthening of sterling since devaluation. Here the most relevant comparison is between the sterling payments account in the first half of 1949 and that in the first half of 1950. The exceptional ebb-and-flow in the second half of 1949, almost exactly divided by devaluation, is better left aside.

Any direct comparison between the experience of sterling in the first half of this year and the first half of last year reveals three points of major interest. First there has been an improvement in the United Kingdom's net receipts from invisible transactions from £59 million to £160 million between the two periods. This striking improvement in invisible earnings more than accounts for the improvement in the balance of payments as a whole, for the deficit on visible trade has greatly increased, from £43 million in the first six months of 1949 to £108 million in the first half of this year. Secondly, only a modest rise has been recorded in the sterling value of United Kingdom exports compared with the figures before devaluation. Thirdly, and most important, a remarkable turn-round is evident in the accounts of overseas sterling countries not only with the dollar area but also with the United Kingdom itself.

On the first of these points - the remarkable improvement in the invisibles - the information in the White Paper is not as complete as one might wish. Some £27 million of the total improvement of £101 million in net invisibles between the two half years arises from increased net shipping earnings and overseas dividend remittances. But the lion's share of the increase (£62 million) is contributed by the item labelled 'Other credits (net)'; this presumably reflects in large measure increased earnings of British oil and insurance companies operating abroad but it is to be noted the list of transactions covered by this omnibus heading takes up nine lines in the notes. The item has some of the appearance of a statistical rag-bag into which any untidy trimmings left over after tailoring the statistics of the current account can be gathered. But on any view this item clearly demonstrates that British commercial, financial and industrial enterprise abroad has served the nation well: it has incidentally transformed a net dollar payment of £31 million on invisibles in the first half of 1949 to a dollar receipt of £19 million in the first half of 1950.

The second important point that emerges from the White Paper can be more clearly described. The United Kingdom's deficit on visible trade deteriorated from £43 million in the first half of 1949 to £108 million in the first half of 1950; this was because imports over this period rose from £958 million to £1,150 million while exports rose from £915 million to only £1,042 million. The rise of £192 million in imports was not beyond expectations. An increase in imports of raw materials from the overseas sterling area accounts for £70 million of it, while raw material imports from the OEEC countries rose by £16 million and from other non-dollar areas by £17 million. Increases in all imports from these three areas amounted to £73 million, £55 million and £68 million respectively. Only from the dollar area did the sterling value of imports decrease, by £4 million to £202 million; these imports represented 17½ per cent of total imports in the first half of this year, compared with 21½ per cent in the first half of 1949. Owing to devaluation, they represented a much smaller dollar expenditure than twelve months ago.

The comparatively small rise in the sterling value of exports between the two half years must, however, be regarded in the

circumstances as disappointing. No doubt the country's export potential has improved since June and rather better results may appear for the current half year. The £127 million increase was almost wholly explained by an increase of £36 million in the sterling value of exports to the dollar area and of £81 million to OEEC countries. The value of exports to all other areas showed remarkably little change compared with the first half of 1949. These figures do not in themselves throw doubt on the improved competitive position of sterling exports since devaluation; but it has not been so potent as to evoke a large demand from, say, South American markets to replace their former imports of dollar goods. Nor does it appear that the rest of the sterling area is receiving in anything like adequate volume British exports to make good their voluntary cuts of dollar imports.

This leads directly to the third point. The White Paper throws some new light on the vast improvement in the external payments of the overseas sterling area since devaluation. In the first six months of 1949 the overseas sterling area ran a deficit with the dollar area of £64 million, it had to pay £35 million sterling to transferable account countries and it incurred a deficit of no less than £135 million with the United Kingdom; its overall deficit must therefore have been of the order of £234 million before allowing for sales to the United Kingdom of newly mined gold. In the first six months of 1950 the overseas sterling area showed a dollar surplus of £65 million, it gained £95 million sterling from transferable account countries and its deficit with the United Kingdom was cut to £80 million. These figures indicate an overall surplus for the overseas sterling area of about £80 million - a turn-round of no less than £314 million compared with a year earlier. These figures strongly suggest that the crisis last year was not solely concerned with dollars. It was also a sterling area crisis, reinforced by improvident releases from the sterling balances. These releases heightened the problem of dollar payments, but their effect on the sterling area itself was masked by hot money movements and British capital investment in Australia and other parts of the sterling area. If there is one over-riding moral contained in the White Paper, it is implicit in these figures. British responsibilities towards the rest of the sterling area have assumed an immediate importance which is no less inescapable than British liabilities in terms of dollars.

A varied *potpourri* of other information rewards closer examination of the White Paper. Even in the first half of 1949, for instance, the Colonial Empire earned a dollar surplus of £22 million and also sold £3 million of newly mined gold to the central pool; in the first half of 1950 its net contribution of gold and dollars rose to £60 million. Another point arises from the somewhat improved official figures on the distribution of the sterling balances shown in the second table. This shows that sterling balances held by OEEC countries amounted to £378 million at the end of June. At first sight this total seems odd, for it has been officially stated in Parliament that only £200 million sterling held by OEEC countries could, after due negotiation, be swept into the European Payments Clearing. Some official elucidation of this discrepancy (which may be explained by sterling holdings not in central bank hands) would be valuable. Who are these Europeans who hold £178 million of sterling that cannot be brought into the EPU accounting? There are a number of further technical points on which the White Paper might be more forthcoming but the official statisticians deserve congratulation for having revealed so dextrously the complicated anatomy of the sterling economy. All the figures now revealed support the conclusion, now rapidly emerging from other evidence, that the fundamental assumptions on which British trade policy has been based for three years call for re-examination.

U.K. Payments by Regions

£ million

	1949 Jan.-June	1949 July-Dec.	1950 Jan.-June
Dollar Area			
Visibles	-111	-140	- 71
Invisibles	- 31	- 20	+ 19
Sterling Area			
Visibles	+ 78	+ 78	+ 13
Invisibles	+ 57	+ 42	+ 67
O.E.E.C. Area			
Visibles	- 9	- 31	+ 17
Invisibles	+ 20	+ 2	+ 34
Others			
Visibles	- 1	- 11	- 67
Invisibles	+ 13	+ 26	+ 40
Total			
Visibles	+ 16	- 54	+ 52
Invisibles	- 43	-104	-108
	+ 59	+ 50	+160

U.K. Assets and Liabilities

	30/6/49	31/12/49	30/6/50
Assets ($ million)			
Gold and Dollars	1,651	1,688	2,756
Other currencies	176	64	115
Liabilities (£ million)			
Dollar Area	19	36	38
Other Western Hemisphere	92	80	89
O.E.E.C. Area	368	424	378
Others	531	503	471
Total non-sterling area	1,010	1,043	976
Colonies	533	534	580
Other sterling area	1,692	1,768	1,917
Total sterling area	2,225	2,297	2,497

Business Notes

First EPU Compensation

The first compensation in the European Payments Union, covering intra-European payments over the July-September quarter, has been completed by the Bank for International Settlements. The management committee of the European Payments Union has yielded to pressure by some of the members and is drawing a veil of obscurity over the results. It is more than probable that this pressure has come from Germany and France, who are at the two extremes in this first compensation. Germany is reputed to have run a net deficit that more than accounts for its gold-free credit line with EPU and has been called upon to make a substantial gold payment. France, for her part, has built up a net credit which entitles her to a gold payment by EPU.

Germany's resistance to publication can be readily understood since the figures suggest that Germany is still in a state of economic disequilibrium which makes its position as a partner in EPU equivocal. French reservations can also be understood, though hardly forgiven. The French stand for a considerable measure of protectionism in the tariff negotiations at Torquay might be undermined through publication of the unexpectedly large credit which France has managed to build up with her European partners during the past three months.

The British Government has rightly decided to go ahead with the publication of its own figures, though it will not divulge the state of its bilateral balances. With the EPU countries as a whole, the Sterling Area built up a surplus of 96 million units (equal to US dollars) during the September quarter. This net surplus was met to the extent of £5,847,000 out of pre-June 30 balances held by the countries indebted to the sterling area. This left the equivalent of $79¾ million as a credit balance to be entered on EPU books in favour of the sterling area. This balance will go to reduce the initial debit of $150 million with which the sterling area was charged when EPU was put into operation. If the trend revealed in sterling area–EPU relations over the past three months is maintained, the United Kingdom should be able to extract some gold from EPU before its first year of operation has run its course, although even when the initial debit has been exhausted, the sterling area will have to extend 20 per cent of its quota of $1,060 million as a credit to EPU before it begins to receive gold.

Exchange Account Borrows Again

The borrowing powers of the Exchange Equalisation Account have been increased by a further £300 million, the second such move in less than five months. The total borrowing power of the EEA has now reached £1,175 million - good evidence of the continued inflow of gold and dollars into the British reserve. The current value of that reserve should not be confused with its book value to the EEA since nearly half the gold held in the account was acquired at prices lower than that which has obtained since devaluation in September 1949. The previous increase in borrowing powers was announced on July 5th and it is known that between July 1st and September 30th the Exchange Equalisation Account had to take up an additional £119 million in gold and dollars.

Unless the Account, through some abstruse internal accounting mechanism, had obtained an advance of sterling before the £300 million increase in its official borrowing powers was made on July 5th, it follows that upwards of £180 million must have remained in hand at the beginning of October. If the further increase in borrowing powers is intended for immediate use, it would follow that the inflow of gold and dollars since the beginning of this month must have been considerably greater than the rate maintained in the previous quarter.

This is a matter of conjecture, but it is borne out to some extent by the recent increase in the issue of Treasury bills at the weekly tenders. The bills to be taken up last week amounted to a record figure of £260 million, £30 million greater than in the corresponding week of last year and £20 million greater than the current maturities. The bills to be taken up this week amount to £250 million, some £20 million above the corresponding week of last year. It seems highly probable that the authorities are having to resort to this new net borrowing in order to secure sterling with which to buy inflowing foreign exchange.

Transport Debated

Last week's debate on the 1949 report of the Transport Commission provided yet another occasion for the kind of ministerial apologia that has become common form in the reviews of nationalised industries in Parliament. On this occasion, however, Mr. Barnes was at least prepared to step out of his part to argue two matters of principle, though only 'as an individual Minister'. He argued against any repudiation of interest on the compensation stock; but his rejection of this dishonest nostrum would have come with greater force if he had not begun his speech by claiming that if the Commission's accounts had been cast in the same form as that of company accounts they would have shown a 'profit' of £31 million. The case for a subsidy, whether as a direct grant or relief for the upkeep of strategic lines, was rejected, not on any demerits of its own (Mr Barnes thought that the case for a subsidy could be argued 'on stronger grounds') but because this was the wrong time to add to the taxpayer's burden.

These conclusions are certainly welcome

So was his justification of the working of the Transport Tribunal. But he had no observations to offer about the organisation of the Commission and its working relations with the Executives. On this, Mr Callaghan (brought in to reply after an attack on the Minister by a Labour member, Mr Poole, who insisted that there was not traffic enough for more than 650,000 road vehicles compared with the 801,000 in operation) produced evidence to controvert comments made in *The Economist* of September 23rd. Mr John Elliott, the Chief Regional Officer of the London Midland region, speaking elsewhere on the same evening as the debate, denied that, in his experience, 'regional initiative is strangled, enterprise frowned on, frustration nurtured.' These views are entitled to respect, as are those of other strong critics of our article. But unhappily the statement that all is well in one or two of the Railway regions does not dispose of the general arguments in the article about the relations between the various strata of the transport system.

Commentary on Exports

Britain's exports declined in September by £18 million to £171.4 million, an unusual occurrence since exports normally begin to recover in September from the low level of August. This year, the August figures were the highest ever recorded; thus it seems that the September total reflected the delayed effect of the holiday period. Exports of all major groups (except chemicals, which reached a record of £10.2 million) declined during the month. Increases were recorded by some of the smaller categories, including linen, oils and fats, leather, sugar and biscuits, but apart from these the decline was general.

Shipments of vehicles fell by £7.6 million to £27 million. The United States took a larger quantity of motor cars than in August while Canada took fewer. But during the first nine months of the year Canada has remained the second largest market for the British motor industry and in one or two months it took more cars than Australia, Britain's largest market. Exports of machinery declined by £4 million to £23 million; shipments to the Soviet Union amounted to only £500,000 compared with approximately £1 million a month in the previous eight months. Cotton and wool textiles both declined, though not sharply, and in each group shipments to the United States increased while those to Canada fell. But Canada is still by far the largest market for the wool textile industry; it took 12 per cent of the industry's total exports in the first nine months of the year. Exports of woollen and worsted tissues during the third quarter were the largest since the war.

Apparel, though a less important export, offers an interesting illustration of possible repercussions to the British export drive. Exports of apparel this year have been increasing steadily and Canada and the United States have become the second and third largest markets respectively, following closely on Australia. Last week the United States announced to the tariff conference in Torquay that it would resort to the escape clause of the General Agreement on Tariffs and Trade and raise its import duty on hats.

Film Trade Defends Itself

Among the recommendations of the Plant committee on film distribution and exhibition it was a quite innocent-looking suggestion that aroused the sharpest controversy - the proposal to set up a body independent of trade interests to regulate certain matters in the trade and act as arbiter in some disputes. This is the last thing the trade wants, and the report (HMSO, 4d.) of the trade members of the Films Council, which undertook the duty of working out 'specific practical proposals', makes the fact clear once more. The proposed body would deal, among other matters, with disputes between members of the trade arising out of the new and freer film booking procedure that the Plant committee desired to see introduced. But the trade's representatives do not fully share the Plant committee's faith in freedom. Indeed, they point out that the industry is not one in which a standard formula or a recognisable grade of efficiency will necessarily lead to success - and success, once attained, cannot be automatically repeated. Therefore, they argue, free competition will not necessarily produce the results expected of it, and 'the usual arguments about promoting efficiency have only a very limited application in the film industry.'

The trade committee does not agree with the more important of the Plant recommendations designed to secure a freer booking procedure. It concedes that trade practice has become somewhat too standardised; it accepts the suggestions of pre-release provincial runs, extended runs in certain provincial centres, and an increase in the number of copies put into circulation. But it does not want competitive bidding for films; it does not want to see cinemas in monopoly situations made to change hands; and it does not want to end the practice of barring. Above all, however, it does not want any independent tribunal arbitrating on questions of this kind, and if any arbitration is to be done it wants the Films Council (with its heavy trade representation) to do it.

Some of this is the mere natural dislike of interference. But it seems not unfair to detect two ideas underlying the tenacity with which the quite sensible suggestions made in the Plant report are being opposed. One, that appears in the trade members' report from time to time, is the state of mind that relies on enforcement of the quota to put things right. The other is a desire (no doubt sincere) to encourage good films - but without discouraging bad ones. A trade entrenched behind such ideas as these is in no condition to reform itself.

Allocation for Raw Materials?

Pressure for some system of international allocation of raw materials is now coming from other sources than the United States. The Council of the Organisation for European Economic Co-operation has decided to survey world supplies of raw materials and to devise allocation schemes for scarce commodities. The same topic has also been discussed by the North Atlantic Treaty Organisation.

The anxiety of the United States about raw materials is evident. In the first six months of this year, commercial consumption of all commodities has reached a high level and consumption of copper, zinc and natural rubber touched new postwar peaks. Commercial stocks have fallen sharply in the period - copper from 104,000 tons to 45,000 tons, zinc from 84,000 tons to 24,000 tons, and natural rubber from 107,000 tons to 100,000 tons. Stocks of lead declined only slightly from 63,000 tons to 61,500 tons, while tin provided an exception with a rise in stocks from 36,000 tons to 43,000 tons. This running down of inventories, it will be noted, occurred in the six months before the fighting in Korea.

Consumption of raw materials in other countries has also increased but less markedly. World consumption of copper, zinc, natural rubber, wool and rayon has reached the highest levels since the war. Although production is expanding, it is not keeping pace with these record rates of consumption. During the first half of 1950, world outputs of copper, zinc, lead, tin, natural rubber, crude oil, wool, cotton and rayon reached the highest annual rate since the end of the war. The actual increases compared with 1949 ranged from 0.5 per cent for cotton to 10 per cent for natural rubber.

The Gap in Supplies

At present, the biggest question for the commodity markets is the measure of additional demand to meet the expanded stockpiling and rearmament programmes. Of this only the most tenuous estimates can be made. The accompanying table shows world production, consumption and commercial stocks for five representative commodities covering the period from January to June. Production of copper, tin and natural rubber exceeded consumption, but since in each case commercial stocks also declined, the inference must be that stockpiling has absorbed the current surplus and part of the world's free stocks. The figures suggest that such stockpiling purchases accounted for 92,000 tons of copper, 36,000 tons of tin, and 45,000 tons of natural rubber. Consumption of synthetic rubber exceeded production, but the excess was almost exactly matched by the fall in world stocks. Wool consumption equalled half the combined current clip and offerings from the Joint Organisation's stocks.

Some estimates of American military requirements have been made by the Economic Co-operation Administration and other bodies; these are given in the last line of the table. They represent a significant addition to normal American consumption, and indeed to world consumption. Two points emerge from a comparison of these figures with world production, consumption and stocks. First, these additional American requirements (and the United States is not the only country now rearming and stockpiling) cannot be met from existing world stocks. Secondly, if world consumption is maintained at the same level as in the first half of 1950, world output will not expand sufficiently to meet these new demands.

To what extent can production expand still further? Natural rubber production in 1950 is expected to reach 1,750,000 tons and to rise by 75,000 tons next year. Synthetic production this year should total 560,000 tons and is scheduled to reach 950,000 tons a year by next March. Copper output might rise by a further 5 per cent, but only if there is no labour trouble and if Northern Rhodesia gets enough fuel - which is seriously in doubt. Tin production might be maintained, but wool supplies will be small owing to the depletion of the Joint Organisation's stocks.

World Commodity Supplies
January - June, 1950
(in thousand tons, except wool mn. lb, clean)

	Copper	Tin	Rubber Nat.	Rubber Synth.	Wool
World:					
Prod'n.	1,160	86	820	229	1,313*
Consmptn	1,135	61	785	255	1,313
Stocks					
1/1/50	236	129	725	110	n.a.
30/6/50	169	118	715	75	n.a.
USA:					
Consmptn.	615	34	363	237	314
Stocks					
1/1/50	104	36	107	98	n.a.
30/6/50	45	43	100	65	n.a.
Estimated military requirements *	260	100	750		200

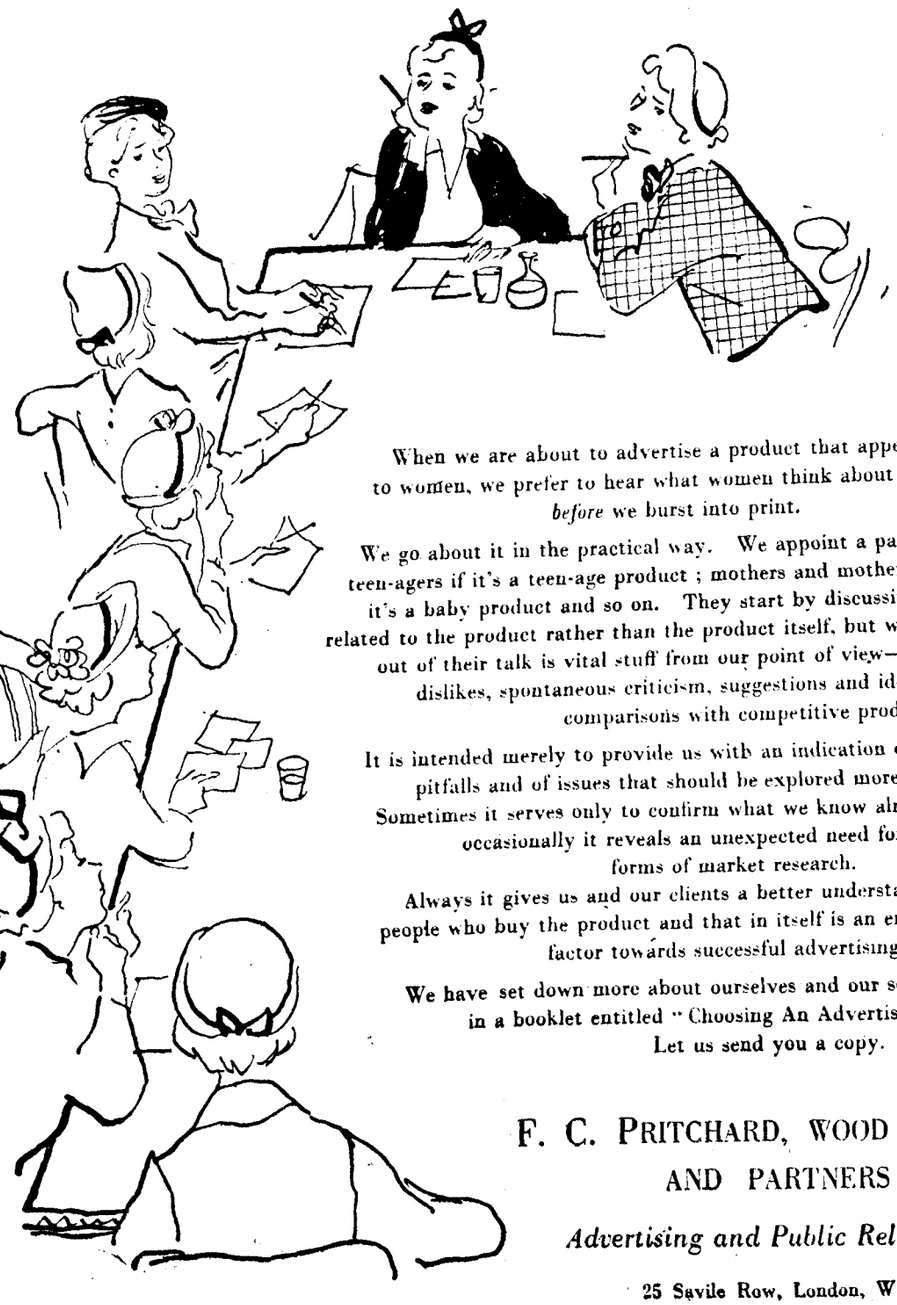
* Half of combined seasonal clip and offerings from Joint Organisation stocks.

Canadian Bank Rate Raised

The Bank of Canada increased its bank rate from 1½ per cent to 2 per cent on October 17th, thus adding one more significant adherent to the number of countries which have recently called into play the orthodox mechanism of credit control in order to counter inflation. A statement by the board of directors of the bank explaining the increase recalls the previous reduction of the rate in 1944. The bank then expressed the view that it saw no prospect of economic developments in the post-war period that would call for a policy of higher interest rates. In face of this venture into prophecy, the board of directors now admit that 'the earlier view no longer holds good under today's conditions when Canada faces the prospect of substantially increased defence expenditure, adding to

women matter . . .

even when they natter



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It is intended merely to provide us with an indication of possible pitfalls and of issues that should be explored more thoroughly. Sometimes it serves only to confirm what we know already, but occasionally it reveals an unexpected need for deeper forms of market research.

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PLATINUM

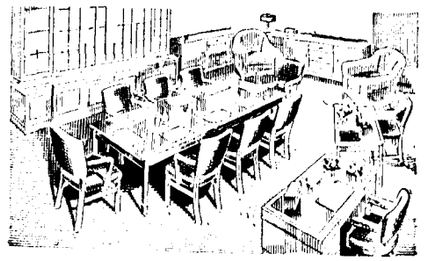


WHEN the Spaniards conquered South America, they found the Indians making white gold. This was an alloy produced by mixing gold with grains of a grey untarnishable metal, now known as platinum, a name given to it by the Spaniards from its resemblance to silver (plata). Platinum is gaining ground as a favourite metal for jewellery because, like gold, it retains its lustre and does not rust or corrode. This resistance to atmospheric and chemical attack, combined with its high melting point and ability to promote chemical reactions, have made it a metal extremely valuable to modern industry. Alone or alloyed with other metals, platinum provides electrical contacts and scientific apparatus. Finally, it is so stable that it is chosen for making the standard weights and measures kept by the Board of Trade in London.

Platinum is especially important to the chemical industry, not only in laboratory apparatus, but as a "catalyst"—that is, a substance which assists a chemical process without itself being altered. I.C.I. uses platinum in the manufacture of sulphuric acid, one of the most important chemical raw materials in the world, and in converting ammonia into the nitric acid which is used to manufacture fertilizers, explosives and many other substances.

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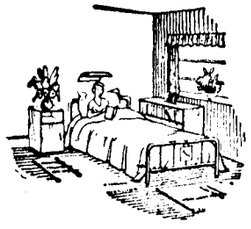
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BRITISH UNITED PROVIDENT ASSOCIATION

President: The Viscount Nuffield, G.B.E., F.R.S.

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the pressure on the country's resources at a time of virtually full employment'.

Canada's bank rate decision is, perhaps, little more than a gesture; interest rates in the Dominion are not under such direct influence of bank rate as they are in the United Kingdom. But, taken together with the policy of letting the dollar go free and of removing as from the end of this year import prohibitions and quota restrictions, it does suggest an acceleration of the trend towards a policy of monetary freedom and orthodoxy.

The Canadian dollar has recently been settling down at around $2.95¼ to the £ in London and 94 7/8 cents to the US dollar. Some early advices from Canada after the decision was taken to let the rate go free suggested that the Canadian authorities hoped to see the Canadian dollar re-established in due course at parity with the US dollar. The public statement made by the Minister of Finance at the time does not confirm these suggestions. The full text shows that the Canadian authorities had decided not to establish any new fixed parity for the Canadian dollar for the time but to allow rates of exchange to be determined by conditions of supply and demand. Mr Abbott hoped, however, that 'after a short transitional period' reasonably stable conditions would develop and that Canada would ultimately conform to the provision of the International Monetary Fund agreement which requires member countries not to allow their exchange rates to fluctuate more than 1 per cent on either side or parity.

The Tin Conference

The special tin conference convened by the United Nations Organisation to discuss the draft agreement on buffer stocks with regulated buying and selling prices opened in Geneva on Wednesday. The United States, which had opposed the idea of calling such a conference at the last meeting of the tin study group, in the end decided to attend. During the past six months, considerable changes have taken place in both American and British views about the advisability of an international agreement. Informal talks between the two countries last summer smoothed out most of the technical difficulties, but Korea has since altered the whole conspectus of commodity dealings.

If the recent wool conference serves as a guide, international allocation of tin is unlikely to be discussed in any detail at Geneva. The United States, however, would like to see agreement on a maximum price even if it meant agreeing to a minimum price as well, though its main concern is to ensure that production will be allowed to expand.

Britain still wants to have the draft agreement adopted but is less anxious to have it put into force straight away. It argues that the high price of tin is due entirely to panic buying; published statistics certainly show no marked rise in tin consumption since the Korean invasion. The fixing of a maximum price at the present time would neither lessen demand nor expand output. But as soon as political conditions become more normal, the price of tin might well be expected to fall to a more reasonable figure. On Monday the London price of tin reached an all-time record of £909 a ton.

World Price for Wheat?

This week the international wheat council presented its first annual report at a general meeting in Geneva. The report discussed the familiar point that purchases of American wheat in 1949-50 were smaller than the sales guaranteed under the international wheat agreement. The undertaking on the part of importers to buy their quotas operates only when the price is at the agreed minimum for each year. The United States, the principal exporter, pursued a policy designed to keep the price at the maximum, and hence it was not entitled to ask purchasers to honour their guarantees.

The new exporting season has brought a significant development from Canada. Last month the Canadian Wheat Board decided to reduce the price of wheat sold outside the agreement to $Can. 1.98 a bushel. This is the maximum price that producers are entitled to charge for the fixed quantities of agreement wheat. Non-agreement wheat had previously commanded a premium of as much as 30 cents a bushel. Australia is still selling wheat outside the agreement at a premium of 15 per cent but the quantities are small and Australia is the only major wheat exporter prepared to accept sterling. The Canadian move, therefore, has not led to a uniform price of wheat for all sales by member countries to all purchasers, though it may perhaps be a step towards that end.

* * *

The oversubscription of the Northern Ireland loan establishes a new basis in the gilt-edged market. Applications totalling nearly £19 million were received for the £4 million of 3¼ per cent stock 1969-71 on offer to the public at 98. The redemption yield is approximately 3 3/8 per cent.

STATISTICAL SUMMARY

Finance		Week ending Oct. 14 1950	Week ending Oct. 21 1950
Note circln. (Wed)	£mn	1,281.0	1,278 6
Tr.Bills allotted	£mn	260.0	250.0
Av.rate per cent		10s.3.25d.	10s.2.94d.
Total Floating Debt	£mn	5,954 3	6,302.0
Total Ord.Rev.	£'000	46,698	50,776
Total Ord.Exp.	£'000	54,706	83,101
Change in Nat.Debt.	£'000	+12,970	+345,074
Total Nat.Debt.	£mn	26,291	26,636

Gilt-edged Yields %	Oct. 17 1950 £ s. d.	Oct. 24 1950 £ s. d
Consol 2½%*	3 8 0	3 7 8
War Loan 3% (1955-59)†	2 3 2	2 2 7
Funding 3% (1959-69)†	3 0 11	3 0 5
War Loan 3½% (after '52)*	3 13 0	3 12 6
Br.Elec.3% (1968-73)†	3 2 10	3 2 5
Br.Trspt.3% (1978-88)†	3 5 7	3 5 3

*Flat Yield †To earliest ‡To latest date

Company Meetings

WILLSONS (LONDON AND PROVINCES), LTD.
(Manufacturers and Distributors of Women's Outerwear)

25th Year of Foundation of Business

Turnover Creates All-Time Record

The eighteenth annual general meeting of Willsons (London and Provinces), Ltd., was held on October 18 in London.

Colonel the Right Hon. Lord Barnby, C.M.G., C.B.E., M.V.O. (chairman), who presided, in the course of his speech said:

Turnover for the year under review has been a record, which indicates the fundamental vigour in the direction of the business. Part of the increase was influenced by the termination of rationing and the opening of new branches and the conversion of former non-profitable branches to a different character of merchandise, giving a greater volume of trade. Simultaneously the weather in the summer of 1949 favoured sales of women's dresses.

Profits and Appropriations

The net profit of the group for the year is £254,131 before deducting directors' fees and management emoluments, depreciation and amortisation. After allowing for all charges including Taxation there is a balance of £101,417, and in compliance with the Government's wish, we are maintaining the dividend on the Ordinary and 'A' Ordinary shares at 30 per cent., which amounts to £17,325 net., and as this only absorbs a fraction of the amount earned under normal conditions a higher rate would have been recommended. It is interesting to note that if the net amount distributed in dividend to Equity shareholders were calculated on the capital employed, and not on that issued, it would only represent a dividend of 3½ per cent.

Great effort has been involved to attain these results, because it has been necessary to cover both the compulsory reduction of 2½ per cent in the profit margins on utility garments and rising costs in overheads, including wages, &c., and the increased demand for garments at lower retail prices.

In pursuance of the Company's aim to maintain an attractive appearance of its premises, considerable sums were, as customary, spent on repairs and renewals. The figure at which shop fixtures and fittings stands in our books, less depreciation, of course, reflects a valuation far below what any correct computation would set on these at their today's replacement costs.

You will observe that the freehold and leasehold properties which stood in the accounts twelve months previously at £228,710 have, since the last accounts were published, been valued professionally as of March 31 last. The resulting surplus on valuation, amounting to £483,914, has been carried to capital reserve account.

Strength of Company's Reserves

I would like to draw your attention to the following items in the consolidated balance-sheet:-

(a) Reserve for future taxation stands at £82,750. This is considered adequate to cover taxation for all profits to March 31, 1950.

(b) The aggregate reserves set aside out of this year's profits amounts to £76,626.

(c) Total reserves now amount to £963,594, or over nine times the ordinary share capital.

(d) Total assets now stand at the record figure of £1,671,816, reflecting the continuing expansion policy of your Company.

Stocks, you will notice, show an increased amount in value. This reflects what was considered prudent forward buying to take advantage before the expected price increases. This involved the advance 'taking in' of substantial volume which contributed to the increased total.

The abolition of rationing has brought about a progressive return to the former conventional 'seasonal' trading. This brings with it more rapid fashion changes which in turn involve larger markdown costs. This brings repercussions in varied directions, including timings in purchase of merchandise stocks.

Where the Money Goes

I have in previous years informed you how every 20s. spent by the public in our branches has been utilised and would emphasise that the amount distributed in dividends this year represents again only 2d. in the £ of turnover.

When the Wages Council brought in this year a standard minimum rate of remuneration for employees in the retail trade for the class of goods handled by this Company, it was found that the earnings of 1,544 out of our 1,600 employees were more than the new recognised scale.

Development of the Company

In regard to future development the policy of going steadily forward will continue and branches be opened whenever an opportunity promising profit appears. During the year five new branches were so opened. The Company will not engage itself in any race in order to claim a record number of branches in its class of trade.

Trading Conditions

The distributive trades are all operating under the impact of progressively rising costs both in raw material and in most making charges. With, however, the likelihood of full employment being assured for some time to come the demand for our products will continue to be assured so long as prices do not rise above the purchasing power of the public.

Sales to date in comparison to last year are slightly down, in common with most other retail distributors. The demand for autumn and winter, however, looks encouraging, and while it is most difficult to forecast these days, I have every hope that our turnover will approximate to that for the year under review.

We again wish to record our thanks to the workers in the factories, to the makers of materials, and to those manufacturers of garments with whom we do business, and to each of them we express our appreciation of their help and co-operation during the year in presenting to the consumer-public merchandise which must have possessed attractive qualities. We hope that the same co-operation will continue in the future.

Twenty-Fifth Anniversary

In expressing our best thanks to our founder and managing director, Mr. Maurice Mauray, I would point out that the year 1950 marks the twenty-fifth anniversary of the foundation of the business by him. It is a wonderful achievement that in so short a period such great and sound progress has been attained and Mr. Mauray must feel rightly proud of all that has been accomplished in those 25 years, in spite of the difficulties through which the Country has passed during that period.

We also wish to express our thanks to Mr. James Cohen, the director in charge of merchandise; to the buyers for the efforts of the administrative officials; and to all the members of the staff employed at headquarters and in the branches throughout Great Britain and Northern Ireland for their loyal services during the trading year.

The report was adopted.

ODEON THEATRES & SUBSIDIARY COMPANIES

A Year of Progress

Mr. J. Arthur Rank's Statement

The annual general meetings of Odeon Theatres Limited and its Subsidiary Companies were held on Sept. 28 in London, Mr. J. Arthur Rank, D.L., J.P., (the chairman), presiding.

The following are extracts from his circulated statement:

In my statement on the accounts for the year ended June 25, 1949, I had a disappointing, indeed a disastrous, account to give of that year's results due to the losses sustained on our large-scale production programme of British films.

The year now under review, ended June 24, 1950, has been an extremely difficult one, since it covered the transitional period between the heavy production losses of 1948-49 and what I hope will prove a more stable and more satisfactory future. It was impossible to make a sudden contraction in the large film production programme and organisation without sustaining losses, but unless drastic steps had been taken the financial position of the group, already strained, could not have withstood the burden of the loss which would inevitably have occurred from a continuation of large-scale production under the conditions then existing.

Policy Of The Group

The policy of the group during the year under review has been influenced by the following aims: (1) To reduce film production commitments; (2) to reduce the unfunded indebtedness of the group; (3) To effect economies in overhead expenses and ensure maximum effioiency.

The year's results unfortunately show a net loss which will be as disappointing to shareholders as they are to me. Such loss is very considerably reduced when compared with the loss of the previous year, and, in view of the factors to which I have referred, it may be regarded as not unsatisfactory. A great deal has been done during the year, and the group's financial position has been considerably improved, so that we can face the future with far more confidence than when I reported to you last year.

Bank Loans And Overdrafts

It is satisfactory to record that a reduction of £3,336,545 has been made in bank loans and overdrafts, from £16,286,581, at June 25, 1949, to £12,950,036 at June 24, 1950. Of the total bank indebtedness £2,863,000 is lent to Odeon Theatres Limited, £2,100,000 to Overseas Cinematograph Theatres Limited, £1,468,000 locally to overseas exhibiting companies, and £5,350,000 is now directly employed in film production and distribution, and the balance is advanced to various theatre-owning and manufacturing companies in the group. In the aggregate mortgages, Debentures, loans and overdrafts have been reduced by £4,064,665 during the year.

Consolidated trading profits, less losses, show an increase of £1,706,070 as compared with last year. Last year the trading profits were arrived at after including a non-recurring credit of £1,296,466, arising from the alteration in the basis of valuation of films; in consequence, the improvement in the year's trading profits is greater to this extent. This improvement is due to a reduction in the amounts required to be provided for losses on film production. These losses were, however, very substantial in this transitional year and amounted to approximately £1,750,000 in the case of the Odeon and G.C.F. group and £575,000 in the case of Gaumont-British Picture Corporation Limited, including its wholly-owned subsidiary, Gainsborough.

Having regard to the policy which has been adopted for future film production, I do not anticipate that losses of this magnitude should recur although losses on a much reduced scale are probable.

Gaumont-British Picture Corporation

The trading profit of this company at £1,794,720 shows a reduction when compared with £1,890,175 in the previous year, but the previous year's figures included a non-recurring credit of £332,038 resulting from the change in the basis of valuation of films. The provision for production losses on Gainsborough films, charged against trading profits, amounted to approximately £500,000 (apart from contributions to Studio overheads shown separately, £77,804), due to circumstances to which I have previously referred. At June 24, 1950, there were three Gainsborough films completed, but not released. In addition, the Corporation, through a subsidiary, had financed the production of a number of uncompleted or unreleased educational or sponsored short films. Theatre profits showed an increase as compared with the previous year.

British and Dominions Film Corporation Limited

Total reserves now exceed £1,100,000. Loan capital has been reduced by £69,228. The bank loan of £997,252 has been repaid.

National Provincial Bank, Ltd.

When dealing with the financial position of the companies within the group, I cannot allow this review to be concluded without referring to the help and encouragement we received from our bankers.

The support which we received, both at that time and in the months that followed, was magnificent. Our bankers gave us every assistance possible and this has done more than anything else to assist us to recover the position and enable us to present these accounts which show that we have made material progress towards putting the financial affairs of our business in order.

This would not have been possible but for the farsightedness of our bankers and the support they gave us.

Film Production

I informed you last year that it was your Board's decision to continue during the year under review with a reduced production programme. This policy has been carried out and has enabled us to reduce our commitments and thus control terminal losses, whereas if we had ceased production entirely, our losses would have been infinitely greater.

I am sorry to say that, although a report by the Working Party on Film Production Costs and the Report of the Committee of Inquiry on Distribution and Exhibition of Cinematograph Films have been published during the year, and although there have been five debates about the industry in the House of Commons, the basic problem facing the production side of the industry has not been solved - that is, that the annual investment which is made in producing the negatives is greater than the return which can be reasonably anticipated from the markets available to British films.

I said at the annual general meeting last year that the National Film Finance Corporation had done immeasurable good in providing finance for production which could not be found from usual financial sources. They have continued to play an important part in the last twelve months in helping to keep production going.

Assisting Independent Producers

It is in the national interest, as in the interest of our business, that there should be a strong and healthy British film production industry; but we must curtail our production activities until it is possible to expect that a series of films, if made with reasonable competence, will recoup at least their cost.

Your directors have considered very carefully the policy which they should adopt for the year now before us, and have decided that, in view of the difficulties existing in the industry, the problem must necessarily be dealt with on a short-term basis. We are proposing, therefore, to assist both with finance and creative and technical assistance, independent producers to produce a limited number of films which otherwise might not be able to obtain the necessary finance. The financial assistance will be provided by means of distribution guarantees. The producer who operates under this plan will be able to take full advantage of the fine equipment and facilities which we have to offer in our studios, and obtain the benefit of our world distribution organisation.

Entertainment Tax

The industry during the year has had to spend a great deal of time in wrestling with the unreasonable burden which it has to bear. In the 554 theatres controlled by this group the public paid £26.615.205 by way of admission prices, and of this total no less than £10,278,391 was drained off at once as Entertainment Tax. Nearly 7s 9d in every pound taken at the box-office has gone straight to the Inland Revenue.

If the basis of tax applicable to live shows and some other forms of entertainment had been applied to our business, the tax which would have been paid would have been reduced by no less than £8,158,888 to £2,119,503. It must also be remembered that in addition, tax in similar proportions will have been suffered on takings from films produced by us exhibited in theatres outside the group. These figures bring out the astonishing burden from which our industry, which provides entertainment for such a large proportion of the country's wage earners, is suffering.

If only a small portion of this difference in the two rates of tax had been made available to our industry, its economic problems would have been solved, and it would have been able to embark with confidence on a balanced British production programme.

I am glad to say that during the last few weeks the Government has admitted in principle that the industry needs help, but I am sorry to say that the help which has been offered will not solve the problem, though, of course, it should be welcome.

The negotiations with the Government brought the whole industry together, and that in itself will, I am sure, over a period bring benefits to the industry.

This scheme - a voluntary one - could not have been brought into being except with the agreement of the American production industry. I would like to thank them for the way in which they came forward and agreed to participate in the scheme, which showed their far-sighted approach to the problems which exist.

Children's Cinema Clubs

The Departmental Committee on Children and the Cinema issued their report on May 5, 1950. This report passed many complimentary remarks about the way in which our clubs had been run and the efforts of many of the managers of the theatres in connection with them.

We intend actively to continue the operation of these clubs as we believe it is a contribution which we should make to national and community life.

Distribution

Overseas - The policy which we instituted some years ago of developing a world overseas distribution organisation continues materially to help our overall operation.

We firmly believe that to secure the best results from distribution it is necessary to have a world distribution organisation operated wholly by ourselves, or in partnership with nationals of the countries in which we operate.

I am happy to say that independent producers have made increasing use of our organisation during the year and that we are distributing 30 independent productions.

We are prepared to extend the facilities which we have to offer to any British producer upon the same terms as those which apply to films financed by ourselves.

Western Hemisphere - We have today good relations with the leaders of the American industry, but in spite of this the distribution of British films in the U.S.A. in particular remains a difficult operation. We have made progress during the year by placing our films in theatres which specialise in such product, which policy we believe is the soundest way of exploiting the American market. We know that this policy is a slow method of distribution, but nevertheless it is one which produces net results in the form of cash remittable to this country.

Organisation

It has been an essential part of our policy during the year to examine the whole of the group organisation and to effect economies wherever possible. Very substantial economies have already been made but are not fully reflected in the results for the year under review.

I am proud to say that we have to-day fine personnel who form the executive of this group.

Their loyalty and the loyalty of all our employees who work under them has been most gratifying and encouraging to myself, the managing director, and my colleagues during this difficult period.

My colleagues and I would like to thank them all for their efforts and loyalty during the year.

It is the wish of the Board of directors of the four principal companies that I should place on record their appreciation of the outstanding services of Mr. John Davis during the past year. In face of great difficulties he has carried through extensive reorganisations to meet the changed circumstances resulting from the reduction in the film production programme: the financial position of the group has been strengthened, commitments reduced, economies effected wherever possible and a high degree of efficiency maintained.

I am hopeful that, in the absence of circumstances over which we have no control, the progress which has been made in strengthening the financial position of the group and consolidating its trading activities will be continued during the current year.

The reports and accounts were adopted at each meeting.

NEEPSEND STEEL & TOOL

Mr S. C. Goodwin's Review

Mr. S. C. Goodwin, J.P., (Chairman) presided at the 30th annual general meeting of the Neepsend Steel & Tool Corporation, Limited, held at Sheffield on October 17. His statement disclosed that the results showed an improvement over those of the previous year. Reserves and Surplus of the parent company were £224,341 compared with £495,511 the previous year, mainly accounted for by capitalisation of reserves in connection with the Bonus issue. Current Assets totalled £1,002,906 against Current Liabilities and Provisions £564,807 giving an excess of Current Assets of over £400,000.

The Consolidated Reserves and Surplus amounted to £1,264,718 compared with £1,398,565 a reduction due to capitalisation of Reserves. Current Assets of the whole group amounted to £1,802,019 against Current Liabilities and Provisions of £399,989 showing an assets excess of £1,402,030. It would be seen that the Neepsend Group was in a very sound position financially. The Consolidated Profit and Loss Account showed trading profits before taxation had amounted to £539,554 against £528,649 in the previous year. After providing for transfers to Reserves and for the proposed Dividends and Bonus the carry forward was £649,737 against £528,397 brought forward.

During the last few years several additional businesses had been acquired which had previously distributed dividends now credited to the Neepsend Steel & Tool Corporation. The directors felt that the members of the company were entitled to a slightly larger return especially as the companies had been acquired from built-up reserves. The Dividend and Bonus declared on the Ordinary Stock represented approximately 5 per cent tax free on the capital employed in the Group.

The report was adopted.

POWELL DUFFRYN LIMITED

The annual accounts to the 31st March 1950 were presented at the annual general meeting held on the 25th October.

The Company has maintained its dividend at 8%. After the 31st March it received £3½ million of Treasury Stock in payment on account of Compensation and this stock has since been sold.

The following is an extract of the Statement of the Chairman - Mr. Edmund L. Hann:-

The main Group Companies have had a difficult but, on the whole, successful year.

Nothing could be more disappointing than the continued failure of the Coal Mining Industry of this country to produce sufficient coal to supply export markets which have been ours for up to one hundred years.

It was expected that, after nearly four years of national ownership we should have been allowed - indeed encouraged - to go out into the World and sell British coals freely, but such is not the case, and, slowly but surely the Coal Export Trade of this country is dying. The Company's substantial overseas depots have been compelled to deal in foreign coal to satisfy its customers although they would prefer British coal if only it were available.

Having regard to the limited quantity of coal available for export, our exporting houses, Cory Brothers & Co., Ltd., Gueret, Llewellyn & Merrett Ltd., and Maris Export and Trading Co,, Ltd., have held their own in overseas markets.

In the inland and coastwise distribution of coal, Stephenson Clarke Ltd. has maintained its position. It has replaced its shipping lost during the war having 21 vessels totalling 45,690 tons compared with 19 ships totalling 36,040 tons in 1939. The facilities of Stephenson Clarke have been increased by the acquisition of the old-established business of E. Foster & Co.

Cory Brothers & Co., Ltd., has continued to widen its interests particularly in general exports. Valuable orders for agricultural equipment have been received from Canada and elsewhere.

Since the 31st March Powell Duffryn has invested £500,000 in the Wankie Colliery Co., Ltd., and has been appointed managers of the Colliery for a minimum period of ten years. The Wankie Colliery in Southern Rhodesia offers magnificent opportunities for development; the coal is of very good quality and is in full demand.

On 24th March last, we signed Heads of Agreement with the Socony-Vacuum Oil Co. Inc. of America, providing for the erection of a new refinery at Coryton. The refinery will be owned by the Vacuum Oil Co., a British company, to be jointly owned by Socony-Vacuum and the Powell Duffryn Group.

This project will cost not less than £3,500,000 over the next few years and it is expected that the plant will operate early in 1953.

Cambrian Wagon Works Ltd. have been fully employed during the year with satisfactory financial results.

Powell Duffryn Technical Services continues actively at home and abroad. It has been engaged overseas on important work as Consultants for Governments and private clients in the Dominions and Colonies and in Europe on various aspects of coal development, processing and utilisation.

The Company has been commissioned by the Government of Southern Rhodesia to act as Consultants in connection with an oil-from-coal plant. It has also carried out for the Government of Greece an investigation into the Lignite deposits of Western Macedonia under the auspices of the Marshall Aid Administration.

On the fuel utilisation side, in accordance with our decision to expand this aspect of our work, we have in addition to our branches at Birmingham, Glasgow, Newcastle-upon-Tyne and Sheffield, now opened a Branch Office in Cardiff to serve South Wales and the West of England.

The major part of the equipment of Powell Duffryn Carbon Products Ltd. has been installed. We are now placing on the market various products for the Engineering and Chemical Industries, some of which are of novel design and meet a demand from industry which could not be satisfied by the conventional forms of carbon.

The Chairman announced that he was relinquishing his office as Chairman at the conclusion of the meeting and at the unanimous request of the Directors, Sir Herbert Merrett had agreed to accept the Chairmanship.

The Report and Accounts were adopted.

Sir Herbert Merrett was elected Chairman of the Company at a Board Meeting following the Annual General Meeting.

METAL TRADERS LIMITED

Thirty Years' Progress

Mr. Frank L. Baer on Tin Prices

The thirtieth annual general meeting of Metal Traders, Limited, will be held on November 9 at the registered office of the company, 7 Gracechurch Street, London, E.C.

The following is the statement by Mr. Frank L. Baer, chairman and joint managing director, circulated with the report and accounts for the year to March 31, 1950:-

The accounts and balance-sheet, which have been in your hands for the prescribed period, embody important changes which were referred to by me last year. Permission to capitalise part of the company's reserves was obtained and the formalities necessary to give effect to this have now been completed.

Balance-Sheet Changes

To summarise the effect of these changes in our balance-sheet. Share premium account has disappeared, and the issued capital now stands at the pre-war figure of £415,760. Reserve fund is £100,816, which together with the amount carried forward in profit and loss account - namely, £134,582 13s 4d - makes a total of £235,398 13s 4d, employed in the business.

Metal Traders Incorporated have capitalised a further sum of $100,000 from their accumulated, undistributed, profits resulting in your company's holding in the American subsidiary being $600,000 which is valued in our balance-sheet at £125,000.

Assets and liabilities in U.S. dollars are again included in the combined balance-sheet and combined profit and loss account at $4.03, compared with the present official rate of exchange of $2.80 to the £1 sterling. The directors are of the opinion that this is the best way to treat the changes resulting from devaluation of sterling, more especially as the Chancellor of the Exchequer stated on September 18, 1949: 'It was essential to fix that new rate at

a level that we could hold; we can always let the rate go up if events prove that we have gone down a bit too low.'

Subsidiary Companies

Metal Traders Inc.-The management are to be congratulated on the results achieved during the year ended 1949, and I am glad to be able to report that business so far this year has been equally satisfactory.

Brookside Metal Company, Ltd., have more than maintained their previous activities, which, owing to export restrictions on all kinds of scrap, are still practically confined to this country.

L.P.C. Chemicals & Dyes, Ltd. - I regret to report that this company continues to struggle against the many currency and import restrictions existing in foreign countries, but I am not unduly depressed because the management is able and alert and will come into its own again as soon as the situation eases.

Resumption of Tin Dealings

Metal Traders, Ltd.-As you know, trading in copper, lead, zinc and tin has not been possible for many years, and therefore the most important event in the affairs of your company has been the reopening of the London Metal Exchange for dealings in tin.

From an historical point of view, I believe that it is worth while recording some details of this event. During the many conferences with the Ministry which preceeded the freeing of the tin market, the Committee of the London Metal Exchange again and again stressed the importance of making available to the world in general and the market in particular as large a quantity of tin as possible by meeting the demand both for cash at a reasonable price and three months at a proportionate contango (that is, a premium over the price for cash), so as to make the carrying of the metal financially attractive.'

The Ministry, well aware of the fact that it had a monopoly, being the only owner of tin for spot delivery, did not accept this recommendation, but announced previous to the opening of the market that: 'It is the intention of the Ministry to see that any release of its stocks takes place in an orderly manner with due regard to the need for reasonable price stability for tin.'

Price Fluctuations

The result has been as best shown in the following table of prices of cash and three months between November 15 and December 7:-

Nov., 1949	Cash		Three Months	
	£ s.	£ s.	£ s.	£ s.
15th	725 0	726 0	660 0	669 0
16th	707 10	712 10	650 0	655 0
17th	690 0	695 0	617 0	620 0
18th	675 0	680 0	592 10	600 0
21st	662 10	665 0	582 10	585 0
22nd	642 10	645 0	585 0	590 0
23rd	640 0	645 0	595 0	599 0
24th	640 0	645 0	595 0	600 0
25th	637 10	640 0	599 0	600 0
26th	-	-	-	-
28th	635 0	636 0	585 0	587 10
29th	622 0	625 0	579 0	580 0
30th	617 10	620 0	578 10	580 0
Dec., 1949				
1st	616 0	617 0	578 0	578 10
2nd	607 10	610 0	575 10	576 0
3rd	-	-	-	-
5th	602 10	605 0	569 0	570 0
6th	601 0	605 0	564 0	565 0
7th	604 0	605 0	564 0	565 0

There is no evidence of reasonable stability in these price movements over such a short period and whoever, therefore, was responsible for the pronouncement must have indulged obstinately in much wishful thinking in the face of expert advice.

Original Investment Returned

This is the thirtieth anniversary of the company, which gives me an opportunity of thanking my colleagues and every member of the staff for their loyal service at all times.

At the conclusion of a period of thirty years, it is perhaps not out of place to put on record that our original shareholders have received by way of bonus and return of capital more than their investment, together with a very fair yield on the money invested. This is an achievement of which the management is justly proud.

HAROLD WESLEY, LTD.

Increased Sales

The 4th annual ordinary general meeting of Harold Wesley, Ltd., was held on October 26 in London, Mr. Percey Day-Winter (Chairman and managing director) presiding.

The following is an extract from his circulated statement:-

The lifting of controls on paper during the year led to increased supplies and a return to more competitive trading. However, greater production enabled your company to reduce costs and increase turnover at reduced selling prices. The total volume of sales was higher than last year and sales in export markets were maintained in spite of the difficult conditions which prevailed. This resulted in a small increase in trading profit.

Despite the increase in the profits tax the net profit was greater than that of the previous year and your directors therefore recommend a final dividend of 15 per cent., making a full dividend of 24 per cent. for the year, as against 22½ per cent. last year. The extension to the Burton-on-Trent factory has been completed and operations commenced in April this year. During the year we also received permission to rebuild a war-damaged building at Harlesden, which was also completed.

With regard to the prospects of the year to June 30, 1951, your company's factories are in full production and subject to the availability of adequate supplies, progress will be maintained.

Your company's subsidiary, Wesley and Clark Engineering, Company Ltd., while still having a well filled order book has experienced rising costs of production, resulting in a lower profit than that of the previous year. New developments have been undertaken to improve their products and reduce production costs, which should increase profits.

The report was adopted.

NOTICES

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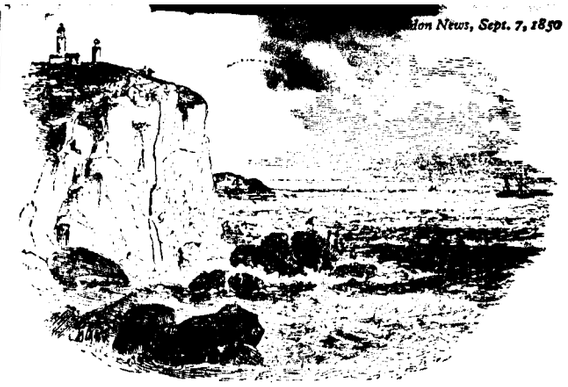
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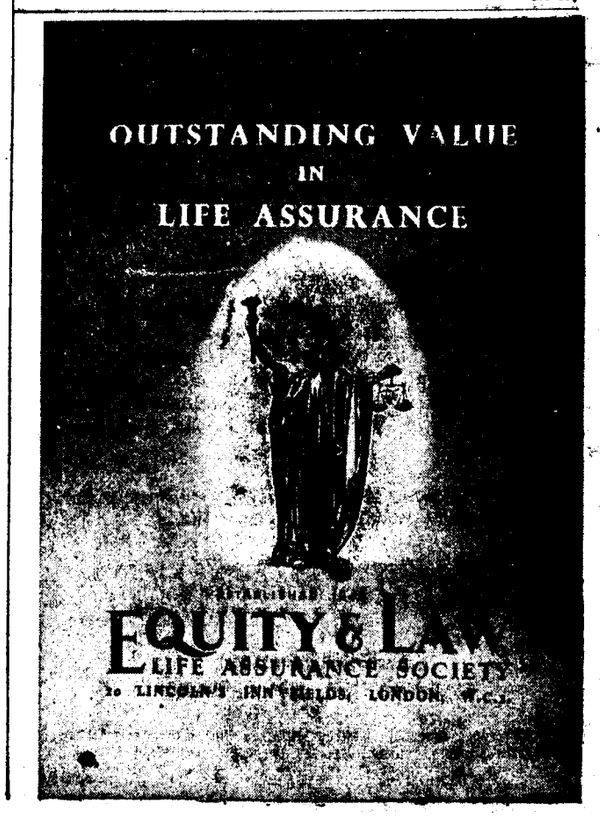
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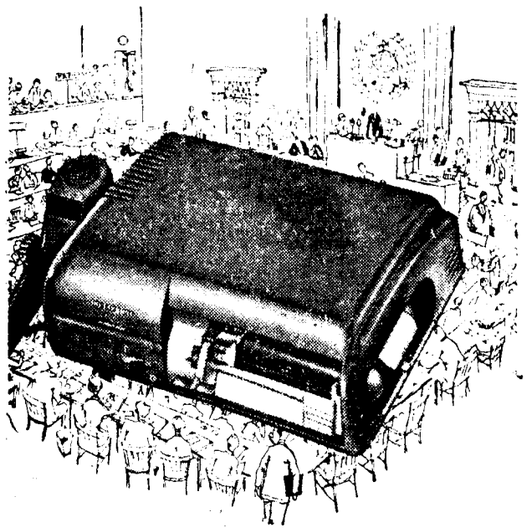
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When the Ice Breaks

A NEW attitude to wages cannot be put off much longer. It is thirty-three months since the Government steeled itself formally to declare the need for stability in personal incomes. The policy of restraint still survives the persistent prophecies of its breakdown. It has become more, not less, effective since devaluation. In the first nine months of 1949, 4,714,000 workers got increases in wage rates adding altogether £814,100 to industry's weekly wage bill. So far this year increases for 3,235,000 workers have added £590,700. When restraint began, the index of weekly wage rates had risen by five points in nine months. From March, 1948, to September, 1950, it has risen by only another five points. The increase in the twelve months since devaluation is by a single point —by one per cent.

It is not a bad storm that follows every calm. There is still no evidence that Britain has to fear a sudden, large inflation of wage costs. Most prophecies of a breakdown in the wages policy have rested on a misunderstanding of the way it has worked. Trade union abstention from demands for more pay has never, in fact, been a main part of the policy, and the flood of claims now being made in itself makes very little difference. Many unions have made considerable claims all along. The restraint is in the way they have been handled. Employers and arbitration tribunals have been encouraged by the Government's attitude either to refuse the claims or to grant much less than the usual 50 per cent or so of what the unions asked. The unions' restraint—and it is real enough—has been to accept with fairly good grace the slowness of the negotiations on their claims and the smallness of the results.

This policy has worked well. Its weakness is that of all government by postponement. It requires an increasing effort to produce a constant result. For some time the administrative apparatus of delay for wage claims can make the number of advances granted very small. But, as more and more claims accumulate in the pipelines of bargaining and arbitration, the number coming out as, at any rate, small advances must increase again even though each individual claim is subject to as much delay as ever.

The economy has lately been enjoying the maximum benefits from delay. To keep the rise of wages to as little as one per cent again in the next twelve months would require more, not the same, effort of restraint. In fact the effort is certain to be smaller. There is, however, no reason to think that the fresh wage demands will be so forceful as quickly to break down all the habits of postponement established by employers and arbitration tribunals—or even the practical caution of the union officials themselves. The new claims are important not so much for the wage advances which will be granted in 1951 as for their significance in the change of union temper. The long-standing claims of the engineers and others will now be pressed more

insistently. Prolonged delays and small awards will be tolerated much less readily.

There are perfectly good reasons for this change. It is an unreasonable perfectionism to expect more of trade union policy than that it should be based on recent experience (as distinct from the experience of the thirties). And, whatever dangers the close future may hold, there is no doubt that in the past twelve months British export trade could have stood somewhat higher costs and prices with little damage. It could not have stood them in 1948, when the wage policy began, but while British wages and prices have been kept fairly steady the pound has been sharply devalued and the world has turned back to boom conditions. There is now, temporarily, some lag that Britain can afford to make up.

The new economic psychology allows no alternative. Profits (though not, in the main, dividends) have for some time now been rising ; the rearmament programme has already lengthened most industrial order books. Many employers are willing or anxious to bid for more labour. Both they and arbitrators must become less resistant to wage claims as the feelings grow both that the country is again prosperous and that the cost of living has had a long time to rise since wages were last settled. What is really significant in the wages situation is not that the unions have formally dropped restraint but that the engineering employers have at length offered their workers appreciable rises (though not, as yet, enough to satisfy the unions).

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There is no point in trying to stick to what was in its nature a temporary expedient. The proper basis for government policy is now to assume that over the next twelve months most wages will rise. The task is to see that this rise does as little harm as possible. This is partly a question of quantity. The British payments position is not so strong, and certainly will not be so strong if the pace of the American boom slackens at all, that we can afford a runaway inflation of costs. At this stage it would be reasonable to take, say, 5 per cent as the sort of wage advance that can—as an average, not as a uniform enactment—be afforded during 1951. More than this would be dangerous, and there is no reason why it should be more. If they are given a chance the administrative delays to wage claims will still combine with the usual caution and moderation of the British temperament to keep the pace of wage advances moderate. What would destroy the chance is encouragement to inflation from the side of Government policy. If the flow of incomes is allowed to expand sharply selling will be so easy as to make it profitable for even the least efficient firms in the least important industries to pay higher wages. In that case the wage increases will be cumulatively large and will do nothing but harm. Since devaluation the Government has in effect relied on the stickiness of wages in face of rising prices to act as the agent of disinflation. With rising wages the Government must play the active part itself. Economy in Government expenditure becomes more than ever essential.

Psychologically this is one of the easier adjustments of policy that the wages thaw demands. More difficult will be the proper handling of prices. While wages were being kept steady there was logic, as well as political compulsion, behind the Government's efforts to cushion the consumer against rising prices. The political pressure remains but the economic logic has gone. It is important to distinguish two ways in which rising wages can hamper exports. Directly, by raising costs, they make British goods dearer. But also indirectly, by swelling the pressure of demand in the home market, they draw manufacturers' efforts away from selling abroad. The export trade can stand a moderate increase in costs ; it certainly cannot stand, on top of the inevitable switch of some engineering products from export to rearmament, a further diversion of supplies into civilian consumption at home.

If a cut in export supplies is to be avoided, the extra purchasing power of the home market must be absorbed —at least in part—by prompt increases of prices accompanying the wage advances. For some goods this will happen whatever the Government wishes or does. But those will be generally the less essential things. The danger is that other prices will lag far behind wages—partly through the remaining price controls on essentials and more widely by the influence of Government exhortation and threats against "profiteers." The effects can only be dangerously to hamper the export effort and to harden the British economy in producing less than people want of just those things—such as textiles of medium quality at present covered by the utility programme—that are most essential to a satisfactory standard of living. All this is, of course, in no way an argument that inflation is a good thing ; it is that if we must have inflation nothing but harm can come from trying to confine it to one section of the economy.

From this another necessity follows. The price increases that higher wages make necessary will bear hardly on the receivers of fixed incomes who have already lost more than enough in the past ten years. It is an urgent task of social policy at least to offset this further burden ; that could best be done by tax reliefs on small incomes, though some increase in pensions will probably also be necessary—to the further complication of the Budget problem.

A return to free enterprise in wage bargaining has one other implication, most difficult of all for the Labour party to accept. It can be made to yield advantages only if the Government lets the rest of the economy respond freely ; this is true not only for prices but also for dividends. The sharpest danger of all is that the Government will be frightened by a reviving wage inflation into imposing statutory limitations on dividends. That—apart altogether from its monstrous inequity—would destroy all possibility of an increase in personal savings. By making undistributed profits still more exclusively the one form of saving it would finally stifle the supply of risk capital for new ventures and solidify investment into established firms and industries. Such an extra barrier to progressiveness and efficiency in the British economy must be avoided at all costs.

The return to wage advances will be, above all, a test of the Government's ability to help the economy to regain a little flexibility. Freedom for wages can be sound policy in full employment only if there is also freedom for prices and profits, if it is allowed to encourage investment in the industries where its returns will be greatest and to attract workers to the jobs where they are most needed. A breath of air all round will do good. It is the function of the Government's financial policy to see that a little freedom does not degenerate into a universal scramble of steeply rising wages and prices.

Collective Defence

GENERAL MARSHALL has done well to remind the western world that the forces at its disposal are "definitely not enough to resist attack without serious and critical initial losses." The success of the collective resistance to aggression in Korea has probably bought a few months' respite, but the urgency of the need to build up the collective defences of the free nations is as great as ever. Looking back, one cannot fail to be impressed by the magnitude of what has been achieved—perhaps not in actually assembling troops and munitions on the defence line, but in clearing away some of the very awkward and important political issues that might have inhibited all effective action. At the moment, however, the further progress of western unity is obstructed by estion of how Western Germany is to be treated. othing surprising in this, since Germany lies entre of most of the international problems e world. It is now quite clear to everyone five years ago to anyone with a sense of ermany will inevitably, and rapidly, reeignty and equality among the nations. rmany to be counted as a member of the ce or not ? To most people in America and answer is obvious. There is no such thing in international politics, and if Western Gerot on one side it will find itself on the other. r, the contribution that the Germans could make y needed. It is to everybody's interest that the e line of Western Europe should be set on the ; the western powers have given a guarantee that it be so ; and it is ridiculous to suppose that Germany n be defended without the Germans. To the Anglo-Saxon mind, this logic is decisive. The Americans, in fact, have made it a condition of their own further involvement that Western Germany shall be recruited into the joint effort.

But the logic goes too fast for the French. They still hanker after the doctrine that the Federal Republic of Western Germany can be made permanently content with the status of a second-class ally of the west, called upon to assist, but without a seat in the councils of the alliance and without any right to dangerous weapons. Until very recently it appeared that no French Government would dare to propose to the Assembly that arms should, even in principle, be allowed to the Germans. M. Pleven and his colleagues have, in the event, gone much further than might have been expected of them. They are prepared to swallow the principle: albeit with much foreboding they agree that there shall be Germans in armed military formations ; and that this is an act of great political courage will not be questioned by anybody who has tasted the mood of French public opinion. The acceptance of the principle, however, is coupled with a number of conditions. There is not to be a German army, but only German contingents within a European army, and none of these contingents is to be larger than a battalion. Moreover, when the French say "a European army" they make it clear that they mean it literally: there is to be a real pooling of European defences under a European Minister of Defence. Pooled defence means pooled defence industry ; and it is, therefore, made a further condition that Western Germany shall accept the Schuman Plan before any further steps are taken.

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The great risk at the moment seems to be that these French views should be treated with too much impatience. Such, at least, appears from the reports from Washington to be the American reaction to them. That would be a great mistake. For not only do the French proposals represent a very real effort of accommodation to the American and British points of view, they also enshrine some points of real substance and value.

To say this is not to say that the French conditions are all reasonable, or even practicable. On the contrary, there are some patent absurdities among them. To limit the national contingents in an international army to battalion level is to forget the nature of modern warfare. It should not be overlooked that any limitation that is imposed on the Germans will in the end have to be accepted by the other nations, and the best technical opinion is that the smallest practical unit is the division. It is also quite clear that it would be madness to hold up the formation and equipment of defence forces—of any defence forces that are available—while the very difficult and complex problems of organising an international army, of appointing a European Defence Minister and of setting up a political organ to provide him with authority and finance, were argued out. It may be desirable to have a European army ; but it is much more urgent to have an army in Europe, and for the next two or three years the one is not compatible with the other.

Nevertheless, even when these reservations have been



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made, there still remains in the French proposals a great deal of the root of the matter. Virtually everybody accepts the doctrine that German rearmament can be permitted only within the framework of a defence scheme organised for Western Europe as a whole; but the French are right when they imply that the phrase is becoming, on Anglo-Saxon lips, a cliché with very little meaning, and insist that it be given some reality.

One of the great tragedies of postwar Europe is that the powerful urge towards unity, which undoubtedly exists in the public opinion of every country, not excluding Britain, should have been diverted into the attempt to secure economic integration. This is to tackle the most difficult job first. The nations do not agree about economic policy; what is more, they do not in their hearts believe that economic policy must be international or nothing—on the contrary, many of them pin their faith to the powerful instruments of purely national economic planning. This being so, to tackle economic integration first is to put the cart before the horse.

This argument will be familiar to readers of *The Economist*. But the converse is also true: that to construct organs of unity in the political field, and above all in that of defence, is both possible and desirable. Except perhaps in the United States, there is no longer any possibility of belief in the sufficiency of national defence. The expert and the layman are at one in accepting, both as an ultimate principle and as an immediate practical necessity, the utmost possible unity in defence matters between like-minded nations. Proposals to this end are not in defiance of the facts, they are pushing against a door which is already ajar.

The French have, therefore, done well to restate the challenge to the nations to organise their defence in the most collective way they can contrive, knowing—as they must do—that collective defence forces require the creation of some collective political organ to give them their instructions and to establish their responsibilities. None of this, after all, is very new. What is needed is little more than the re-creation of what existed during the war, when there were supreme commanders in the field, combined chiefs of staff to determine the strategy, combined boards to oversee supply and even, in the periodic conferences of the President and the Prime Minister, a supreme political instance.

The citing of the precedents, however, recalls one essential point that it is as well to make quite clear. The French proposal is for a European army and a European Defence Ministry. But, whatever may be true of economic matters, Great Britain cannot, in matters of strategy, be regarded as a European country. Indeed, strategically, there are infinitely more resemblances between the positions of Britain and America than between either one of the two and that of France or Germany. Britain, like America, thinks itself (with some justification) safe from actual invasion. Britain, like America, thinks in terms of the sea and the air (that is, of an independent air force) fully as much as of the land. Britain, like America, has world-wide responsibilities. And if Britain is not quite so complete an arsenal as America, it is far more so than any of the continental countries. If, then, the British Government is invited to participate in a [illegible] for purely European defence unity (and it is by [illegible] clear that this is at present proposed), the [illegible] be an offer to go just as far as the Unit[illegible] no further.

This difficulty, if it be one, could, of c[illegible] pletely removed if the proposal for unit[illegible] ferred from the European to the world-wi[illegible] is, indeed, the British interest in the matter. [illegible] speculation has cast Mr Shinwell for the r[illegible] nent of the French proposals for closer co-ord[illegible] is to be hoped that this is a misapprehension. [illegible] role for Britain is that of pressing for the utmost [illegible] pooling of all defence matters throughout the [illegible] alliance of the free nations, not in any part of it. [illegible] British Government should promise to go as far as [illegible] United States will go—and to make this promise not [illegible] a clever debating way of saying no, but in the real hope that America will be willing to go a very long way. Indeed, the hope can be a belief: American policy has moved so amazingly far in these five years that willingness to join in an international defence force seems only a small step further. Every British effort should be directed to ensuring that the step is taken, no matter what surrender of purely national authority may be involved.

Controlling the Giants

LAST week's debate in the House of Commons on the nationalised industries made little progress with their unsolved problems. "Nobody will pretend," the chairman of the Fabian Society wrote last year, "that the problems of successful, democratic control of industries under public ownership have yet been solved, or are even within sight of solution." Professor Cole's judgment is shared, one may be sure, by all the sober leaders of the Labour Party; but it was hardly evident in the speeches made for the Government last week by Mr Morrison and Mr Noel-Baker.

Parliament was concerned with what the jargon calls the "public accountability" of the nationalised industries. How can the new giants, monopolies free from most of the compulsions of the market, be made to do what the country wants—or what it might be supposed to want if it thought about it?

In the statutes, the responsibilities of the public corporations, the National Coal Board and the rest, are defined by little more than vague injunctions to pursue "the public interest." To find methods of effective public control it is important at least to distinguish two broad aspects of the responsibilities. There is, first, efficiency: the corporation should provide its products or services at the minimum practicable cost. But besides this technical requirement there is also the economic requirement: in fixing the scale of its operations, how much and exactly what things it will produce in what proportions, the size of its investment programme, and so on, the corporation must assess on some reasonable principles the various wants of the community, and satisfy them as fully as possible.

The two things, efficiency and economic policy, are closely related in practice. But they require entirely different kinds of checking in the public interest. If the policies are taken for granted, efficiency in the narrower sense is, in theory at least, a matter of objective measurement; it is a question of detecting and eliminating costs that are unnecessary to the policies. In practice probably nothing short of competition between public corporations can do this fully; certainly little can be done without more effective decentralisation, enabling similar units to be compared, than exists at present in coal or transport. But at any rate what is being aimed at is a quantitative judgment. The assessment of policy, on the other hand, is in large part necessarily qualitative; it is a broad judgment of right or wrong. The purpose of public control is here not to impose objective tests on the corporations but—necessarily vaguely—to ensure that the policy-makers work on sound principles with adequate knowledge.

Once this distinction is recognised, the inadequacy of the Government's one proposal for reform is patent. Mr Morrison suggested that each of the nationalised industries should be subjected every seven years to an inquiry of the kind made periodically into the affairs of the BBC. This may be a useful way of taking stock on the broad issues of policy and organisation. But plainly the eminent men who serve on such inquiries cannot have the expert knowledge or the time to make judgments on efficiency; they can easily be bamboozled by the technicians. The measurement of efficiency is a lower-grade job, for industrial consultants and cost accountants and economists rather than for retired heads of colleges, civil servants and trade union officials. And to be effective the investigation must be regular. The great danger in Mr Morrison's proposal is that for six years out of seven the promise of formal inquiry would be used to fob off awkward questions—including those which the committee would be incompetent to deal with in the seventh year.

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Yet Mr Morrison would have none of any of the suggestions for making some check on the efficiency of the public corporations. What is required, for the corporations collectively, is a watch-dog such as is provided for Government departments by the Committee of Public Accounts. In essentials the task would be the same: to track down unnecessary costs as the Public Accounts committee tracks down avoidable waste in administration. The speed and the methods of inquiry would have to be different. There would be difficulties and weaknesses, but in time a useful system of efficiency auditing could be developed. It need not inhibit the managements of the corporations. What makes Government departments cautious is not the Committee of Public Accounts, where the civil servant appears himself, but the parliamentary question, through which the Minister has continually to answer for the deeds of his officials. If Mr Morrison is right in arguing that the corporations' managers would be made nervous by a committee looking over their shoulders occasionally, then they are too tender to show initiative and courage in any conditions.

An efficiency audit in itself involves no progress towards public control over the policies of the nationalised industries. The public corporation, free from day-to-day questioning in Parliament, was a prewar invention to meet limited needs. Everyone was anxious to keep the Government and Parliament out of broadcasting, and, therefore, willing to delegate almost complete authority to the BBC. The affairs of the Central Electricity Board and the Forestry Commission were too technical and too remote from the ordinary consumer to demand political decisions. And the London Passenger Transport Board, for all its size as a business undertaking, was still a local concern raising no national issues for Parliament. The point about the original public corporations was, in short, that almost no public control was wanted. The Government and public opinion were no more interested in their affairs—provided they made no grotesque mistakes—than is the ordinary shareholder in a private firm, provided it pays the customary dividend. The boards of the corporations could, therefore, work much as do the boards of ordinary companies.

In the new nationalised industries, and especially coal and transport, the case is different. They employ too many workers, and as suppliers are too closely in contact with the whole country, to be kept out of politics. In practice Ministers and their departments play a large part in running the nationalised industries. The Ministries of Fuel and Power and of Transport still duplicate the organisations of the main corporations. The division of power depends on personalities and circumstances. The Minister of Fuel has so far tended to be the managing director of the Coal Board, but electricity has got out of his control, while the Minister of Transport is rather the chief public relations officer to the British Transport Commission.

The effect in either case is that policy is settled by some confused process within what is virtually a single organisation. The Minister cannot fulfil his intended function of watch-dog for the public; either he is the corporation or he is its apologist. There is no one else close enough to the corporation, yet independent of it, to see that its policies are not parochial or short-sighted, that it does not pursue the interests of its employees at the expense of the consumer.

What such a watch requires is not simply a more critical attitude of Ministers to their own creations. Independence will remain impossible while the departments are closely concerned in detailed decisions of corporation policy. Whitehall's dealings with each nationalised industry should be restricted to a handful of civil servants competent to observe the broad directions of policy and provide continuously an informed outsider's point of view representing, in some fashion, the national interest. Both Parliamentary debates and periodic inquiries such as Mr Morrison suggested might then play a useful additional part. But the first necessity is simply to take detailed responsibility from the Government and put it squarely on the shoulders of the giants. What they make of it can then be seen.

Normal working in the London printing trade was resumed on Wednesday morning and it has therefore been possible to produce this issue of *The Economist* by less extraordinary means than in recent weeks.

Emergency issues were produced in each of the weeks when normal printing was impossible. Every direct postal subscriber should have received a copy each week, and as many copies as possible were supplied to the trade. Subscribers who did not receive copies for which they had paid in advance would be doing us a service if they would notify us (in the case of direct subscribers) or the agent to whom the subscription was paid.

Publication of the *Records and Statistics* Supplement will be resumed next week.

NOTES OF THE WEEK

The New Session

There is one unifying purpose behind the Government's programme for the new session of Parliament: it is simply to leave Mr Attlee's hands free to fight an election whenever he sees the best opportunity. The minor proposals for legislation are all things that can be dropped in a moment almost without anyone noticing. They are not merely non-controversial, as is inevitable; they lack that mild spirit of useful reforming which might be expected from a Labour Government however narrow its Parliamentary majority. In the one important matter to be tackled—leasehold reform—the object will be temporarily to patch up the law (no doubt at the expense of fresh anomalies), not to make a radical change. It is sad to see Labour so devoid of any positive ideas that are not ruled out because they are too Socialist for an evenly divided country.

The one further measure of nationalisation which the Conservatives would not oppose in principle—for water supplies—is left out of the programme because the Labour party still cannot agree within itself on the form a new organisation should take. The proposal to nationalise the British Sugar Corporation must be the outcome of a pretty desperate search for some alternative way of keeping the Socialist flag flying without doing any harm. This measure will not affect the main part of the sugar industry, refining cane sugar. The British Sugar Corporation, refining beet sugar, was set up by a Conservative Government; it has always been dependent on subsidy and the Treasury is already its controlling shareholder. Nationalisation in this case will disturb nothing. The Government's Bill will be attacked as a ridiculous gesture on behalf of a bad principle, as a complete waste of Parliament's time, not because it matters.

The battle, if there is one, will be on the Government's attempt to make permanent the powers of economic control at present exercised under the temporary extensions of wartime emergency legislation. The turgid phraseology of this proposal—"powers to regulate production, distribution and consumption"—is obviously intended to make the Labour party feel that the old, simple faith in prosperity through the state has not entirely gone. But it does not follow that the Government is in fact prepared, as many political commentators have assumed, to challenge the Opposition to pitched battle on this issue. No one proposes to strip the executive of all the powers it has gained since 1939. When it comes to the point the Government may still choose legislation limited enough in scope to avoid sharp controversy. And the point may in any case be put off for some time yet. The minor legislation can be made to keep Parliament uselessly occupied until April and the Budget; if the Government does decide to challenge the Opposition—and the Lords—with a sweeping Controls Bill, it need not do so until the late summer. Accidents of sickness among Labour MPs apart, an election before next autumn has been made no more probable than it was before Parliament reassembled.

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Fourth Act in Korea

Official appreciations of what may happen in Korea have been wrong in the past and may well err again; for intelligence must be hard to come by in the present confused state of the campaign in the north and with air reconnaissance having to stop short at the Manchurian border. It is, therefore, difficult to judge how serious is the intervention of Chinese troops and what may be the purpose of the heavy counter-attacks into which American and South Korean columns have been running. This may be the Communists' Ardennes come-back, or it may be only the first stage in operations which will frustrate General MacArthur's declared purpose of getting the battle-worn troops home for Christmas. It would be wise to assume that United Nations troops in some numbers will be needed on the spot well into next year, perhaps even that Korea will become another Greece.

A more alarmist view of China's intentions has to be taken if some of the recent statements of Peking Radio are to read as something more than propaganda. Listeners are told that the "flame of aggressive war" has now reached China's door, but that they are not to be afraid, for the atomic bomb is nothing but "a paper tiger"—to use Mao Tse-tung's phrase. Indeed, says the Peking commentator, if the Americans used their whole stockpile of atomic bombs only six per cent of Chinese cities could be destroyed. He adds the assurance that "in a general war" the Americans would suffer from far-flung fronts, supply lines of a length "unprecedented in history," and the resistance of the European workers.

The criminal and malicious rubbish about the west's aggressive intentions put out by Communist propaganda has lately reached a point where it is a danger to peace. It is time that the western governments asked men of intellectual standing to prepare a study of what is being said and to present it to Uno for publication.

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Tibet Invaded

Chinese Communist troops have entered Tibet "to free three million Tibetans from imperialist aggression," which no more exists there than it did in South Korea. Before these forces crossed the frontier some 500 miles from Lhasa, the capital, the Chinese Second Field Army issued a political directive instructing its soldiers to complete the "unification of the whole of China" and—a somewhat tall order—to learn the Tibetan language. This invasion began just as Tibetan delegates, led by the Finance Minister, Tsepon Shakabpa, were on the point of leaving for Peking, having spent several months in Delhi trying vainly to negotiate with Communist China about their country's position. Tibet's status in international law is vague; while it is normally shown on western maps as part of China, the Government of India recognised its autonomy over thirty years ago, and the Tibetans ejected Chiang Kai-shek's representatives last year. But there can be no doubt that, as extreme and independently-minded Buddhists, they do not want Communism.

Although opposed by negligible military forces, the Chinese have to cross a vast and rugged territory which no invader has hitherto conquered for long. The reason why they have undertaken this winter campaign on the roof of the world is, no doubt, that success would help to offset a loss of face in Korea and to reinforce the myth of the Communist juggernaut in southern and south-east Asia. As its political directive suggests, Peking is also determined to assert itself in all territory traditionally regarded as Chinese, whatever the effect may be on world opinion.

For Delhi the invasion has been a shock. Mr Nehru, the Indian Prime Minister, has lately been courting the Chinese Government to an extent which has made him blind to their manifest failings and avowed intentions. Now he has expressed "surprise and regret," and has already come down more firmly than previously against the Communist bloc at Uno—on the question of re-electing Mr Trygve Lie. Tibet has appealed to India for diplomatic help, but there is little that Delhi can do except possibly to air the question before the United Nations. Nor is the invasion a direct threat to India, except in so far as it brings Communist

government to its very borders. With the Chinese sending troops into North Korea, equipping and training Viet Minh forces in Indo-China and now campaigning in Tibet, Mr Bevin—as well as Mr Nehru—might feel it appropriate to think again about policy towards Peking. The rewards of appeasement are slow in coming.

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Farewell to Kongwa

The second report* of the Overseas Food Corporation will cause no stir. A year ago, the reservations to the auditors' report on its first accounts marked the culmination of a campaign which, though at times frankly political, was in the main designed simply to obtain the truth about the East African groundnut scheme. Today the excitement has died down. The protagonists, Mr Strachey and Sir Leslie Plummer, have gone; a working party has recommended that Kongwa should, in effect, be closed down; and all that remains is to see what can be salvaged.

The corporation's report also covers its Queensland scheme. It is only fair to point out that this scheme, for producing sorghum and raising pigs and cattle, shows some signs of being a success. But it is by the £30 million capital spent on the groundnut scheme that the corporation will be judged, and there is nothing in this second report to encourage hopes that it can be redeemed. Kongwa is to become a cattle ranching project; clearing at Urambo is to cease this month—at the end of March only 16,000 acres had been cleared there, compared with the 90,000 acres aimed at a year ago. As for the Southern Province, the fair and smiling land about which Mr Strachey once declaimed lyrically in the House of Commons, the report is extremely cautious. Land is now being cleared there "on a highly selective basis"; the plots cleared are, therefore, small and disconnected, which "is producing new problems." Moreover, the new railway built for the corporation in the Southern Province, which Mr Strachey described as one of the scheme's assets to be offset against the capital expenditure, came to grief in the rains of March this year.

Throughout the report facts are given about the scheme's by-products in colonial development and welfare which shine by contrast with its dreary failure to produce groundnuts. But unless these by-products—the transport facilities, the hospitals and medical service, the new village communities and so on—can be maintained they, too, will have to be written off. Tanganyika's other resources may be expanded enough for the Government to take these assets over from the corporation. But so far the corporation has been as unsuccessful in adding to the territory's wealth as it has in relieving the alleged world shortage of fats.

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Reprieve for Teachers

There will be general approval for the recommendations of the Burnham Committee that teachers' salaries should be increased by £75 a year for men and by £60 to £68 a year for women, that the allowance for a university degree should be doubled, and that other improvements in the allowances for posts of special responsibility should be granted. It is generally agreed that teachers have been underpaid and that the service should be able to attract better men and women to it. This should not, however, blind the public to the cost of the proposals. Some 70 to 77 per cent of the cost per pupil in schools is attributable to the salaries of teachers and on a rough estimate something between £16 and £17 million a year will be spent in increasing the salaries of the 226,000 teachers in England and Wales. This is a large sum at a time when education authorities are being pressed to reduce expenditure.

* His Majesty's Stationery Office. 3s. 6d.

While the all-round increase may be justified, the most important and controversial parts of the recommendations are those concerned with special allowances. This is a key issue. One of the schools' principal difficulties has been to attract and keep in the service teachers of outstanding ability and with qualifications which command a high salary elsewhere. They have, for example, since the war found it almost impossible to recruit good science graduates, and in a number of small grammar schools science departments have had to be closed. Hitherto the maximum allowance for posts of special responsibility has been £150 a year. This ceiling is now abolished and local education authorities will be able to draw on a "pool" of their own creation (assessed at 4s. per pupil a year) to pay whatever allowance they think a teacher merits.

The difficulty of this ingenious and far-seeing proposal is that it rests upon individual authorities to decide whether to make their bonuses for merit many and small or large and few. It would be possible for an authority to give the handful of their really able sixth form teachers allowances suitable, or more nearly suitable, to their qualifications. Unfortunately, it is too often a matter of party politics whether they will or no. But, given the strength of feeling behind the pressure of the National Union of Teachers to equalise salaries in grammar and non-grammar schools, the Burnham Committee is to be congratulated on finding at least a partial solution to the problem of maintaining grammar school standards.

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Local Government Hunger

The award to teachers will no doubt be regarded as strengthening other claims for higher salaries. The National Association of Local Government Officers announced on Tuesday that it was about to press a claim for a 20 per cent increase in pay for all its 150,000 workers. Since 1939, the pay of local government officers has fallen well behind the rising cost of living and the wages of manual workers. Whether local government officers have fared worse than civil servants or other comparable workers the association has not attempted to show in detail. It has been content to state that the average earnings of its members have increased by only 63 per cent since 1939 (52 per cent in London).

Compared with other salaried workers, this is not conspicuously bad. It was calculated in *The Economist* of January 21, 1950, that salaries had gone up by 67 per cent—but this figure relates not to the average salary but to the total of all salaries, and since their number has almost certainly grown, the rise in the average salary must be much less than 67 per cent between 1938 and 1948. It must also be remembered that, in times of full employment, Nalgo's complaint about the shortage of school leavers is common to all employers, and that the competition for technical staff—for architects, surveyors, planners, dentists and doctors—is everywhere acute and the turnover of staff rapid. The association does, however, claim that local government is suffering a steady loss of technical and clerical staff to better paid work elsewhere. In the case of experienced professional staff there is outside corroboratory evidence of this. And it cannot but be detrimental to these important public services that the best men should leave. Yet it would be easier to give whole-hearted support to Nalgo's case if it were not so apparent that the appetite of local government for men is insatiable in spite of a decrease in its functions. The national interest requires that local government should employ fewer people more efficiently.

* * *

Scapegoat at Bonn

Dr Adenauer's dismissal of his military adviser, Count Schwerin, is a symptom of the confused state of mind that

prevails in Germany concerning all matters of defence. For many weeks past Bonn has been the centre of rumours, unofficial statements followed by official denials, and constant tussles between the Chancellor and the Premiers of the *Laender* for control over the western *Bereitschaften*, as the armed mobile police are now known. Dr Adenauer's opponents quickly spread the news that Count Schwerin, who commanded the 116th Panzer division during the war, had sent a request to former officers of the division and others receiving aid from an ex-servicemen's welfare organisation, to apply for posts in a special guard that Dr Adenauer proposed to set up for defence of the Government in Bonn. This guard was also to play the role of a *Fuehrerreserve* and provide a cadre of officers for the *Bereitschaften*, or a future German contingent in a European army. This proposal offended the heads of the *Laender*. They intend to keep even this guard of 400 men decentralised under their control, and are so opposed to reconstituting anything in the nature of Hitler's Wehrmacht that they propose to take only men of 22 and under into the new police force.

The latest and worst leakage from Count Schwerin's office was to the effect that the Government was preparing a conscription law. A categorical official denial has not removed the public's uneasy and irritated feeling that matters vitally concerning them are being arranged in secret by the Chancellor, his military adviser and Allied generals. The sacrifice of Count Schwerin will hardly improve the situation. On the contrary, it is likely to make matters worse.

Count Schwerin, who was associated with the July 20th plot, was not acceptable to the *Bruederschaft*, the organisation of generals which is busying itself independently with questions of a revived Wehrmacht. Dr Adenauer, who is determined to keep policy in his own hands, and refuses to be linked with any aspirants to a revived High Command, does not intend to appoint another military man in the place of the indiscreet but otherwise innocuous Count. Dr Blank, who looks after arrangements for Allied reinforcements in Germany, will take over his office. The episode should show the Chancellor the importance of taking the German public more into the confidence of the Government.

* * *

Germans Prefer Freedom

Dr Erhard, the Federal Minister of Economics in Western Germany, will do all in his power to preserve his country from a return to the system of quotas and controls which failed so lamentably in the early postwar years. Faced with the exhaustion of Germany's initial credit in the EPU (which is discussed on page 705), and American pressure to impose controls equal to those which the United States has adopted as part of the defence programme, Germany's apostle of free market economy is determined that the state shall directly interfere as little as possible. Voluntary steps by industrial organisations and fiscal measures will, it is hoped, proved sufficient to deal with shortages.

The steps taken recently to master Germany's foreign exchange crisis—notably the raising of the bank rate—represent an alternative to abandoning liberalised trade. The American authorities, who are sometimes curiously hasty, had proposed that outstanding licences for foreign exchange should be cancelled for review, regardless of the fact that such action would have involved breaches of contract with Germany's customers. Dr Erhard may well be proved right, as he has been on past occasions when the Occupation Powers tried to induce him to adopt controls which work more or less satisfactorily only in more stable societies. The plain fact is that Germans are easily panic-stricken. If they saw around them symptoms reminiscent of the days before currency reform they would interpret them as omens of returning inflation ; and to Germans inflation means worthless money.

Blame for the EPU Crisis

The Bonn Government is not unjustified when it maintains that the EPU crisis has been exaggerated and will right itself in a few months, with some further credit and the action taken already by the *Bank Deutscher Laender*. Even now, it is said, the position has been stabilised, and half of the $400 million of debts due to German exporters has been recovered. Exporters had been giving much too lenient credit terms in order to capture markets. There is also little doubt that German traders have been gambling on a revaluation of sterling and, in any case, on a devaluation of the mark. Payments have been made in advance of due date, and outstanding debts have been left uncollected. Exporters, it is suspected, have also been falsifying invoices with the object of depositing nest eggs abroad. It is evident, too, that the German consumer is not benefiting from the record imports revealed by the statistics. Some goods are being hoarded once again, and others are being channelled to third countries.

The central bank, by imposing stiffer terms for foreign exchange and credit, hopes to squeeze out of business the innumerable men of straw who apply for import allocations. It is doubtful, however, whether the new regulations will not hit the bona fide firms more than the upstarts, whose cash is usually plentiful.

Though Dr Erhard has been badly served by his trading community, he has some justified complaints to make against Germany's partners in EPU. The Federal Republic should have been granted an initial credit of over 500 million units, instead of only 320 million, in view of the very great increase in its trade since 1949. Exports in the first half of 1950 were 47 per cent higher than in the previous six months, and about 75 per cent of the total now goes to OEEC countries. Production also continues to rise and is now 21 per cent higher than in 1936. Furthermore, Britain was very late in liberalising its trade with Germany, and France has not done so yet. Almost the whole of Germany's deficit in EPU is with these two countries.

It might be said that the large purchases of raw materials which Germany made after Korea constituted a wise hedge, since it was almost certain that the goods would soon be worth more than the money that bought them. But the incontrovertible fact remains that Germany, whether it was hedging or gambling, it was done with other people's money.

* * *

The Encroaching Corporations

The action of the Road Haulage Executive in withdrawing the permits of several thousand road hauliers to operate outside the twenty-five mile radius, and that of British European Airways in squeezing out the air charter firms from the Channel Islands trade, raise afresh the awkward question of the proper delimitation of monopoly powers.

For two types of opinion no question really arises. When the dogmatic old-style Socialist sees a most desirable thinning out of the "miasma of private enterprise" hampering the national industries, the dogmatic individualist sees a gratuitous attack on freedom and, moreover, a confession of inability to compete in a fair field against the superior efficiency of private business. The real issue is less simple. It was not, after all, doctrinaire socialism which drove the "pirate" buses off the London streets, nor a Socialist creed which dictated, over the course of more than a century, the grant of monopoly rights to public utilities. It is indeed arguable, in the rarefied theoretical atmosphere of pure economics, that the only justification for monopoly is the kind of massive physical indivisibility represented by a municipal waterworks ; in practice, no one would bring back the "pirate" bus. The balance of social loss or gain—loss from the lessening of flexibility and initiative, gain from co-

ordination and the more rational distribution of overheads—when a scatter of competitive enterprises is absorbed into, or replaced by, a single organisation whether private or public, is a matter to be decided not *a priori* but on the facts of each case.

More unsatisfactory than any particular encroachment of public monopoly on private business in the same field is the absence of any impartial body to decide whether the facts do or do not justify it. The corporations are judges in their own cause. Their executives must be almost superhuman if they can wholly avoid being biased by mere administrative convenience, irritation at invidious and perhaps unjustified comparisons, and the itch of empire building—considerations which, to put it mildly, are out of place in deciding the proper composition of a mixed economy.

* * *

G.B.S.

Mr Bernard Shaw is—one can hardly bring oneself to write was—about the last person to appreciate the smoothly laudatory phrases of a conventional obituary paragraph. A great man, a man diversely and magnificently gifted and diversely and infuriatingly deficient, a major and unmistakably salutary influence on the thought, opinion and perceptiveness of three generations ; a "swallower of formulas," a crank, a crusader, and a supreme master of English prose, of polemic and of stagecraft ; an impish devil's advocate constantly compelling readers and auditors to re-examine the bases of their beliefs or complacencies ; he was the sort of unique, splendid and slightly absurd eccentric, for whom, in a society shaped as he endeavoured to shape it, there would be very little room.

He lived to see many of his heresies and paradoxes become commonplaces and platitudes, and it is perhaps to his unwillingness to relinquish the congenial role of arch heretic and gleeful iconoclast that one must attribute the less attractive intellectual antics of his last decades—the flirtings with successive totalitarianisms, the uncharacteristic reverence for brute force, as well as the engaging minor sillinesses with which he enlivened the correspondence columns of the press. Yet if he was an intellectual exhibitionist, deliberately wrong-headed, perverse, intemperate in denunciation or in praise, he was never ungenerous ; he was never dull, he never bore malice, and he never struck an underhand blow. No one could have found his ideas and ideals more incomprehensibly abhorrent or fought him on platform or paper with more conviction and zeal than did G. K. Chesterton. Yet Chesterton—than whom few were better haters where hatred was called for—always felt the warmest affection for him and saluted him, at the last, as a chivalrous adversary. Time will burnish Shaw's reputation ; if prophecy may be hazarded, he will be remembered neither as an exasperating Eulenspiegel nor as an advance sample of the Superman, but, as he delineated himself in the "Adventures" of his Black Girl, as the redheaded Irishman "digging, productively and with inexhaustible zest, in the garden of Voltaire."

* * *

Tainting the Secretary-General

One unfortunate outcome of the quarrel over extending Mr Trygve Lie's term as Secretary-General has been to taint an office that should be above politics with the nasty flavour of the cold war. The fault is not Mr Lie's. It lay, in the first place, squarely on the Russians. Subsequently the Americans, by a tactless speech of their representative, also placed themselves in the class of voter who uses the veto to baulk any nominee but his own. Mr Lie becomes, to his embarrassment, the west's man and is reviled by *Pravda*—quite unjustly—as the "Salesman-General of Wall Street."

The appointment of the Secretary-General lies with the Assembly, on the Security Council's nomination. The Charter fixes no term for it, but Mr Lie, on appointment in 1946, was placed in office for five years and his term expires next February. When the Security Council considered the succession, Jugoslavia proposed that Mr Lie should carry on, and was supported by eight further votes. The Russians vetoed the proposal, and their distaste for Mr Lie is said by Mr Malik to be due to his "quarrel with Stalin" over the details of the 20 point peace proposal which he took to Moscow in the spring. But the real reason for it—officially denied, but at one point implied and blurted out by Mr Vyshinsky—is his use on June 25th of his powers under Article 99 of the Charter to address the Security Council on its "plain duty" to stop the Korean aggression.

The Russians therefore proposed a rival candidate, a Pole, who got no votes except theirs. There followed some days of confusion during which other names were submitted. In view of the overwhelming vote earlier given for Mr Lie, to accept one of these nominations would amount to penalising a man who had merely done his duty. Thinking to stop the muddle, Mr Warren Austin of the United States, in the heat of a maddening debate, rapped out his mistaken threat to "thwart the Soviet veto by every means in his power"—to meet veto with veto. The Russians replied that they would not recognise the validity of Mr Lie's re-election ; so by ten votes to one the Council divested its agenda of the deadlock and passed the deadlock to the Assembly, which has now prolonged his appointment for three years.

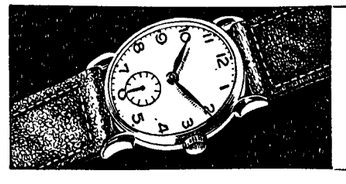
The risk of non-recognition by the Russians is worth taking, for to bow to their objections would have grave implications. It would discourage any international official from doing his duty in an independent spirit.

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Liberalisation Marks Time

It is now over a year since the Marshall Plan countries, acting through the Organisation for European Economic Co-operation, embarked on a process of trade "liberalisation"—by which they meant something a good deal less than free trade. The intention was to withdraw in progressive steps quantitative import restrictions on that part of intra-European trade in the hands of private enterprise. It was argued that, as exports and imports moved into balance, quota controls would no longer be needed for the purpose of safeguarding each country's foreign exchange reserves. By the autumn of this year 60 per cent of trade on private account had been "liberalised."

When the OEEC ministers met in Paris last week it was found that the next stage—to 75 per cent—was the toughest so far attempted. Because of the present weakness and fears of various member countries, the ministers ended their discussions with a recommendation instead of a decision. Participants were "urged" but not "obliged" to aim at an additional 15 per cent by February 1, 1951.

Perhaps the greatest obstacle to lifting more restrictions was the trade deficit of Western Germany. Unless this is speedily righted by other means, the German authorities may be compelled to reimpose some of the quota restrictions already abandoned; further liberalisation would be out of the question. Among the most vocal critics of the 75 per cent target was the group made up of Holland, Denmark and Turkey. They argued that because such a large proportion of their trade was carried on with Western Germany they would have to mark time until Bonn clarified its trade policy. This group was given an extra three months' grace beyond the February deadline before committing itself.

A second dissentient voice was that of France. The French delegation complained that their country was particularly dependent on raw materials and that, so long as there was no satisfactory international scheme of allocating them, France would reserve its position on further liberalisation. The logic of this argument is difficult to grasp; the cynical but perhaps reasonable interpretation is that France is determined to hold fast to all bargaining counters until concessions on the question of raw materials are made. This issue has in recent months become an obsession with the Quai d'Orsay. Finally, there were protests from low tariff countries which maintain that the high-tariff policy of such countries as France is making nonsense of the trade liberalisation programme. Low-tariff nations were granted the right to ignore the latest OEEC recommendation if the ITO Conference at Torquay fails to reduce international tariffs.

All in all, it looks as if the prospects for further liberalisation of European trade are pretty dim.

* * *

Plain Speaking to Spendthrifts

The Filipinos have had their clamorous wish fulfilled with the publication last weekend of the Bell Report on the Philippine economy. The report is by far the most searching and forthright approach yet made by the United States to the problem of how aid to under-developed countries can be made to do the job for which it is intended. This is the first time that American aid has at the outset been so unambiguously tied to strict American supervision. It has doubtless come as the culmination of a series of disillusioning experiences, first in China, then in Greece, southern Korea and the Philippines themselves.

Since the end of the war the Filipinos have received in various forms some $2 billion from the American Government but have nevertheless managed to bring themselves to a state of near bankruptcy and social demoralisation. Last year, in response to Philippine pleas for still more aid, Washington insisted on the dispatch of an all-American fact-finding mission. Reluctantly President Quirino gave way. The mission, headed by Mr Bell, former under secretary of the US Treasury, was sent to Manila in July and completed its labours within two months.

Sheer incompetence and lack of initiative, the Bell report suggests, are more important reasons for the plight of the country than graft and corruption. The failure of the Philippine Government has been its inability or unwillingness to tackle the basic economic problem—"inefficient production and very low incomes." As a result there is an alarming and steadily widening gap between production and needs, wages and prices, and between Government expenditure and taxes. The report says trenchantly that:

> Because of the deteriorating economic situation there is a widespread feeling of disillusion. Most agricultural and industrial workers have no faith that their economic position can or will be improved. Business men fear a collapse of the peso.

This is the kind of situation, the report warns Manila, on which the Communist-led Hukbalahap movement will thrive.

The mission recommends that the United States provide $250 million over a five-year period, but only on condition that this assistance is continually "supervised and controlled" by an American technical mission and that the Philippines carry out a number of far-reaching reforms. These include redistribution of land, a more equitable and efficient tax structure, diversification of the economy, reform of the Civil Service, organisation of free trade unions, and a stiff import tax on non-essential goods.

This experiment in plain speaking will be watched with deep interest wherever the future economic relations of the western lender and the Asian borrower are being thought about. Its launching has not been auspicious. Washington's first reaction was a decision to withhold publication—presumably for fear of offending a proud and newly independent people—and it relented only when rumours of the radical nature of the document penetrated to the Philippines. There it caused a hubbub and provoked from one of President Quirino's underlings the statement that, in matters of corruption, Filipinos are "pikers" as compared to their American mentors.

* * *

Israel Rounds a Corner

There is a direct connection between the sudden solution, last Sunday, of the cabinet crisis in Israel and the simultaneous meeting, in Washington, of a national planning conference of American Jewish organisations "for Israel and Jewish rehabilitation." For some days before this met, the wires to Tel Aviv were humming with its advice, the gist of which was: "We American Jews cannot launch our campaign to raise $1,000 million until you produce stable political conditions at your end."

Israel had been without a cabinet for three weeks. Its old government, of which Mr Ben Gurion's Labour party (Mapam) was the chief component, had for the last two years been able to execute its policy of planned economy thanks to the support of groups to its right. Of these the least dependable was the United Religious Front, which contains one group—the Mizrachi—that does not confine its platform to religious issues. Mizrachi also expounds economic doctrines; it stands for the little man and more freedom for his enterprises. Last month the worsening balance of payments drove the government to impose yet further restrictions, and it has always been bad at explaining these to the electorate. Its late minister of rationing, Dr Joseph, out-Stracheyed Strachey in his capacity to enrage the housewife. There followed much murmuring at Mr Ben Gurion's arbitrary ways. When he took a decision to adjust the



Doubloons or Dollars

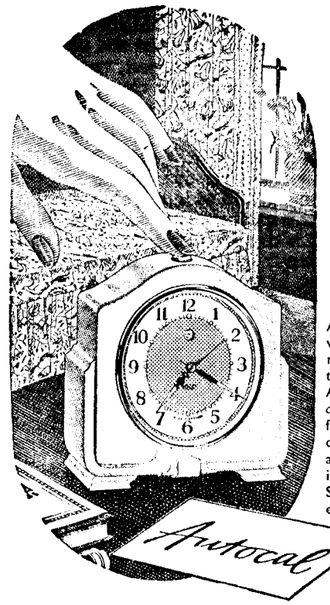
"It was a long, difficult business, for the coins were of all countries and sizes—doubloons and louis-d'ors, and guineas, and pieces of eight".

'TREASURE ISLAND' *by Robert Louis Stevenson*

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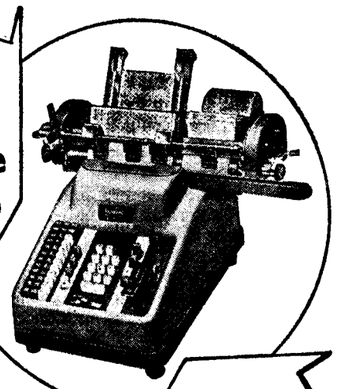
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incidence of responsibility as between ministers by creating a new ministry—that of trade and industry—Mizrachi, taking advantage of the general discontent, claimed the portfolio. He refused them this, and losing their support, was obliged to resign. Deadlock followed. A general election seemed inevitable until the wires from Washington grew busy.

Their influence magically produced a compromise in which what is virtually the old coalition resumes office. Part of the United Religious Front, proclaiming that certain religious demands have been met, has agreed to serve; some, but not all, Mizrachi supporters have split from the front on the issue. Mr Ben Gurion's cabinet is therefore much as he originally wanted it. The new minister of trade and commerce, Mr Jaacov Geri (better known to the business world under his former name of Jack Gering) is a non-party man who is likely to be a staunch supporter of Mr Ben Gurion personally. The prime minister's position and repute are strengthened by all that has occurred. He has chiefly to thank Washington for the advantage gained.

* * *

Church and Communists in Poland

The bitter struggle between church and state in Poland is flaring up once again. Few, indeed, can have hoped that the concordat signed last April between representatives of the Government and the Polish bishops, which was never accepted by the Vatican, would do more than gloss over temporarily the deep and irreconcilable differences which divide the Communist Government and the Roman Catholic Church in Poland. The Government's latest, widely publicised, outburst is directed particularly against the failure of the Episcopate to set up a permanent church organisation in the western territories in place of the present provisional arrangements. The Polish Government, which has recently obtained a formal renunciation of these lands from the Government of eastern Germany, is naturally anxious that nothing shall impede their complete integration with the rest of Poland; and it has announced its refusal to tolerate any longer their unsettled ecclesiastical administration. The Polish bishops, for their part, have always maintained—as in loyalty to the Vatican they were bound to do—that the matter was outside their competence and must be settled by the Vatican. The Government says that they can no longer thus "shelter behind the pretext of formal considerations."

The Polish Government may hope that its fulminations against the bishops' attitude to the organisation of the church in the western territories may divert attention from the far more fundamental issues at stake in its struggle with the church. After a meeting of bishops early in September, the Primate Archbishop, Stefan Wyszynski, and Cardinal Sapieha addressed a "statement of grievances" to President Bierut. It reveals such a state of affairs that it is hardly surprising that it has been hushed up by the government-controlled press and radio. Large numbers of priests are under surveillance, have been imprisoned without trial or have been sentenced to penal servitude; more than 500 priests have been dismissed from teaching posts because they refused to sign the Stockholm "peace appeal"; the training of new priests is jeopardised by the closing down of seminaries, and the religious teaching of Polish children is gravely threatened by the handing over of more than a thousand schools to the "Children's Friends Association," which excludes all religious teaching from the schools under its control.

* * *

The Way it Works

The price of pork sausages is going up from 1s. 6d. to 1s. 10½d. per lb. The young and innocent might therefore suppose that the offal constituent of the cost of living index would be increased by 25 per cent. But the proportion of pork meat in the standard or Government sausage is being raised from 50 per cent to 65 per cent at the same time as the price is increased. Those with a sound arithmetical background would therefore seem justified in taking the more cautious view that the offal constituent of the cost of living will be going down rather than up. The sausage as such is obviously an unsatisfactory unit; it must be presumed to be bought for its "standard pork content," and in terms of this unit the cost of sausages will now fall by 4 per cent. The cost of living is therefore clearly on its way down.

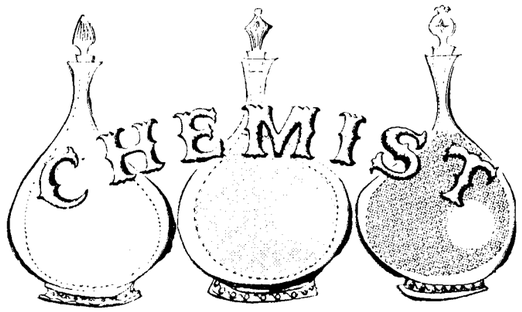
Only the expert is likely to spot the real answer, though fundamentally it is very simple and obviously conforms to common sense. Everyone knows that the sausage we are getting now is a Bad Sausage: but we have the authority of the Minister of Food himself for the statement that the sausage with 65 per cent of pork in it is a Prewar Sausage. Anyone who gives a little thought to the matter, even though he may not be the true Connoisseur du Saucisson of whom the gentleman from Whitehall is the perfect embodiment, will readily agree that the Good Sausage is at least twice as good as a Bad Sausage. The measurement must clearly be in terms of "Standard Sausage Satisfaction"; who, therefore, can doubt that by correct methods of computation the price of sausages will now fall from 1s. 6d. per unit to 11¼d.—a reduction of 37½ per cent in the offal constituent of the cost of living index?

There is a slight difficulty still to be overcome. By any of the above standards, beef sausages are going to increase in price by 6½ per cent. But everyone knows that no true Englishman will touch a beef sausage when good pork sausages are available. If by some oversight the now obsolescent beef sausage still figures in the cost of living index, one may safely presume that the gentleman from Whitehall will follow the dictates of common sense and have it deleted. Or better, he will have it replaced by its money equivalent in pork sausages. Since the cost of these is now going down, it will then give an additional fillip to the downward movement in the cost of living. No wonder Mr Webb is quoted as saying that he is "fascinated by the problem of the sausage."

The Alarm of War

Public writers, we think, do not pay sufficient attention to the prevalent habits and sentiments, to what we may call the framework of the mind of Europe, in contradistinction to the ornament and frippery of words. . . . Princes and their armies form numerically but a small portion of the whole people, and it is a great mistake to put them for the whole. Nor is it a less mistake to conclude, because war has been, that it will ever be, the pastime of nations. When clubs were the only weapons, and each individual handled a club, every man was a warrior. . . . As an ever-increasing portion of society ceased to be clubmen, as the part devoted to the art of war became less, so the character of nations changed and is still changing; and though they formerly carried on war for pleasure, they no longer do so, nor will they do so hereafter. In Germany a few noisy students and journalists, fresh from the Universities, clamour about war; in France a few military men by profession and their abettors and followers talk big; but in either country these compose only the smallest part of the nation, while the bulk of our community look with pity or contempt on the exciters of strife.

The Economist
November 2, 1850



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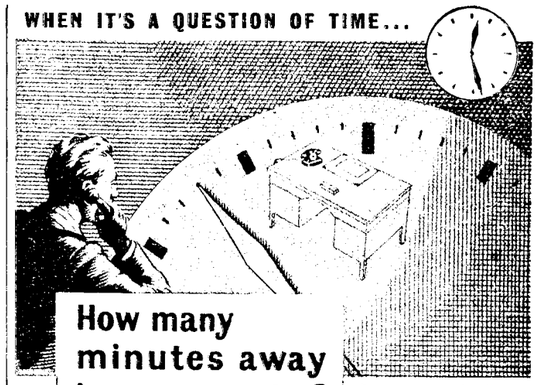
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Letters to the Editor

German Vicars of Bray

Sir,—In your columns of September 23rd, under the heading "German Vicars of Bray," you described the attitude of the Evangelical Church in terms which can only be misleading. It is certainly true that the Communists claim "increasing support from Protestant pastors"; it is part of their campaign against the official church to do so. You imply that you believe their claims. Reliable reports from the Russian zone, however, indicate that the majority of clergy are firmly united behind Bishop Dibelius, and that attempts to draw them into the National Front have failed. The Communist "puppet" National Front pastors are a mere handful, none of them a man of any significance, and attempts to gather pastors in political assemblies have not succeeded in winning the support of more than 5 per cent of the clergy.

The resolution on rearmament, to which you refer, was issued at Essen, not Duesseldorf. The full text of the statement contained approval of a police force for the purpose of maintaining internal law and order. At the same meeting Dr Heinemann said that, while he was not in favour of the military rearmament of Germany at present, he knew that it was his duty to work for a strong police force. Such a police force (not one "to match the Volkspolizei") is, as far as I know, all that has been mentioned in recent discussions by either Dr Adenauer or by the Allies. The immediate point at issue in the conflict between Dr Adenauer and Dr Heinemann was, according to the official statement issued at the time by the Ministry of the Interior, the fact that Dr Adenauer had omitted to consult him, the responsible Minister, before submitting his memorandum on security to New York. Recent events, including Dr Heinemann's resignation, indicate that the issue was a deeper one, and that there was a real difference of opinion about German military contribution to the defence of Europe.

What you say of the attitude of the Church to Communist propaganda might have been true a year or two ago. There can be hardly any Protestants today who hesitate to condemn both the doctrine and the methods of Communism. Where opinions of the Evangelical Church do differ is on the method of meeting the Communist threat. Some are strongly in favour of Germany's taking a share in the defence of Europe; others feel that Communism should be met on the spiritual level, and would regard the social reconstruction of Germany as the primary task. All are deeply concerned to find the Christian answer to a question which is a particularly difficult one for Germany, and they are not likely to be helped by the frequent misrepresentations of their attitude in the press.—Yours faithfully,

Cologne M. C. BAILEY

Houses in the Air

Sir,—You state that the Conservative target of 300,000 houses can be achieved only "by curtailing other forms of building, whether offices, schools, power houses or factories."

Surely it is implicit in the programme that first curtailment should take place in non-essentials. There are many, but the "Festival Buildings" are estimated to take enough labour and material for 3,000 houses and are a fair instance of Labour policy.

Perhaps you could give more prominence to this aspect of the Conservative programme.—Yours faithfully,

JOSEPH T. HORN

40 *Berkeley Square, W.1*

Books and Publications

A Fight to a Finish

The Coming Defeat of Communism. By James Burnham. *Jonathan Cape.* 286 pages. 12s. 6d.

Mr Burnham's book opens with thunderbolts, forked lightning and anathemas. We are living in an extreme situation, under the threat of catastrophe. This sense of catastrophe

> thrusts between the broken or distorted forms of Picasso and the antiharmonics of Schoenberg. It is bodied in the novels of Joyce and Faulkner and Gide and Mann, and shows quite openly in Malraux Silone and Koestler. It gives relevance to the neo-Lutheran theologies and the existentialist philosophies.

The political form of the crisis is the threat of world conquest by Communism. In face of this threat the foreign policies of the United States and the democratic front are disastrously inept. The Third World War has already begun, and here they are slowly inching forward from appeasement to containment—as if anyone ever won a war by containment!—while at home they still worry anxiously about civil rights for Communists. Time is running out; what is needed is a new policy and the seizure of the initiative, the realisation that the war with Communism is already on and the preparation of immediate plans for the destruction of the power of the Kremlin and its satellites.

Mr Burnham's books are best-sellers, and with a title like this the opening chapters had to grip. But Mr Burnham, when he quietens down, has some telling points to make and an interesting case to develop. It is a fact that all over the world the western powers and the Communist bloc are in a state of acute conflict, a permanent condition of near-war, which in a number of places—Greece and Korea, for instance—has already led to considerable campaigns. It is also true, as Mr Burnham points out, that the western powers are reluctant to admit the implications of this state of affairs. They prefer to regard the cold war as a temporary and abnormal phenomenon. If only we are firm with the Russians—but avoid provoking them—they will come to their senses in time; the expansionist phase of Communism will pass; and the world will be able to settle down again. The awkward question Mr Burnham raises, however, is an uncomfortable one to answer. What do we expect to alter the present situation for the better? What are we betting on? A change of heart on the part of the Communists? The collapse of the Communist bloc from internal tensions, a succession crisis following the death of Stalin, or the spread of Titoism? Are these well-grounded expectations? Or are they, as Mr Burnham suggests, excuses at which we clutch rather than pull our heads out of the sand and admit that the struggle with Communism is a fight to a finish?

These are serious questions, not to be brushed aside by easy and superior remarks about the hysteria of ex-Communists and the sterility of anti-Communism. Mr Burnham's answer at least is clear. The aggressive ambitions of the Communist leaders will not be defeated unless we take active steps to defeat them. In the long run, either we destroy their power or they destroy ours. A balance of power, the uneasy truce or stalemate, which is the object of our present policy, is not a sufficient objective; it can only perpetuate the cold war, not end it. Mr Burnham, however, does not belong to the "Drop the Bomb Now" school; he is not an advocate of a preventive war. The Russians, he thinks, are no more anxious for an old-fashioned shooting war than are the western powers. The risks are too great, and in any case unnecessary. Subversion, fifth-column tactics, the methods of "agit.-prop.," the threat of war and the exploitation of the weaknesses, inhibitions, and divisions of the open societies of the west offer an alternative, at much smaller cost and much smaller risk. So far the western powers have been concerned to defeat these Communist methods of attack. They have not seriously considered using similar methods against the Communists themselves. But, Mr Burnham argues, there is here a method of weakening and defeating the Communist threat which might provide an alternative to the unattractive choice of the cold stalemate or another major war.

This is an interesting proposal, and there is a good case on paper for arguing that the totalitarian Communist regime is more vulnerable to such methods than the freer and more loosely organised societies of the western powers. But how is it to be put into effect? Mr Burnham has a first-class chapter on propaganda; beyond that he loses himself in vague and unsatisfactory suggestions. The proposal to build up a spearhead from the exiles and emigrants now living in the United States ignores some bitter lessons from the last war, and how much is really to be expected from all out support for a trio as unpromising as de Gaulle, Chiang Kai-shek and Franco?

In short, Mr Burnham is at his best in analysing the contradictions and hesitations implicit in existing policy, but not nearly so convincing when it comes to suggesting alternatives. Is the answer that the present cautious and deliberately unaggressive policy, while weak in logic, is in the long run more effective than Mr Burnham admits; or is Mr Burnham, while unsuccessful as yet in formulating a satisfactory alternative, right in believing that an alternative policy can be found, short of war, along the lines he suggests? It is at least a sufficiently interesting question to make his book, for all its irritating characteristics, well worth reading.

Research into Business Cycles

Statistical Indicators of Cyclical Revivals and Recessions. By Geoffrey H. Moore. *National Bureau of Economic Research, Inc., New York.* Occasional Paper 31. 95 pages. $1.50.

This report sets out some of the latest findings in the National Bureau's research on business cycles. Before the last war the Bureau made a special study of business revivals and selected a number of economic series which were considered most likely to give an indication of the approaching end of a business contraction. The new research has aimed at revising the list of these indicators and has extended the analysis to recessions. The present report is a preliminary one. Here is no simple statistical device to put an end to crystal-gazing, but an interesting contribution to the knowledge about the patterns of business cycles.

A great deal of labour has gone into this piece of research. Eight hundred and one series of indicators for the United States have been analysed; some of them going back as far as the 1850s, most begin much later. But, as the author points out at the outset, the interpretation of statistical indicators is full of difficulties and their use is limited. He dispels any optimistic hopes about easy reliable forecasts from the methods described in this paper by concluding that ". . . there is some ground for confidence that objective use of these methods will at least reduce the usual lag in recognising revivals or recessions *that have already begun.*" The Bureau has assessed this lag from past experiences at as much as six to eight months in some instances.

The technique used in this study has been to apply consistency tests to select those series whose timing in successive business cycles has been relatively systematic. The series have been related to standard reference dates believed to represent the turning points of aggregate economic activity. Out of the 801 series it was considered possible to identify 75 series that generally led at the reference turning points, 29 series that roughly coincided and 30 series that lagged behind. While no one series can be relied on to behave consistently at each business cycle, it is suggested that by combining some which tend to react before business in general it may be possible to obtain a useful trend indicator. This was tried by taking a small number of suitable series, applying a smoothing process of moving averages and combining in such a way as to give a figure of the number of months the average of the series had been going up or down—the "average duration of run." For this particular group of series, a rather critical duration of run either way appeared to be about three months. This trial gave promise of some success, but suffers from the severe disadvantage that a moving average does not give an up-to-date picture; some allowance for this may be possible, but difficulties such as this are left for further study. These are interesting ideas, but it is apparent that much of the work is still in the experimental stage and some of it may well fall down on more rigorous statistical examination.

Seats of Government

Parliament House. By Maurice Hastings. *The Architectural Press.* 200 pages. 12s. 6d.

Whitehall Through the Centuries. By G. S. Dugdale. *Phœnix House.* 192 pages. 18s.

"Oh, good God, the House of Lords is on fire!" exclaimed Mrs Mullencamp, the doorkeeper's wife, at six o'clock on October 16, 1834. The Dutch laundress who scorched her linen on the afternoon of January 4, 1698, must have said much the same thing when the Palace of Whitehall caught fire. Of the two palaces which were the seats of government for so long only Westminster Hall remains of the one, and Wolsey's wine cellar and the Banqueting House of the other.

Dr Hastings's is the more timely of these two admirable and complementary "place-histories." He concentrates on the history of the Chamber rather than the Palace of Westminster—the Chapel of St Stephen occupied from 1547 to 1834 and modified by Wren, the Barry-Pugin reconstruction first used in 1852, and Sir Giles Scott's new adaptation, so necessarily traditional in style. The story shows clearly the enormous influence of the architecture on the evolution of the two party system: what might have happened if the Commons had continued to sit in the octagonal Chapter House instead of the choir stalls of the Chapel? The fact that they habitually occupied borrowed quarters is still reflected in the conspiratorial air of much of their procedure. Indeed, nothing is so typical of the English character than the way a thoroughly unsuitable meeting place was frequently modified without ever being fundamentally transformed. Even the dimensions of the floor of the new Chamber (68 ft. by 45 ft.) are almost those of the old Chapel (60 ft. by 28 ft.).

Similar constitutional results occur in the history of the buildings Henry VIII called Whitehall, meaning, according to Mr Dugdale, Festival Hall. After the burning of the palace the monarch is excluded from the executive seat of government. For three centuries the centre of gravity has shifted from the riverside site of the palace to the park side of the street, the Admiralty being the first government office to occupy a separate building there, followed by the Horse Guards and the nineteenth century monstrosities further south. Perhaps the new buildings behind the War Office will redress the balance. Beneath the miles of corridor haunted by the executive lie tiltyards, cockpits, bowling alleys and tennis courts, just as below the legislature lie chapel and cloister, painted chambers and privy gardens.

Shorter Notices

National Income Statistics of Various Countries, 1938-1948. *U.N. Publications. H.M. Stationery Office.* 249 pages. Cloth 25s. Paper 17s. 6d.

THIS volume is the second in the series on national income statistics and includes information received up to February, 1950. Thirty-two countries are covered—rather fewer than in the 1938-47 edition, since those countries for which there is no new data have been excluded. As well as having the later figures, this new edition contains a much fuller analysis of the various factors entering into the national income and expenditure of a country and also shows the social accounts of those countries where this technique is used. Another useful addition is a series of national income estimates (in total only) over a longer period of time than before and going back into the last century for some countries. As in the previous edition, the statistics are accompanied by explanatory notes.

The Incorporated Statistician. Vol. I. No. I. July 1950. *The Association of Incorporated Statisticians.* 32 pages. 5s.

THIS new journal introduces a series which will describe in later issues the organisation of statistical departments in various concerns. It hopes to make available this sort of information on the practical aspects of applied statistics by obtaining suitable papers from members of the association. Also in this issue, Dr Dudding describes in general terms the introduction of quality control technique to industrial problems, while a more theoretical flavour is provided by Mr A. J. H. Morrell in a study of age-standardised rates of sickness

AMERICAN SURVEY

Eve of the Poll

Washington, D.C.

THE mid-term elections on November 7th are now close enough for a sensitive voter to feel the hot breath of pursuing politicians. The memory of other elections is dimmed by distance, so that the Gallup Poll can, and does, do business at the old stand; it predicts, for instance, that the Republicans will pick up some seats in the House of Representatives, but not enough to give them control of that chamber.

The usual charges of "dirty work" have been forthcoming for some time at a rate that must be highly gratifying to those citizens who hate most of all a dull election. "Dirty work" is a wide phrase, taking in practices which can be defined as downright illegitimate, borderline, or wholly legitimate, according to where you are sitting. The Senate Elections Subcommittee is investigating situations in four states, involving respectively an alleged "sordid deal" to secure a candidate's nomination for one contest and his elimination from another, an alleged violation of laws forbidding intimidation of voters, the alleged expenditure by a candidate of fourteen times as much as he is permitted to spend, and an alleged intervention in a contest by government officials. This is only part of the ground, ranging from the muddy to the dusty, that has been covered by accusers of one sort and another.

In general the tendency has been to treat it all as just a part of the normal service for voters. There have not been many who challenged the right of leading campaigners on the Republican opposition side to invite the electorate to vote for them on the ground that the Secretary of State and his department are "Communist lovers" intent on "appeasing Russia" or on manipulating a "great sell-out" in China. Nor have there been many who wondered, aloud, whether, in these precarious times, the knowledge that there are votes at stake is sufficient justification for a series of speeches and statements which might hamper and discredit officials on whose work in the field of foreign affairs the nation's safety must largely depend.

*

It is the classic pattern of a mid-term election in the United States that the party which triumphed two years earlier, when its principal candidate was elected President, should lose seats in the Senate and House on being bereft of the enthusiasm and energy generated when the top job was fought over. Frequently the loss of seats has been great enough to swing the Congressional majority from the party whose nominee was sitting in the White House and running the Administration to the party without an executive official to its name. When that happened, two years of tension and intermittent stalemate could usually be safely predicted until the next presidential election.

In the present circumstances, however, and not altogether for the first time, it is clear that the retention by President Truman and his party of a technical Democratic majority in the Senate and House will not automatically remove the threat of two years of tension and stalemate. On the other hand the mere gaining of some seats by the Republicans and the consequent reduction in the Democratic majority need not make it harder in the next session of Congress than it was in the last for Mr Truman to secure the legislation he wants.

What does matter greatly is which candidates win and lose, and why they lose and win. For it has long been a mistake—and it has never been a greater mistake than it is now—to think of either the Democrats or the Republicans as a single, disciplined party. President Truman, and President Roosevelt before him, and other Democratic Presidents before them, have been bedevilled and frustrated by Democrats-in-name who never hesitate to form a victorious coalition with the Republican opposition in order to get something they want or to defeat something they do not want. This is a sort of licensed disloyalty. It is not confined to the Democrats from the southern states, though many of them are its foremost practitioners and—since they are able to vote against the party leadership with impunity—its foremost beneficiaries. A good idea of the wide latitude the President must allow his supporters in Congress in cases where they feel that there is more to be gained by following the line of their mail from back home than the line of their leader in Washington, is furnished by the record of Senator Scott Lucas, now fighting for his political life in Illinois. He is himself the Democratic leader in the Senate, and the President is very anxious to see him returned; but in the last two sessions he opposed two of the major pieces of Fair Deal legislation which the President sought (but did not get) from Congress—the health insurance and the Brannan farm plans.

The tone and temper of the next Congress will be affected most by what happens in the "key states." If candidates who have always, or usually, gone along with the President are returned there, the election will be a Democratic triumph, for the implication for the next Congress will be that the way to get elected now is to follow the President's lead. The key that might easily unlock much of the legislation Mr Truman wants will be the result in Ohio. If Senator Taft, the prow of the Republican ship, should be knocked off by the votes mobilised behind Mr Joseph T. Ferguson by the labour organisations, it can be guaranteed that the coming Congress will pay respectful attention to whatever demands the President and the labour organisations may make upon it.

If the Democrats can also return Senator Lehman in New York, Senator Tydings in Maryland, Senators McMahon and Benton in Connecticut, Senator Myers in Pennsylvania, Senator Lucas in Illinois, and Mrs Helen Gahagan Douglas in California, they will be sitting pretty. Still prettier would they be sitting if some of the key Republicans who are running either for Congress or for Governorships—for instance Mr Dewey in New York, Senator Millikin in Colorado and Senator Donnell in Missouri—should have failed to be elected. For the inference that the country wanted Mr Truman and all his works would then be irresistible.

Whether the Democrats can defeat Mr Taft and return a fair proportion of the more faithful followers of Mr Truman is what matters most to them, for a result of that sort would more than outweigh a reduction in the totals of their majorities in Senate or House. They are up against the inevitable hazards to the party in power of mid-term elections. But they have with them the stimulus of victory in Korea and of a continued prosperity which rising prices and the fear of inflation have not so far seriously damaged. So the Democrats reason, fervently and hopefully, or so some of them reason.

The political cinema in America is never showing just one film at a time: there is always a stupendous double-feature programme. A few weeks ago, when Senator Taft seemed sure to win, it was the single-minded Democratic objective to beat him. But lately, when his chances are reported to have narrowed to fifty-fifty, when victory looks as though it is within grasp, a number of Democratic brows have begun to knit in doubt.

Suppose Senator Taft is beaten. Then the whole Republican party will be thrown into a ferment. Moderates may rise and take control. The party may be reborn—and that might be very dangerous to the Democrats in 1952. Now, suppose Mr Taft wins. The conservatives will be confirmed in their almost undisputed mastery of the Republican party. Mr Taft himself might well be nominated Republican candidate for the Presidency in 1952. Would it not be easier to beat him than to beat a bright new liberal reformer? Might it be better for the Democrats in the long run that the Democrats should be defeated in Ohio now?

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

American Notes

More Work for Lame Ducks

President Truman is thinking of summoning the Eighty-first Congress to return to Washington for its post-election, "lame duck" session about November 15th, nearly two weeks earlier than Congress itself thought necessary when it adjourned in September. Then it was expected that the lame ducks' main task, before they were superseded by the newly-elected Eighty-second Congress on January 3rd, would be to hatch out an excess profits tax to put in the Treasury's Christmas stocking. That task has been given greater urgency by the further appropriations for defence purposes, amounting perhaps to $15 billion, and for Korean rehabilitation, which will probably be needed before the end of the year. These will have to be voted, and the Administration is also anxious to get a new lease of life for the Rent Control Act before it becomes moribund in January, now that credit controls are curtailing building and increasing the pressure on existing houses. There are other measures, notably statehood for Alaska and Hawaii, that have almost completed the course in the present Congress, but will have to go back to the beginning if they do not get over the final hurdles before the new Congress meets.

Lame ducks will hardly be in good enough condition to cope with amending the complicated anti-Communist Act, but even if that is left in its present unsatisfactory state until January, the programme is heavy enough to justify Mr Truman's anxiety to get Congress back to work as quickly as possible after the election. The amount of work it actually accomplishes will depend upon the result of that election, upon whether the voters have reaffirmed their faith in the Democratic party. They will not be discouraged from doing so should the President, by summoning Congress, remind them of his party's programme and his own qualities as a national leader. Such a summons, although warranted by purely governmental considerations, might also make up in political dividends for the "whistle-stop" tour on behalf of Democratic candidates which Mr Truman had planned before the Korean crisis, and which has now been reduced to a single speech in Missouri this weekend. The Republicans remember that a somewhat similar recall of Congress was the forerunner of Mr Truman's triumph in 1948, and they are furiously apprehensive at the suggestion that history may be given a chance of resembling itself.

* * *

Expansion Unlimited?

Those who believe that the government should use both the carrot and the stick to persuade private enterprise to expand are convinced that present shortages prove their point. Civilians may have temporarily to forgo new cars, houses, and dance-halls to save steel, and television sets and saucepans to save aluminium, but these deprivations, it is argued, should be accepted only as a stimulus to the expansion which will enable the economy to support both a large peacetime military establishment and an unrestricted standard of living.

Under the Defence Production Act, industry can be tempted to build new plant by offers of rapid depreciation for tax purposes and by government guarantees of loans or purchases; it can also be prodded by the threat of loans to competitors or direct government construction. Mr Symington, the chairman of the National Security Resources Board, is a strong advocate of expansion and likely to use both weapons, if necessary.

The hottest argument, both inside and outside the Administration, is over the adequacy of the steel industry's promise to add 9.4 million tons of capacity by 1952 to the existing 100 million. This is double the pre-Korean rate of building and is to be privately financed, but the Assistant Secretary of the Interior, Mr Davidson, views it as one more example of the industry's "timidity." He has called a capacity of 125 million tons by 1953 essential if there is to be enough steel for the new freight car programme, for the services, for civil aircraft, and for expansion in aluminium and steel itself, without cramping civilian needs.

The Secretary of Commerce has tartly replied that steel capacity cannot be turned on like water from a tap, and has pointed out that 110 million tons of capacity is twice the maximum military consumption in the last war. He evidently sympathises with the industry's contention that manganese and iron ore shortages limit the use that could be made of new plant. It was, however, a trifle tactless for Mr Fairless, of the US Steel Corporation, to complain that steel was literally "cheaper than dirt" and to suggest that the shortage would vanish fast enough if only the price were raised.

Steel's future is dim, however, compared with the dazzling prospects painted for aluminium by the government planners. Mr Symington is thinking in terms of a 1 billion lb. addition, in the next year or two, to the present production of 1.4 billion lb. a year and of double that in the long run. Aluminium was short even before the Korean outbreak; the shortage will become more acute with the expansion of the air force and the military insistence on lightness, not only for airborne equipment but also in the foot-soldier's gear. Even helmets are to be made of aluminium. The difficulty is that every pound of aluminium requires 10 kilowatt hours of electricity and that supplies of cheap power are virtually exhausted.

The aluminium producers believe the government must not only contribute a major share of the capital costs of any

expansion, but must also subsidise power costs in some way. Neither the aluminium nor the steel industry is anxious to be saddled, at the end of the emergency, with uneconomic facilities. The strongest ally they have inside the Administration camp is the fear that excessive expansion of the defence industries, at the expense of consumer goods, might leave the economy seriously unbalanced when the international climate cools down.

* * *

Lobbying in a Goldfish Bowl

By federal law, a lobbyist is a person who spends money to influence legislation before Congress. Such a definition covers a broad territory, and lobbying has developed into a broad-gauged business. The Special House Committee on Lobbying Activities, tabulating a "voluntary" questionnaire sent to 175 major corporations, reveals that 152 of them spent $32 million in three and a half years on lobbying activities. Massive as this sum is, it must be just a splinter of the total, for 23 corporations chose not to answer the committee's questionnaire, among them the giant US Steel Corporation. And the committee's entire mailing list includes only a tiny fraction of the 500,000 corporate enterprises in the United States.

Served up just before the November elections, the report has made savoury political fare. Already three Democratic Senators have demanded a "full investigation" of all lobbying. A really full investigation would include at least a glance at the activities of such sacred cows as trade unions, farmers and veterans, all of whom maintain expensive lobbying offices in Washington. But, so far, the election-minded Senators have confined themselves to a request for "full information" from those corporations which failed to answer the committee's questionnaire.

So far, the Lobbying Activities Committee has not charged the corporations with having anything to hide. Instead, it has proposed a three-part programme to strengthen the political system before corruption takes root. First of all, says the committee, the processes of government should be simplified, for cancerous lobbies thrive when government "becomes too complex for ordinary citizens to understand." Also, the committee believes that political party discipline should be tightened to the point where members can successfully resist undue pressure from special interests. But Representative Frank Buchanan, chairman of the committee, thinks that the best preventative against acute lobby poisoning is a large dose of publicity. While he does not regard lobbying as an evil in itself, Mr Buchanan believes that "influencing legislation is an activity that should be carried on in a goldfish bowl."

* * *

Television's War

The Federal Communications Commission has finally awarded its apple of discord, authority to transmit television in colour, to the Columbia Broadcasting System. From all accounts, the commission certainly chose what is, at present, the fairest of the three methods of colour transmission. But it is not so certain that CBS will hold its supremacy once the first flush of youth has faded, or that the public will be attracted by the whirling discs and small screen which so far are an unavoidable adjunct of CBS's beautiful colouring. The public, however, will have to wait, and then to pay, before forming an opinion on the FCC's choice. Existing television sets must be "adapted" even to receive CBS programmes in black and white, and then "converted" to receive them in colour; neither adapters nor converters are yet on the market.

They never will be if the Radio Corporation of America has its way; one of the leading producers of wireless equipment, it also sponsors a rival method of colour television and is contesting the legality of the FCC's decision. RCA has powerful allies amongst manufacturers and distributors of television sets, who are aghast at the effect on their sales of this new uncertainty, coming on top of credit curbs and excise taxes. There are, nevertheless, a growing number of deserters to CBS in this latest phase of its Trojan war with RCA, for the obvious way of luring the public back into the television shops is to offer adapters and converters.

A major disaster, however, looms over both sides alike: a drastic curtailment in output of all kinds of television equipment seems inevitable as the result of coming restrictions on civilian use of nickel, copper, aluminium and cobalt. And this threatens just as the FCC is preparing to open the frontier that has been closed to new television stations for two years. Hearings are at last being held on the allocation of wavelengths in the ultra-high-frequency band, where there is supposed to be room for two thousand more stations. With only 107 stations in existence at present, eight million television sets have been bought; even though this ratio is unlikely to be maintained, the possibilities for empire building are immense. No one is more anxious to exploit them than the salesmen of television time, for the increased audience should make it possible for the networks to raise their advertising charges and to show a profit for the first time on their expensive television operations.

* * *

Segregation Sent Down

This autumn over a thousand Negro students are to be found in the formerly all-white classrooms of southern colleges and universities. It has taken fourteen years of Supreme Court decisions to force the door open this much, fourteen years of mounting insistence that segregation is constitutional only if the facilities offered Negroes are the equal, in every respect, of those provided for white students. But the Sweatt and McLaurin decisions in June appear to have convinced most southern educators that this test is to be applied rigorously, and that they must bow to the inevitable.

The Court itself has not yet ruled on the constitutionality of the regional educational compact, under which fourteen southern states pool their facilities for advanced study. But its refusal to review the decision of a lower court has left the University of Maryland with no alternative but to admit a Negro girl to its school of nursing. The State had offered, instead, to send her to a Negro college in Tennessee. Many Negroes suspect the regional scheme to be merely a device to perpetuate segregation, although this is denied and a majority of the 584 participating students this year are white.

The University of Virginia and that of Tennessee reluctantly admitted Negro students for the first time this autumn, while Kentucky has taken the lead by accepting a constitutional amendment permitting the enrolment of Negroes in white institutions when the courses they seek are not available at the Negro college. At the other extreme, Governor Talmadge of Georgia has promised that the colour bar will be upheld to the end.

The strategy of the Negro campaign has been to start at the top. Few southern states provide any graduate or professional training for Negroes, and the cost of providing it at a standard high enough to satisfy the Supreme Court is in most cases prohibitive. The hope is that once the pattern of segregation, which is just beginning to crack, has been broken at the graduate level, it will be hard to maintain in the elementary and secondary schools. Here, however, it is more firmly established. What is most encouraging is that, in the universities, white students have so far accepted the revolution without fuss, indeed in many cases with approval, and without any of the racial clashes prophesied by their elders.

THE WORLD OVERSEAS

Rearming Canada

(By Our Ottawa Correspondent)

CANADA'S immediate contribution to western rearmament was authorised by the special session of Parliament which met in September, and the first effects of that session were contained in an announcement last week that Canada would arm and equip one Dutch Army division. The first Bill which then received the Royal Assent was an amendment of the National Defence Act, extending the power of the Governor-in-Council to call the armed forces to active service and to send them abroad. The Government already had this power in the case of an emergency, defined as "war, invasion, riot or insurrection, real or apprehended." The new Act also allows it to do so "in consequence of any action undertaken by Canada under the United Nations Charter, the North Atlantic Treaty or any other similar instrument for collective defence that may be entered into by Canada." In either case Parliament must be summoned, if not in session, within ten days of the order to the forces. The first action taken by the Government under the new powers was to issue an order authorising the Canadian Army Special Force to the support of United Nations operations in Korea.

Commitments Explained

Opposition members spent a good deal of time questioning Mr Pearson, the Minister for External Affairs, about the precise nature of Canada's commitments. He explained that in the Korean case it had been possible for the United Nations to conduct so-called police operations only because the Russians were absent from the Security Council, and the Canadian Government wanted to work out a way by which similar action could be taken in the future, if necessary, by the Assembly. Part of the plan, as the Canadian Government sees it, would be for all loyal members of the United Nations to follow the Canadian example by earmarking a special contingent of their armed forces for United Nations operations. It is recognised that an Assembly resolution calling for forces to be so earmarked would not be binding on the members, but it would enable those who wish to see collective security work to stand up and commit themselves.

The United Nations role is seen here as organising resistance to any future "aggression by proxy." The much more definite obligations of the North Atlantic Treaty would come into play in the case of an open attack by Russia on any one of the signatories. Mr Pearson and his colleague, Mr Claxton, the Minister of National Defence, were quite definite that Canada has an absolute obligation under this Treaty to regard an attack on any other signatory as though it were an attack on itself; but that it was not bound as yet to any definite plan for the deployment of Canadian forces.

Opposition members, whose concern all along was that Canada might not be doing enough, asked if there should not be a Canadian division stationed in Europe. Mr Claxton showed little enthusiasm for the idea. He pointed out the great difficulties of supply and maintenance of such a relatively small force at such a great distance, and suggested that the production and building up of a fighting Air Force might have a higher priority. Mr Pearson confirmed that North Atlantic Treaty plans did not call for Canadian troops to be stationed on the other side of the Atlantic, but carefully stated that this situation might change at any time.

The second Act passed by the Canadian Parliament was the Defence Appropriations Act. It increases both the immediate appropriations and the commitment authority of the Canadian forces. It also gives the Governor-in-Council power to "transfer defence equipment or supplies, and provide services or facilities for defence purposes, to any of the parties to the North Atlantic Treaty, upon such terms and conditions, if any, as the Governor-in-Council may specify." For this purpose Parliament voted $100 million could be spent before March 31, 1951, but the intention was to get production rolling as quickly as possible, and to spend the money as soon as possible. The Government could not tell Parliament what it would be used for. Part of it goes to cover the cost of training Air Force and Army personnel from the European signatories of the Atlantic Pact as well as from the United Kingdom. But the major part is for arms and equipment to be sent to the European countries. The Canadian aim must always be to concentrate its own defence industry on a few lines, so that it can get the benefits of large-scale production by supplying its allies as well as its own forces. But necessity dictates production in certain lines whether other countries are interested in them or not: such are fighter aircraft, anti-aircraft predictors, radar equipment, light motor vehicles and the new 3-inch 50-calibre naval guns. The choice whether to buy or to produce thousands of other items should logically depend—though these things are not always determined by logic—on Allied agreement about where production can most economically be concentrated. The old bugbear of the difference between British and American designs also poses constant problems. Industrial common sense would lead Canada to concentrate on American designs and industrial standards, but industrial common sense is often controverted by the traditions and habits of the armed forces themselves, and by the practical difficulty of switching from established types to new ones.

One Billion Dollars a Year

The vote for European arms aid aroused no criticism. The Opposition concentrated all its fire on what it called the slow rate of expansion of the Canadian forces. During the present fiscal year the forces expect to spend an additional $144 million in addition to the $425 million voted in the spring. The commitment authority, allowing them to place contracts for delivery in future years, is, however, increased five times to a total of more than $500 million. The Finance Minister, Mr Abbott, told the House that next year's expenditures on defence would be about $1,000 million. Forty-three per cent of the current vote is being spent on the Air Force, 35 per cent on the Army and 21 per cent on the Navy. Once again the Minister of Defence stood firm against demands that larger permanent forces should be stationed in Canada as defence against a possible invasion.

The other new Parliamentary Acts were concerned with the economic front. The rearmament drive is imposed on an economy which is already running at a very high rate. Canadian exports are expected to be higher this year than ever before, and the planned capital investment programme is 8 per cent higher than it was last year. The requirements of the Canadian armed forces alone are expected to

amount next year to 6 or 7 per cent of the gross national product, now estimated at $17,000 million. The addition of arms aid for Europe and of arms purchases here by the United States Government will raise this, but probably not above 10 per cent of the gross national product. In the next year or eighteen months the main pressure will be on the construction industry and on the conversion of industrial capacity to military needs. The Government is trying to ease the strain on the supply of basic materials like steel and concrete by reducing its own programme of public works and by urging industry to postpone inessential capital development.

As the defence programme develops it appears inevitable that it will impinge on the production of consumer goods. For that reason Mr C. D. Howe, the Minister of Trade and Commerce, has been given powers to control the production, distribution and sale of essential materials and services. The powers are wide, but it is not intended to use them more than is absolutely necessary. For example, the most acute shortage in the near future will be in steel, and Mr Howe is confident that he will secure the co-operation of the Canadian steel industry without any compulsory orders. Provision for the regulation of prices is necessary to ensure that Government allocation of raw materials is not frustrated by unreasonable price demands, but here again it is not expected that the powers will have to be used. No general price or wage control is contemplated.

The main measures already announced to combat inflation here are a strict "pay-as-you-go" fiscal policy, restrictions on consumer credit, and the discouragement of unnecessary capital investment. While no one is prepared to predict that the upward trend of prices will be checked, it is felt that the present defence programme should not add unduly to the pressure on prices of consumer goods in the near future. Its impact will be felt gradually, and for some time to come it should be limited to the field of durable goods. The light tax increases announced in the special budget were less than many Canadians expected, and the general feeling is that they are getting off more easily than they might have. Next spring's budget will bring heavier burdens.

Vietminh Front Against the French

THE nationalist movement in Indo-China in the immediate postwar period differed radically from the corresponding movements in India, Burma, Indonesia and the Philippines, in that its supreme direction was Communist. There were three significant reasons for this peculiarity. The first was the absence—as a result of French administrative policy—of any strong legal or semi-legal political organisation of moderate, constitutionalist tendencies comparable to the Indian Congress Party and of any constitutional organ through which such tendencies could have developed before 1945. The second reason was the relation of the French "Vichy" regime in Indo-China to Japan during most of the war. Whereas in Burma, Indonesia, and even to some extent in the Philippines, extreme nationalism was sponsored by the Japanese as part of their political warfare against Britain, the Netherlands and the United States respectively, Indo-China was regarded as a Japanese protectorate in which the French administration was to be upheld. Thus revolutionary nationalism could not look for support from Japan and had to seek it elsewhere; when, a few months before the end of the war the Japanese, in fear of a defection of the local French to Gaullism, took over control in Indo-China, it was too late for them to capture Vietnamese nationalism for their own purposes and they only made use of puppets with no popular following.

Meanwhile, a resistance movement which was at once anti-French and anti-Japanese had been organised from bases over the frontier in China, and herein lay a third reason for its predominantly Communist character. For it developed in close contact with, and under the influence of, Chinese Communists. The Kuomintang, with its narrowly Chinese nationalism, could never establish satisfactory working relations with the Vietnamese nationalists, whereas Communism appeared to the latter to provide a basis for Chinese-Vietnamese solidarity without Chinese domination. The Chungking Government during the war was very antipathetic to the Communist tendencies of the Vietnamese exiles in China, but their organisation was too valuable an ally against the Japanese to be suppressed; and in the late summer of 1945 it stood ready to take over power from the Japanese in Vietnam under the leadership of the Communist Ho Chi-minh.

Camouflage for Communism

Because of these factors in the situation, it is not enough to regard the Vietminh as a nationalist movement whose leader happened to have had past Communist associations; it was rather because of the Communist predominance in it that Ho Chi-minh emerged as the leader. The Communist character of the leadership was, however, carefully camouflaged for various reasons. During the war the bases for underground action in Vietnam against the Japanese and the French were located in the Chinese provinces of Yunnan and Kwangsi, in areas not under Chinese Communist control; and it was expedient to avoid too much open Communist activity in order not to provoke the Kuomintang authorities. This need for caution remained even after the surrender of Japan, for Chinese Government troops occupied northern Indo-China and were in a position to assist or thwart any Vietnamese regime set up in Hanoi. The Indo-China Communist party, therefore, in 1941 created for itself a cover organisation known as the Vietminh Front, and then in 1945 formally dissolved itself, the Communist cadres continuing as the leadership of the Vietminh Front. Subsequently, this camouflage was found to be of tactical advantage not only in dealing with the Kuomintang; it also facilitated propaganda in Europe and America, claiming that the Ho Chi-minh regime was not in fact Communist.

Energy and Fanaticism

The Vietminh Front, with its affiliated labour, women's and youth organisations, is the driving force of the Vietminh regime and keeps control of the armed forces. It works, however, in coalition with four other parties, which are represented in the government, the whole being known as the National Union, and called by foreigners simply the Vietminh. The non-Communist parties have little influence, since they have not been able to acquire any mass political following or military backing; and the Vietminh Front dominates the central committee of the National Union, which issues instructions to the cabinet of departmental ministers. The prominence of non-Communist leaders on the latter body—which continues, probably not so much for purposes of camouflage as to utilise the administrative talent relatively abundant in the smaller groupings of the intelligentsia—does not therefore reflect the real relations of power in the movement.

The Vietminh system undoubtedly provides a very strong, unified organisation, which has had five years to consolidate itself in those parts of Vietnam which it rules and is comparable to Communist North Korea in its administrative energy and in the fanatical spirit which it has been able to generate. The Bao Dai regime started late, after nationalist sentiment had been captured by Ho Chi-minh, and it has been from the beginning too dependent on French military support to rival Ho successfully for nationalist leadership.



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Is that likely to happen again?

I hope not. Imperial Preference has encouraged the South African wine growers to tremendous efforts. The British Government is not likely to lead such an important Empire Industry up the garden again. It wouldn't make sense.

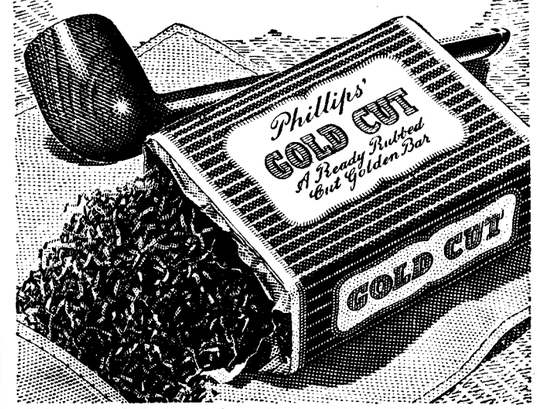
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Calmer Days in Italy

[FROM OUR ROME CORRESPONDENT]

How Italy stands economically at the end of this year's hot weather, citizens have had an opportunity to infer from semi-public controversies between hard and soft money men inside the Christian Democrat party; from brushes between the Finance Minister, Signor Pella, and the Social Democrat leader, Signor Saragat, followed by cordial hand-shakes across Signor De Gasperi's desk; from aspersions upon the government's energy by the new ECA chief, Mr Leon Dayton, which also evaporated beneath the warmth of Signor De Gasperi's handshakes, but only to be redirected against the industrialists of Italy in general (who have not taken them lying down,); and finally from the spectacle of a national agreement between employers and trade unions on dismissals, exactly contemporaneous with a highly painful essay on the "redimensioning" of the Ligurian heavy industries which have been the subject of bitter trade union outcries for years on end ("redimensioning" is the ministerial euphemism for cutting down the redundant staffs of state owned or aided enterprises).

What the spectator can discern in this rapid alternation of antagonisms and appeasements is, firstly, the prevalence in some of the sectors of government and cabinet of an expansionist or Keynesian mood, emboldened by the robust counsels of the ECA spokesmen; secondly a persistent fastidiousness about suspected inflationary odours on the part of Signor Pella, visible guardian of the Einaudi tradition; thirdly a slowly growing disposition to believe that the government's investment programmes do not wholly die on the paper on which they are born but have at least a tenuous after-life in factory and field (a few hundred peasants on the Sila plateau have really been assigned land, and agricultural machinery has really, it seems, been produced for them in Turin), so that this is not the moment to break up the government front on the issue of stimulatory expenditure. The unemployment spectre is as big and grim as ever, but the post-Korean rise in prices has already dispelled much of the recent gloom in textiles, and there is a prospect, sinister in its wider implications but grateful at the moment, that heavy industry, including that of Liguria, may find relief in home and international armament orders. All things considered, the winds on the path of the De Gasperi administration—even those from the Communist point of the compass—seem less boisterous than in the recent dog days.

Cures for India's Poverty—II

[BY A CORRESPONDENT]

MORE fertilisers promise the quickest results in improving Indian agricultural output; but only irrigation can protect the farmer against the vagaries of the monsoon. Something can be done by quite small schemes, by lending Government money to the peasant for him to sink his own well, or by the digging of tube-wells. Bihar, for example, has a £1,000,000 plan to irrigate nearly 200,000 acres with 375 tube-wells. The main extension of irrigation must, however, come from the multi-purpose schemes which are proposed. Altogether they will add 25 million acres to India's irrigated areas, and at least 8,000,000 tons to its agricultural output. But the Government must resist the temptation to start more schemes than can be supplied with technicians, steel, machinery and dollars. At first the Government ignored this tiresome limitation; but now it is concentrating on three schemes, the Damodar, the Mahanadi and the Bhakra, which between them should add some 3,000,000 tons to India's food supply in five years' time.

Another great Government effort which started badly but is now going better is the reclamation of waste land. West Bengal, for instance, has reclaimed 100,000 acres since 1947. In Central India 6,000,000 acres are being freed from Kans, a weed with a 14-inch root and a locust-like gift for expansion; and in almost every state legislation has been passed to enable the Government to work land which the owner insists on leaving waste.

There are many other measures which could increase production, but on which so far very little is being done. Holdings are so fragmented that the farmer's five acres may be spread over half a dozen plots; consolidation would save time, land and labour, and permit fencing. Pests and disease cause a loss of 4,000,000 tons of rice alone a year. Now pesticides, fungicides and immune varieties of seed, such as rust-free wheat, could reduce this loss enormously. Then there are the tens of millions of worthless cattle. The Indian cow produces only one-twentieth as much milk as her Danish sister, and the plough bullocks of Eastern India are so weak that there are never enough of them, though there are more to the square mile than anywhere else in the world. Artificial insemination and castration of scrub bulls could do more for the cow than all its traditional sanctity.

Old Prejudices and New Methods

Any change in the way of dealing with cattle, however, comes up against the peasant's deepest beliefs. There can be no modernisation of India's cultivation without a change in the attitude of its cultivators. Only more schools and better health can give the peasant that activity of mind and body which will enable him to take a chance on a new idea—hence the priority given by every Government in India to rural dispensaries and primary schools with an agricultural bias. The Government recognises, too, that no improvements or investment of capital in the land can be expected from a cultivator who has neither security nor incentive. In the old days the tenant would not even manure the land; to do so ensured eviction, to make way for another who would pay a higher rent for the extra fertility. Nor did he ever dream of spending money on fertilisers, fencing, or a well, when the money had to be borrowed at 25 per cent, and the landlord took half the extra crop. Inevitably, the land grew poorer with every crop. Now, everywhere, this is being changed. The Zemindar is being abolished. Rents have been reduced to a maximum of one-third, sometimes one-quarter of the crop, leases have to be for at least ten years, and the tenant can buy his land compulsorily at a price fixed by arbitration.

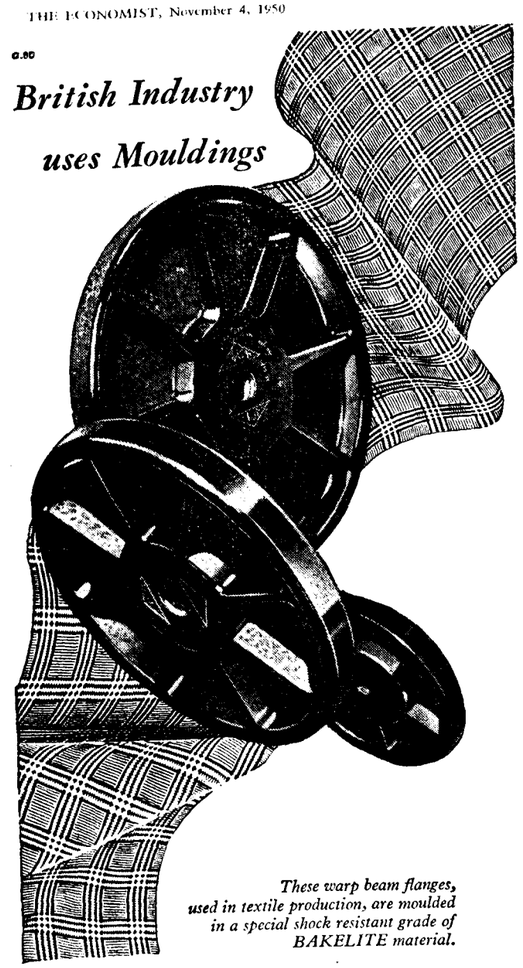
Money-Lenders' Extortions

In the old days, moreover, what the landlord did not take, the moneylender did. And the debts were rarely for productive purposes. The peasant knew that wells and stud bulls do not pay 25 per cent in a bad year. But when it came to paying for a child's marriage or a parent's funeral, not even the nightmare of foreclosure could protect him from the social pressure which drove him to borrow. This, too, is being cured. Conciliation, inflation and the rule of *damdupat* have nearly wiped out old debts. The restriction by law both of the peasant's credit and the moneylender's extortions is limiting the power to incur new ones. More and more credit in the countryside is being provided by the Co-operative Society and by Government, who lend only to increase production.

The task, and the ways of doing it, are known. The governments are doing their best. But their resources of revenue, men and equipment are small. There could be no more helpful application of President Truman's Fourth Point or the Colombo plan than to find the money for those many schemes in India—from high dams to agricultural colleges—which already exist on paper, but which still need money to turn them into better crops and a happier, more stable peasantry. There is no need for gifts; low interest loans would do. Then, at last, production might overtake the babies with whom it has been running a losing race.

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THE BUSINESS WORLD

The Problem of Prices

FASHIONS in economic concern change from month to month. Britain no longer broods on the problem of the dollar. Instead there is another preoccupation shared by most consumers and industrialists and by all politicians—the rise in prices. The two things are closely connected. High commodity prices have notably helped this year to bridge the dollar gap: in this particular, they have largely relieved the sterling area's back of its heaviest burden. But they have added a lot of weight elsewhere—rampant inflation in Australia and certain colonies, and heavier responsibilities on the United Kingdom to satisfy the sterling area's needs. Although modern governments prefer to see prices rise rather than fall, they become nervous when consumers begin to protest at having to pay more. Unfortunately when politics get mingled with prices, the results are not always enlightening. In his broadcast a fortnight ago, Mr Herbert Morrison did not deny that the cost of living had risen (although the official index of retail prices has been scarcely affected). He merely declared that under an anti-Labour government conditions would have been "much worse." This would, indeed, be a damning result, for of all the Government's economic attitudes, its policies about prices have been least convincing. It has succeeded in keeping stable an index which accurately reflects neither the cost of living nor the level of retail prices. The fault does not lie in the index, for that performs well the limited job for which it was designed—to measure relative changes in the cost of a given prewar pattern of consumption. But the ordinary man needs a long draught of the stronger beer that puts the index down a month ago to believe that the index and retail prices generally have been behaving in the same way.

Three factors have been at work during the past twelve months in producing a sharp rise in prices: the devaluation of sterling; the record level of economic activity in the United States up to June; and the more alarming boom caused by Korea. Devaluation immediately raised sterling prices of raw materials and foodstuffs (grain and sugar) bought from dollar countries. It also raised the sterling prices of raw materials sold to the United States by sterling area countries. It left largely unchanged the prices of those goods (mainly foodstuffs) produced in the sterling area but sold almost entirely to Britain. The impact of the first phase of the American boom made itself felt very soon after devaluation. Business activity in the United States recovered in the second half of 1949 and the dollar prices of most commodities began to rise from November onwards—a rise which in turn gave a further boost to the sterling prices of internationally traded commodities. At the very moment when it seemed that this advance of prices might be reaching its peak, war broke out in Korea. Commercial stocks in the United States at the end of June were low and manufacturers rushed to build them up. Stockpile purchases were immediately expanded and new rearmament programmes introduced. The scramble for materials with governments outrunning industry produced the third phase of the rise in prices—and the sharpest.

Throughout the twelve months, the Government has been concerned to limit the rise in the interim index of retail prices—to convince itself, if no one else, that rising prices were only a spectre. After the pound was devalued, the Ministry of Food showed the strongest opposition to any suggestion by foreign suppliers that prices should be raised. At the annual price reviews during the summer, the British negotiators have offered no advance on the previous season's prices, to the dismay of suppliers bound by contracts. A wholly different policy, however, has been pursued for raw materials, many of which are purchased privately. Since adequate supplies had to be secured to maintain full employment, there has been no escape from paying world prices. Such official purchasers as the Ministry of Supply and the Raw Cotton Commission have showed no unwillingness to compete with the rest of the world for raw materials, without regard to the fact that raw materials have risen far more sharply than food. To limit the rise in the index of retail prices, manufacturers have been exhorted—if not, indeed, more heavily pressed—to keep their own selling prices unchanged. It is an offence against modern morals, it seems, to base the prices of manufactured products on the replacement costs of the materials that have to be used to make them.

This reversal of what was once considered sound practice—to make the full charge for high cost raw materials during period of rising prices—has had a remarkable effect on Britain's terms of trade. Since devaluation, the terms of trade have moved sharply against this country. That was one of the consequences—indeed one of the objects—of devaluation. A deterioration in the terms of trade means that a larger quantity of physical exports must be sold abroad, compared with fourteen months ago, to buy the same volume of imports. Between August, 1949, and May, 1950, prices of imports rose by 19 per cent whereas export prices rose by only 5 per cent. This discrepancy between the trend of import and export prices is even more spectacular when the prices of imported raw materials are compared with prices of exported metal manufactures. Imported raw materials rose by 25½ per cent during this period while the export price of metal manufactures rose by a mere 2½ per cent. The deterioration in the terms of trade has not lessened since May. By September import prices had risen by 4 per cent and export prices by less than 2 per cent, while imported raw materials rose by a full 10 per cent. These figures do not prove that British exports are being sold too cheaply, but they are not at odds with the impression that the general level of British export prices could rise perceptibly without cancelling out Britain's competitive advantage in many hard and soft currency markets. An undervalued pound and unduly cheap exports are two aspects of the same phenomenon.

The trend of wholesale prices shows more clearly the combined effect on the British economy of devaluation, the American boom and the scramble for commodities since Korea. Between August, 1949, and May, 1950, the Board of Trade index of wholesale prices rose by 11 per cent; from May to September the index rose by a further 7 per cent. Basic materials alone rose by 25 per cent in the first period and by a further 31½ per cent between May and September, a total jump of 64½ per cent in thirteen months. Intermediate products have risen by 20 per cent since devaluation and manufactures by 7 per cent. This last figure may be compared with the average rise in export prices of all manufactures of 5¼ per cent.

These index numbers do, at least, suggest that prices have been rising. It has, therefore, to be explained how it comes about that the interim index of retail prices in September was no higher than in May and only 2½ per cent higher than in August, 1949. The food items of the index rose by 7¼ per cent between August of last year and May of this year, but by September they were actually calculated to be 2 per cent lower. Since the index uses prices as at the sixteenth of each month the recent rise in butter and eggs will not affect it until October. The decline in retail food prices in July and August was ascribed to cheaper vegetables and fruit. The clothing items in the index have shown even less change. In May the prices of clothing included in the index stood at the same level as in August, 1949, and by September they had risen by only 1¾ per cent.

The Government has thus been successful in keeping the retail price index stable, but this advantage has involved certain costs for the community. A stable index has acted as a useful piece of machinery for limiting the cost of food subsidies to £410 million a year. To abandon the policy of limiting the subsidies at a time when an expanded rearmament programme has to be financed would be folly. But stabilised subsidies, a stable cost of living, and rising world prices are incompatible with a stable level of consumption. The Government has no alternative to paying higher prices for its food purchases, if it wants to maintain supplies. If it pays more, retail prices must go up, or the bill for subsidies must be increased. There are signs that this predicament is realised; if the British public wants to be spared a higher cost of living it must suffer instead a lower level of consumption.

There is some disposition to blame Korea for all that has happened to prices. That is a partial view. The effects of devaluation and of the American inflation were evident enough nine months ago. An enterprising system of bulk purchase prepared to take risks might have been expected to buy heavily to obtain adequate supplies of food and raw materials in anticipation of rising prices. It has always been a favourite argument of the supporters of bulk purchase that long-term contracts had particular advantages on a rising market. Long before the Korean war, prices were rising fast and it might have been supposed that bulk purchase would have been exploited to the full. But the official buyers seem to have lacked the courage of their convictions. They seem to have been apprehensive about the rise in prices that had occurred since devaluation, and insufficiently alert to the prospects of further world inflation.

PRICES SINCE DEVALUATION
(1947 = 100)

	Import Prices		Export Prices		Wholesale Prices		Retail Prices	
	Total	Raw Mats.	Total	Metal Mfrs.	Total	Basic Mats.	Total	Food
1949:—								
August	111	118	113	114	120	123	111	116
September	110	118	113	114	120	127	112	117
October	118	125	113	114	124	129	112	119
November	120	125	114	115	125	132	112	119
December	122	130	115	115	126	135	113	120
1950:—								
January	124	134	116	116	128	140	113	120
February	125	138	116	117	128	140	113	121
March	128	143	118	117	128	141	113	121
April	131	148	118	117	130	146	114	122
May	132	148	119	117	133	154	114	125
June	132	148	119	117	134	158	114	123
July	134	154	121	119	135	169	114	122
August	135	157	121	119	138	185	113	121
September	137	163	121	119	142	202	114	122

In food, as in softwood, the Government has been reluctant to face realities in the world markets. Its obsession with the declared need to keep the retail price index stable has led it to hold off the markets in expectation of a fall in prices, instead of stepping in to take advantage of the prospective rise. So it is that the British consumer pays about the same for rather less imported food, and the British industrialist a good deal more for about the same amount of imported raw materials. The British economy has suffered enough from the distortion of relative prices in the last five years to pray to be spared the new major distortion that now seems to be in progress.

Business Notes

The New Funding Loan

To expect any Chancellor to miss the opportunities afforded by the recent strength in the gilt-edged market would be unreasonable. The Treasury has this week given notice of repayment of the remaining £209 million of 2½ per cent National War Bonds, 1949-51 on February 1st next year, six months before the final date. The great bulk of this issue (£505 million out of £714 million) had been converted into 2½ per cent Funding, 1956-61 last June. On this occasion, existing holders are offered conversion into 3 per cent Funding 1966-68, a new stock with a more inviting life to institutional investors than the 1956-61 issue. Of the residue of the National War Bonds, a major part must be in official hands, and the success of the conversion offer is therefore largely assured.

But this automatic aspect of the operation is of secondary importance compared with the simultaneous offer of £250 million of the new stock for cash at par. The inflow of foreign money has caused widening ripples in the gilt-edged market, and these have imparted particular buoyancy to the three per cent twenty-year stocks. Considerable selling of "shorts" has absorbed the influx of foreign funds, but this has necessarily left the sellers under-invested. The new Funding Stock will be to their convenience, though some would regard the terms as half a point on the dear side. On the eve of the offer, 3 per cent Savings Bonds 1960-70 stood at 99⅜, including 10s. accrued interest, and offered a redemption yield of £3 1s. 7d. to final date; and although there may be attractions in the narrow spread of redemption dates for the new stock that might bring it into the field of 2½ per cent Savings Bonds, 1964-67 (on Tuesday evening these offered a gross

return to final redemption of £2 16s. 6d.), it lacks the latter's attraction of a tax free redemption profit.

The net result of both conversion and cash operations could put the Exchequer in funds to the tune of £200 million—but only if the public is enthusiastic for the cash offer and does not leave any great amount of it to be subscribed for by the departments. Thus, although the operation has the appearance of attempting a permanent mopping up of the major part of the recent influx of foreign funds, this may not necessarily be its immediate result for it is highly probable that the departments will again be playing the part of the "public stag" in the hope of reselling profitably to the public later on. Even if it were, there would be good reason for hesitation before the operation could be regarded as an orthodox neutralising action to exorcise the inflationary stimulus of a glut of foreign money, the permanent home of which might not necessarily be London at all times and under all conditions. The authorities could have done all the necessary neutralising by prompter steps to sell more short-term debt, had they been so minded. As things are, the influx has made its mark not there, but in an expansion of long-term debt, leaving so much the less room for manœuvre if the tide should reverse itself. The terms of the issue suggest that the authorities are staking heavily and provocatively on the continuance of the gilt-edged boom.

* * *

Questions on Monetary Policy

In this connection, the record rise of £150 million in net bank deposits last month provides food for thought. The whole of the increase was accounted for by an expansion of direct or indirect bank lending to the Government; bank advances, rather surprisingly, showed a small decline. Part of the increase in deposits was due to seasonal factors, for in every October since the war the Government has been a net borrower from the banks. In the period covered by the clearing banks' statement the Exchequer's above-the-line deficit was almost £80 million, and net below-the-line expenditure, plus the small deficit on national savings, probably added another £20 million of cash needs. Since the inflow of hot money and Britain's continuing surplus on current account almost certainly obliged the authorities to buy more than £50 million of foreign exchange in October, the £150 million rise in deposits—given the absence of a disinflationary monetary policy—is readily explained.

The question that now comes into issue, is whether the Government can afford to eschew a disinflationary monetary policy much longer. Since the rise in bank deposits in October fell some way short of the apparent increase in the Exchequer's cash needs, the market may be right in its surmise that the Government broker has been a small net seller of long-term securities in recent weeks. But such sales have apparently been directed solely to trimming official portfolios of particular security holdings that had grown untidily large. No deliberate effort has been evident to make sufficient open market sales to suppress either the temporary or the permanent factors that have recently been driving bank deposits higher. The result is that the volume of credit has risen by nearly £420 million (or about 7½ per cent) in the last seven months—a rate of expansion surpassed only at the very peak of the Daltonian credit orgy. It is hardly surprising that markets are good and that an issue as intrinsically attractive as the Imperial Tobacco unsecured stock should be subscribed a dozen times over and establish itself immediately at 3 points premium.

But at one remove behind these issues is the demand for real resources, and to industry's needs must be added those of a heavy government investment programme and of rearmament too. The new Chancellor might recall what happened under similar though more serious conditions in 1946 and 1947.

Tax Exodus

The City has rightly shown much concern about the growing movement of mining companies operating abroad to transfer their seat of control and management from this country to their place of operation. Last week brought the news that Rhokana, Nchanga, Rhodesia Copper Refineries, Rhodesian Anglo-American and Rhodesia Broken Hill are moving their domicile to Northern Rhodesia. The motive for the move is all too clear and lamentable; it is to save the companies the whole of the effective weight of British taxation. That this should entail the transfer of a group of companies with issued capitals of over £20 million is a poor advertisement for London as a financial centre.

Yet the prospective savings are so great that they cannot be ignored. Income tax in Northern Rhodesia is charged at 7s. 6d. in the £. Out of every £100,000 of taxable profits, Rhodesian tax absorbs £37,500 and the whole of this can be offset against United Kingdom taxes. These absorb £30,000 for profits tax (if profits are fully distributed) and £31,500 for income tax, making a total liability of £61,500 of which £37,500 is in effect met in Rhodesia and the balance of £24,000 paid in British tax. This £24,000 out of every £100,000 of profits will in future be saved by the change of domicile, so far as the companies are concerned.

For shareholders resident in the United Kingdom, the prospective saving will be smaller. The gross dividends they receive in future will still attract total tax at their "appropriate rate"; moreover, the institutional investor is worse off, since he becomes liable for profits tax on the dividends he receives. The balance of advantage to each type of shareholder depends on the prospective increase in dividends to be paid out of tax savings. In the case of Rhodesian Anglo-American, preference shareholders may elect to be paid off at 22s. and the Rhodesia Copper Refineries' preference dividend is to be raised from 4½ to 5 per cent.

* * *

Advantages Real and Apparent

Such companies will in future show a great reduction in tax charges, as Messina has lately done. But it must be remembered that this is not all pure gain for shareholders. For other reasons it is not certain that a large number of other mining concerns will be ready to follow suit. The saving in the case of Rhokana and its associates happens to be particularly great because its close associate, Anglo-American Corporation, is itself a South African company, and many Anglo-American shareholders are South African residents. They have thus been receiving a return on their Rhodesian interests on the worst possible tax terms; other groups may not have so big an incentive to move.

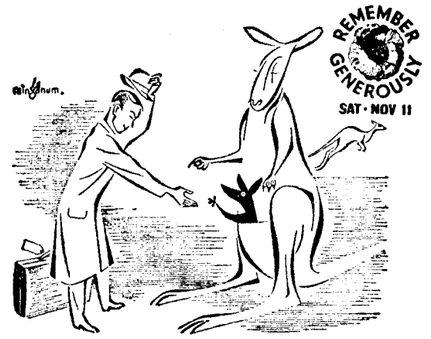
All such changes in domicile have to be real; the Inland Revenue is stringent in its view of what constitutes the seat of control of a company, and the legal precedent of the De Beers case of 1906 still stands. The particular point is that the board of directors must work and live abroad; its members cannot live here and purport to do their work overseas. To change the domicile of a company, therefore, involves awkward decisions for directors. They must either break with the company or go out to live with it. Moreover, all moves of this kind require the sanction of the Treasury, for under the Exchange Control Act of 1947 a United Kingdom company may not cease to be controlled by persons resident in the United Kingdom except with the permission of the Treasury. No doubt such permission would not lightly be withheld in present circumstances, but it can hardly be regarded as an automatic right. For the longer term, there may well be questions of capital supplies and commercial relations to take into account. For these reasons, it is perhaps not likely that the exodus through the tax net will become a rush.

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Bradford Gains its Point

After months of deadlock, the Board of Trade has now accepted proposals from the wool industry for a non-statutory joint advisory committee for the industry in place of the statutory development council on which it had hitherto been insistent. The outstanding point in the dispute between the Board of Trade and the employers has been the need for a body clothed with statutory powers. A development council imposed on the industry might have had disastrous consequences, for the wool industry takes some proper pride in its own organisation and it was clear that without the goodwill of the employers' organisations the council would be ineffective. The explanation for this concession by the Board of Trade to agree to a voluntary committee is that the unions are supporting the employers' new proposals. If this decision had been taken last summer, it would have been a minor concession to the employers' views, amply justified by the need for their co-operation. Coming after months of opposition (in the best Bradford manner) the change of view has the quite unnecessary appearance of a *volte face*.

The joint advisory committee that is now to be set up will provide for joint consultation for the industry as a whole, and will advise the Government and the industry on general problems. It will exercise certain specific functions about training, research and information, but these will mainly co-ordinate the work of the special organisations already at work in these fields. The employers and the unions will each appoint six members to the committee and the Board of Trade will appoint three, including the chairman. Except for its important difference of status, there will be no material distinction between the authority and functions of this Committee and those that the abandoned Development Council might have been called upon to exercise.

* * *

Germany and EPU

Although last week's decision by the management committee of the European Payments Union not to publish the results of the first compensation still stands, the salient facts revealed by this first exercise are receiving adequate ventilation—probably more than if the wiser course of official publication had been followed. The French net credit emerging from the compensation of July-September deficits and surpluses amounted to $190 million. Since the French quota with EPU amounts to $520 million, twenty per cent of that quota, or $104 million of the surplus of $190 million, was given by France as a flat credit to EPU. Half of the balance of $86 million was provided, according to the provisions of the EPU agreement, in a further credit and the other half as a gold payment from EPU. Thus France ended the first three months of EPU, holding $147 million as a credit balance with the Union and having received $43 million of gold.

The German net deficit with EPU was $175 million. Since the German quota amounts to $320 million, the settlement of the deficit was financed as to $143 million by a German overdraft on its EPU credit facilities and as to the balance of $32 million by a payment of gold or dollars into EPU. The German deficit incurred over the first three months of EPU was large enough to encroach into the third 20 per cent slice of Germany's quota. Reports from Paris and Bonn suggest that the building up of the German deficit in its intra-European trade has continued since the end of September, that the third slice is almost completely exhausted, and that Germany could—if it wished—appeal to article 62 of the EPU memorandum of agreement:

> If . . . a member finds itself running into deficit with EPU at a rate and in circumstances which it deems serious in view of the state of its reserves, it may suspend on a temporary basis measures taken by it for the liberalisation of trade.

Last week the Ministerial Council of OEEC agreed that as from February 1st next, member countries should raise the proportion of their intra-European trade freed from import controls from 60 to 75 per cent. This, however, is a typical "agreement in principle." The exceptions and reservations already threatened will reduce the gains to negligible proportions. Germany may be altogether excused by the clause of the EPU agreement quoted above. Holland has already announced that if Germany cuts its imports from Holland that country must be excused from further trade liberalisation. France, despite the massive credit already built up in its balance with EPU, has announced that it must reserve its position on trade liberalisation pending a satisfactory agreement on international commodity allocation and price fixing schemes. Belgium has a reserved list of products on which price maintenance arrangements must be made. So the exceptions go on, until they call into question the residual value of what was decided in Paris.

* * *

Currency Purge in Poland

The Polish Government announced last week-end a drastic purge of the currency allied to an exchange revaluation of the zloty. The move follows significantly the rouble revaluation of last year but it outdoes in severity the consequential measures that were taken in Russia to deflate the currency and to reduce prices. The revaluation of the exchange will put the rate of the zloty back to its former parity with the rouble—that is, it amounts to a revaluation of 30 per cent. Polish currency is to be purged to the extent of 99 per cent of the existing circulation. Old bank notes are now being exchanged for new at the rate of 100 to 1. Bank deposits will be converted at the rate of 100 old zloty for three new up to 100,000 old zloty. Larger deposits will be converted at 100 to 1. There is no question of blocking any part of the old notes or deposits; they are being completely wiped out.

This differential monetary purge is intended to hit the hoarders of notes, notably the peasants, and perhaps to provide an added spur in the threat towards collectivisation. All wages are being reduced in the ratio of 100 to 3 and presumably prices will follow, though not necessarily in the same proportion. This violent deflation of the Polish currency and the reduction of wages and prices, allied to the much smaller revaluation of the exchange with the rouble, suggest that the terms of Polish trade with Russia will undergo further deterioration. The new currency move must therefore be regarded as yet another instalment in the economic exploitation of the satellite countries by the Soviet Union.

* * *

Stockpiling and Commodities

The American stockpiling programme has destroyed all reason in the commodity markets. In London this week tin reached the fantastic price of £1,005; twelve months ago the controlled price was £750 a ton and that was considered much too high. Rubber is now over 5s. a lb—the highest price since 1912—against 1s. 1d. a lb last year, while wool (64's) at 202d. a lb is double last year's level of 103d. a lb. The size of America's commodity requirements for defence purposes (discussed on page 666 of last week's issue) involves a cut in civilian consumption either by physical controls or by the rise in prices itself. Discussions in London between Britain, the United States and other interested countries are groping towards a common policy on raw material supplies and defence needs. These talks cover a wide range of commodities from wool, rubber and tin to sulphur and manganese.

It would be unwise to expect a general plan to emerge from these talks. The United States has been offered the right to preempt certain grades of wool. No such right has been offered in rubber. Consequently, the United States is curtailing civilian consumption of rubber to build up its stockpile. If it is intended that the United States is to be the only country of the Atlantic Union to maintain strategic reserves of materials, such action may be wise. But is it not more desirable that stockpiling should be a joint responsibility of all the North Atlantic Treaty Powers? Only by some such combined responsibility can purchases be co-ordinated and outrageous prices be avoided. Some form of international allocation and some strengthening of controls over civilian consumption would no doubt be needed. But there would be important gains in stability for commodity markets and the scramble for supplies between governments and private consumers would present a much less serious threat to the success of the Atlantic Union's aims.

* * *

Will Yorkshire Go Short?

The Board of Trade made known last week the outline scheme whereby the United States will be able to preempt supplies of wool for American defence needs. The official announcement adds little to the outline of the scheme given on page 615 of *The Economist* of October 14th. It is intended that wool will continue to be sold by auction, but the types of wool required by the American Government would be set aside after appraisal and sold direct to the United States. Present knowledge of the scheme does not include any suggestion that the United States would buy such "preempted" wool at any reduction in price. According to Australian reports, the price would be based on the average of prices obtained for similar grades at the auctions during each particular month.

The total quantity of wool thus to be set aside from Commonwealth supplies for American needs is put at 100 million lb (clean). This represents slightly more than one-sixth of the current rate of American civilian consumption of wool. The burden of the scheme lies not so much in the quantities required as in the qualities. The types of wool that the United States wants for uniform cloth are the finer merino grades—the very types that Bradford needs for making up for export. Hence, it is quite wrong to regard a purchase of 100 million lb. of wool from the three Commonwealth exporters as representing only 10 per cent of their available supplies. The proper comparison is with the much smaller total supplies of high grade wools, of which American needs would represent as high a proportion as 30 per cent.

The scheme will thus involve great difficulties for Yorkshire, which will be faced with a shortage of high quality wools and high prices. Lower grade wools can be used as substitutes to a limited extent. But if Yorkshire is to benefit from its hard work of the past few years in developing trade with the Canadian and American markets, it must continue to export high quality goods. Is it wise and reasonable that Yorkshire should be asked to jeopardise its dollar exports in order that the United States can clothe its servicemen in the finest merino?

* * *

America to Use Less Rubber

The United States is to impose a drastic reduction of consumption of rubber in November and December in an attempt to ease the pressure of American demand on the market. The present rate of rubber consumption (natural and synthetic) is to be cut by 16 per cent. Natural rubber alone is to be cut by 25 per cent in November and by 37 per cent in December. No specific cut has been prescribed for synthetic consumption, since manufacturers use different proportions of synthetic and natural rubber in different products. The overriding consideration is that their total consumption in the last two months of the year must be reduced by 16 per cent.

This is America's second attempt to restrict rubber consumption within three months. The first order, which came into force on September 1st, was ineffective because many manufacturers were exempted from its provisions on the ground that they needed more rubber than the order permitted them to use. The new directive makes no provision for such exemptions. On the other hand, it applies only to rubber used for civilian purposes and the use of rubber for military purposes will not be restricted. American consumption of natural rubber has recently been running at 60,000 tons a month. Hence in November it should be reduced to 45,000 tons and in December to 38,000 tons.

* * *

British Tank Production

Tank production in this country has been rising during the summer but will not reach the rate planned under the rearmament programme until the latter half of 1951. The only tank in quantity production, the 50-ton Centurion, is being built at the Royal Ordnance Factory at Leeds and by Vickers-Armstrongs, Ltd. Most of the extra production will come from the ROF plant which has been working well below capacity. It is designed and equipped solely for tank production, and it is claimed that its specially designed layout has reduced costs by half, compared with those of other producers. It is possible to build tanks in any general engineering shop, and tank factories, both here and in America, are fed with finished components and sub-assemblies and merely carry out the final assembly. At Leeds the castings, engines, electrical equipment and gear boxes are supplied by contractors. The machining of castings and components, welding, assembling and testing are done on assembly lines within the factory. With special handling equipment and some special tools, it has been possible to apply some of the principles of flow production to a vehicle of this size. The entire production process takes 27,000 man-hours per tank.

The ROF plant will soon be working to "normal" capacity, that is, single shift working with overtime; some time next year it should be working double shift. Its rate of output has, however, had to be geared to the capacity of contractors to supply components. Manufacturers of electrical equipment are fully booked with export orders and are finding it hard to increase present deliveries to the tank factories. To increase the supply of castings would also involve difficulty. The turret casting, to take one example, weighs 8½ tons and can be supplied by about half a dozen firms in the country. It would take about nine months for these firms to make the necessary arrangements to increase their capacity.

* * *

Cheap Cottons from Japan

Lancashire has not lost sight during the past two years of the competitive potential of the Japanese textile industry. This awkward matter will be prominent in the discussions at Torquay, where it is proposed, on the initiative of the United States, to accord most favoured nation treatment to Japanese trade. Lancashire has had some difficulty in persuading the American textile industry of its anxieties about the recurrence of Japanese commercial methods which caused such heavy losses before the war. Perhaps the American industry may be on the point of learning something of Lancashire's bitter prewar experience. American trade statistics, covering the three months between March and May of this year, show that the United States imported 185,400 dozen shirts from Japan at an average value of $1.19 (8s. 6d.) a dozen. The average values month by

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month ranged from a low point of 86 cents (6s. 2d.) a dozen in April to a peak of $1.53 (10s. 11d.) a dozen in May.

The American Bureau of the Census thought it well to examine these import entries and checked them with consular invoices or with importers. The low import prices were proved to be correct. In fact, the analysis revealed that values of individual importations ranged from 47 cents (3s. 4d.) to $1.89 (13s. 6d.) a dozen; British f.o.b. export prices for shirts during the same three months averaged £7 13s. 4d. a dozen.

This difference between the landed cost of Japanese shirts in the United States and the British export price is so fantastic that it cannot be explained solely by differences in quality and hardly by greater efficiency in the Japanese industry. Japanese commercial conventions are clearly as potent in the destruction of normal trade as they were before 1939. Lancashire has for some time been considering how to protect itself against competition of the old sort, once the output of the Japanese cotton industry approaches its prewar scale. At present Japan has only 3,739,000 cotton spindles in operation (all ring type) compared with 11,502,000 in 1939. It is already making striking use of them.

* * *

Rise in Silver

After isolating itself for a surprisingly long time from the inflationary trend of commodity prices, silver has now joined in. The quotation in London has risen from 63½d. to 70d. per fine ounce. This was an automatic adjustment to two successive rises in the New York price that have lifted silver in that market from 72¼ cents to 80 cents per fine ounce. Domestic demand for silver in New York has been rising steadily in the last few weeks and daily turnover has increased from an average of about 70,000 ounces to 400,000 ounces. Yet the price succeeded for a long time in resisting this increased demand. This was because a considerable amount of silver had been overhanging the market, including some millions of ounces of demonetised Cuban silver and an unspecified but considerable amount of Spanish silver. In addition, current Mexican production has been accumulating, though for some time past the Mexicans have withheld their silver from the market anticipating the advent of a higher price.

As soon as the quotation in New York broke away from the long-maintained level of 72¼ cents, the London quotation for official silver had to come into line. The Bank of England bases its selling price for essential silver on the New York parity and the adjustment in the sterling price followed automatically. In addition to this official price for silver, there is a free market rate for domestic and exportable silver. In both cases, however, the free market quotation is very near the Bank of England price, the premium being no more than ¼d. to ½d. per ounce. Free domestic silver is in the main bought by "non-essential users," such as the jewellery trade. The market suggests that the requirements of this particular trade are more than met from scrap jewellery silver.

* * *

Power and Productivity

A study of productivity in the electric power industry of the United States seemed likely on the face of it to be one of the less rewarding of the investigations undertaken by the Anglo-American Productivity Council. The history, scale, and organisation of the British and American electricity industries are diverse but their technical resource ought not to be more widely different than is justified by their dissimilar background. When the team reports in such considerable detail on the condition and practice of the American utility undertakings, therefore, it has to be asked how far their findings can be made to fit the British facts. The American power load is bigger, and very markedly concentrated on industry. The American worker has the service of six units per man hour, compared with two for the British worker; his wife uses power at home for refrigeration and for part of her cooking, but not for space heating. There is, in consequence, a much greater equalisation of seasonal and daily loads, particularly since the industrial demand is commonly spread over two and three shift working.

These differences have important technical consequences: year-round maintenance work; the acceptance of "hot line" working which aids continuity of service and leads to economy in capital expenditure; cheaper transmission systems erected faster than in this country and often in common ownership between power and telephone undertakings; high standards of transformer design; and smaller turbo-alternators for a given capacity. Important differences are also to be found in commercial practice; domestic tariffs and metering are designed to encourage demand and to keep costs low.

Some of these advantages might not be so easy to realise if the annual load factor of most American power undertakings were not 60 per cent, but nearer the 40 per cent in Britain. The high load factor clearly provides the economic justification for the larger generating sets, working at higher pressures and temperatures, in which the Americans excel. The team reports as "the general opinion of Americans whom we met" that full economic recovery in Britain depended on sufficient generating capacity to meet "present and future" needs, and that the industry should have "priority over any other requirement" for the resources that would be needed. To raise British industry to the same standard of electrification as American industry in the next decade would mean installing 650,000 kW of capacity each year over and above what is required to catch up with the present growth of load. This is far in excess of what has been installed in recent years, and in any case the industry is already burdened with a programme of 7½ million kW up to 1953.

Such a further addition to capacity might be acceptable in an ideal world if other calls on resources were not allowed to press so hard. But it has little relevance to a condition in which the British Electricity Authority's generating programme has got out of hand and cannot be overtaken until the middle 'fifties. No doubt the wasteful and time-consuming processes of planning new stations, the implicit assumption that these must be built like cathedrals, and the reluctance to experiment in this country with the "semi-outdoor" type of plant account in large measure for delayed construction and increased capital cost. But they are not the only ones. The slowness of delivery and high cost of boilers and machinery come in for severe comment. Speed of delivery by American manufacturers, the team found, was largely due to competition between them; "there is now in Britain an almost complete lack of competition between plant manufacturers."

* * *

Rayon Supplies and Prices

The recent increase of 12½ per cent in British rayon yarn prices is the first for three years. No further increase is expected unless competition forces pulp prices much higher; this is not out of the question, for the only sources of spruce pulp are Sweden and Canada and supplies are limited, while the high prices of natural fibres are encouraging European rayon producers to increase their output. Some European producers, including Italy, have idle capacity. Although pulp stocks in this country are at present satisfactory, rayon producers are not blind to the risk that towards the end of next year rayon output may be affected by a shortage of raw materials.

British rayon output for the first nine months of the year totalled 273 million lb of continuous filament and rayon staple. Monthly output of filament is now about 17 million lb, while staple output exceeds 15 million lb. No marked expansion of supplies is likely. New capacity is in full operation and there is no reserve. This high rate of operation has partly offset rising costs and price increases have been less steep than might otherwise have been the case. Expansion of nylon production has also reached the limit—British Nylon Spinners' plant is working close to its rated capacity of 10 million lb a year.

Producers may have difficulty in meeting the rising demand for artificial fibres from their usual customers and also from weavers who are increasingly turning to artificial fibres for mixed fabrics. Since the bulk of nylon output goes to stocking manufacturers, the yardage supplies can be increased by replacing 30 denier by 15 denier yarn; the recent freedom given to supply thinner stockings to the home market will allow such an increase. Rayon producers are getting inquiries for rayon staple from Yorkshire wool weavers who have only recently been allowed to use rayon in utility wool cloths. Cotton weavers will also use as much rayon yarn as they can get.

More and Bigger Tankers

Lloyd's Register statistics of ships under construction throughout the world at the end of September reveal an increase of 289,224 tons during the quarter, bringing the total to 4,839,145 tons gross. The increase arises mainly from the inclusion of German figures for the first time since the war (172,744 tons) and from an advance of 109,043 tons in Great Britain, where 2,046,234 tons are now building. Nearly 41 per cent of the world total, and 54 per cent of the British total, consists of oil tankers. Tanker building in Britain has, in fact, increased by five vessels and 121,553 tons during the quarter, although the total number of all ships is lower by three. Since September, 1949, there has been a marked increase in the number and size of tankers under construction. Whereas the total tonnage building has dropped by less than 50,000 tons in the twelve months, the number of vessels has fallen from 392 to 323. Of this last figure,

BRITISH CELANESE LIMITED

The Report and Accounts for the year ended 1st July, 1950, contain the Directors' recommendation for the payment on 31st January, 1951, of the following dividends to Stockholders registered at the close of business on 28th December, 1950:—

A Participation dividend of 1.7344% actual, less tax, on 7½% Participating Second Cumulative Preference Stock in respect of the year ended 30th April, 1950, and

A dividend of 10% actual, less tax, on Ordinary Stock in respect of the year ended 1st July, 1950.

The following details are extracted from the Report of the Directors and audited Accounts for the year ended 1st July, 1950, which will be posted to Stockholders on or about 7th November, 1950.

ABRIDGED CONSOLIDATED PROFIT AND LOSS ACCOUNT for the Year ended 1st July, 1950

1949 £	£		£	£	£
3,107,673		Consolidated Net Profit for the Year before Taxation and after charging additional special depreciation of £350,000 (Nil in 1948-49)			4,102,432
		Deduct: Taxation thereon—			
530,303		Profits Tax	627,835		
1,096,060		United Kingdom Income Tax	1,627,199		
1,626,363				2,255,034	
250,711		Transfer to Taxation Equalisation Account		284,804	
	1,877,074				2,539,838
	1,230,599	Consolidated Net Profit for the Year after Taxation			1,562,594
	643	*Deduct*: Balance retained in the Accounts of Subsidiary Companies			546
	1,229,956	Net Profit for the Year dealt with in the Accounts of British Celanese Limited			1,562,048
557,459		Balance of British Celanese Limited Profit brought forward at 2nd July, 1949		564,771	
42,000		*Add*: Adjustment relating to previous years	500,000		
		(The amount shown for 1950 relates to Taxation provisions released on the settlement of sundry claims including those for Exceptional Depreciation resulting from the War.)			
—		*Less*: Transferred to Accumulated Depreciation	500,000	—	
42,000					
	599,459				564,771
	1,829,415				2,126,819
		Deduct: Fixed Dividends on Preference Stocks and Interest on Funding Certificates paid (*less* Income Tax) during the year		347,128	
350,269		Amount to be applied in the purchase of redemption of Funding Certificates		243,338	
184,643		Dividends Recommended—			
		Participation Dividend (*less* Income Tax) on Second Preference Stock		40,542	
32,433		Dividend (*less* Income Tax) on Ordinary Stock		121,623	
97,299					
	664,644				752,631
	1,164,771				1,374,188
		Deduct: Transfer to—			
200,000		Plant Replacement and Special Obsolescence Reserve		200,000	
400,000		General Reserve		600,000	
	600,000				800,000
		Balances carried forward at 1st July, 1950—			
	564,771	British Celanese Limited			574,188
		Subsidiary Companies—			
5,710		Balance brought forward at 2nd July, 1949		6,353	
643		*Add*: Balance of Net Profit for the year retained in the Accounts of Subsidiary Companies		546	
	6,353				6,899
	£571,124	Balance carried forward at 1st July, 1950, in Consolidated Balance Sheet			£581,087

DEPRECIATION.

(*a*) In addition to the normal annual charge, £350,000 has been allocated to Accumulated Depreciation in arriving at the profits for the year; this additional allocation provides in full for the undepreciated balances of certain Plant items which are now redundant or obsolete.

(*b*) During the year under review sundry claims for Taxation relief, including those for Exceptional Depreciation resulting from the last world war, have been settled. On this account the Board have released Taxation provisions amounting to £500,000 which are shown in the Profit and Loss Account as an adjustment to previous years, and this amount has been allocated to Accumulated Depreciation in respect of the assets to which the Exceptional Depreciation claims related.

DIVIDENDS.

The Dividend recommended on the Ordinary Stock is very low in relation to the amount available for distribution and the Directors consider that the increased dividend is well within a policy of moderation and restraint.

LONDON, W.1. 20*th October*, 1950.

orders for export bringing the total to 127 ships of 825,745 tons, the highest recorded.

The value of Lloyd's Register statistics is enhanced by two new tables; one gives details of the registration of tankers, while the second gives a more detailed analysis of British shipbuilding, distinguishing between ships fitting out afloat and those on the stocks or for which material is being worked. In addition it shows that plans have been approved or material ordered for 127 ships of 831,642 tons, thus bringing the total under construction and preparing in British yards to 2,877,876 tons. It is understood that the industry has firm orders on its books for another 434,000 tons gross, so that its earlier cares about slacker times are not so pressing. Only 438,000 tons were ordered last year, but over 1,000,000 tons have already been booked this year. Orders for tankers continue to predominate; some 73 per cent of the tonnage to be begun consists of tankers.

* * *

British Potash Supplies

Large deposits of potassium chloride recently found by Imperial Chemical Industries in the North Riding of Yorkshire promise to provide the first commercial source of potash in Britain. Potash is one of the three essential fertiliser materials; the other two are nitrogen and phosphate. Preliminary borings suggest that the deposits are sufficient to last for about 140 years, assuming an annual consumption of about 500,000 tons. The fertiliser industry is at present wholly dependent on imported supplies, which are bought by the Board of Trade. Last year rather more than 420,000 tons of potassium compounds were imported at a cost of £6,800,000. The bulk of the British supplies come from France and Germany in almost equal proportions and prices have shown a tendency to fall. At least 90 per cent is used for fertiliser production, but small quantities are needed for explosive fuses, crystal glass and pharmaceutical products.

A year or two will elapse before ICI can start to draw supplies of potassium chloride from the new deposits. These are about 4,000 feet deep and the method of extraction will probably be similar to the solution technique now being used in the Cheshire salt mines. This method avoids both the difficulties of mining at this depth and the danger of subsidence, but a final decision is not likely to be taken before boring tests are completed in about twelve months time. ICI have been working since 1947 on the site, which is only 35 miles from the company's big chemical plant at Billingham.

* * *

More Wheat for Export

This year's wheat harvest in Canada has been good. The crop was at first expected to yield 540 million bushels against 367 million bushels in 1949. The estimate has since been reduced to 465 million bushels owing to frosts in Manitoba and Saskatchewan. But even this reduced estimate would leave room for an export surplus of 425 million bushels—100 million bushels more than last year—compared with the

WORLD EXPORT SURPLUSES OF WHEAT
(Million Bushels)

Exporters	1949-50	1950-51
U.S.A.	742·0	718·0
Canada	525·0	425·0
Argentina	120·8	124·0
Australia	194·5	188·8
France	68·0	54·4
Pakistan	14·8	24·0
Russia, Danubian and minor countries	16·0	16·0
TOTAL	1,432·1	1,550·2

Source: George Broomhall's *Corn Trade News*

guaranteed sale under the international agreement of 215 million bushels. Export surpluses this year in the United States, Australia and France are expected to be slightly

smaller than in 1949 but export supplies in the current season, estimated by the *Corn Trade News* at 1,550 million bushels, show a prospective increase of 70 million bushels.

Political uncertainty will undoubtedly encourage importers and conceivably some exporters to increase their stocks and private hoarding may also occur. An additional supply of 70 million bushels to the world market is not likely to lead to any lowering of the export price from the maximum of $1.80 (US) or $1.98 (Canadian) fixed under the international agreement.

Shorter Notes

The Chancellor of the Exchequer revealed in Parliament last week that rather less than £1,300 million of the £3,471 million of sterling balances outstanding on June 30th last were held in blocked accounts; the "Economic Survey" put the value of blocked sterling at the end of 1949 at rather over £1,350 million. Since the beginning of the year Pakistan has secured the right to withdraw about £34 million from its blocked account and Israel has secured an equivalent right for about £10 million. It would thus appear that some release rights granted to India and Egypt in 1949 have not been exercised.

*

The recent increase in the Canadian bank rate has been quickly followed by more selective methods of credit control, applying to consumer credit. Under the new regulations, a buyer of motor vehicles must pay at least one-third of the cash price on delivery. Other goods bought by instalments will require a minimum down payment of 20 per cent. In all cases payment for goods obtained on the instalment system will have to be completed over a maximum period of eighteen months.

*

The Bristol Aeroplane Company is the second British aero engine manufacturer to negotiate a licensing agreement with the American Curtiss Wright Corporation. A similar agreement with Armstrong Siddeley was announced a short time ago. These agreements should save the American company many years of development work. Unlike its rival, Pratt and Whitney, Curtiss has no experience of gas turbine engines.

STATISTICAL SUMMARY

	Unit	Week Ending Oct. 21, 1950	Week Ending Oct. 28, 1950
Total Ordinary Revenue	£'000	50,776	78,803
Total Ordinary Expenditure	£'000	85,101	45,525
Issues to Sinking Funds	£'000	265	265
Change in National Debt	£'000	+ 345,074	— 33,437
Total National Debt	£ million	26,636	26,602
Treasury Bills allotted	£ million	250	250
Average rate per cent.	s. d.	10 2·94	10 2·94
		Oct. 26	Nov. 2
Note circulation	£ million	1,273	1,275

SECURITY PRICES AND YIELDS

Name of Security	Price Oct. 25, 1940	Yield Oct. 25, 1950	Price Nov. 1, 1950	Yield Nov. 1, 1950
Gilt-edged		£ s. d.		£ s. d.
3% War Loan 1955-59	104⅜	2 2 7c	104¼	2 2 0c
3% Funding 1959-69	99½	3 0 6f	99¼	3 0 7f
3½% Sav. Bonds 1965-75	98½	3 2 9f	98¼	3 2 6f
5½% Conv. (after Apr. 1, 1961)	98½	3 11 1f	99¼	3 10 10f
2½% Treas. Stock (after Apr. 1, 1975)	75⅝	3 8 1f	77	3 7 9f
3½% War Loan (after Dec. 1, 1952)	96⅛	3 12 6f	96⅛xd	3 12 1f
2½% Consols	75¼	3 7 10f	77⅛	3 7 7f
3% Brit. El. 1968-73	98¼	3 2 5f	98¼	3 2 3f
3% Brit. Tpt. 1978-88	95⅜	3 5 5f	95¼	3 5 6f
3% Brit. Gas 1990-1995	95⅛xd	3 5 2f	94	3 5 2f
Equities				
Anglo-Iranian Oil £1	6¼	4 11 1	6¼xd	4 16 0
Assoc. Electrical £1	76·6	3 18 5	76·5	3 18 5
Courtaulds £1	41	5 13 2	39·9xd	5 15 6
Dunlop Rubber £1	65·7	4 11 11	63·5	4 13 4
Imp. Chem. Ind. £1	42·6	4 11 1	42/6	4 14 1
Imperial Tobacco £1	9⅛	5 17 0	9⅛	5 17 7

(c) To earliest redemption date. (f) To latest redemption date. (f) Flat yield.

COMPANY MEETINGS

ELY BREWERY COMPANY, LIMITED

TRADE FULLY MAINTAINED

OVER £2,700,000 PAID IN BEER DUTY AND TAXATION IN 3¼ YEARS

REORGANISATION NEARING COMPLETION

MR L. NIDDITCH ON THE OUTLOOK

The fifty-fourth annual general meeting of The Ely Brewery Company, Limited, was held on October 12th, at the New Inn Hotel, Pontypridd, Mr L. Nidditch, F.F.S.(Eng.), F.V.I. (chairman and managing director), presiding.

The following is an extract from his circulated statement:

I have pleasure in presenting the accounts of your company for the fifteen months' period ended on June 30, 1950. I need not dwell upon the change in the accounting dates, as this has, I think, been clearly explained in my circular of March 31, 1950, which was sent to all stockholders.

BOARD OF DIRECTORS

Before explaining the accounts and giving the customary summary of the state of the company, it is with regret that I have to advise you of the fact that after forty years of close connection with your company as solicitor, director and one-time chairman, Colonel Sir Gerald T. Bruce, K.C.B., C.M.G., D.S.O., your vice-chairman, no longer feels able, owing to advancing years, to offer himself for re-election to the board of directors.

It must be deeply satisfying to him to retire in the knowledge that the company is now once again prosperous and settled in calm waters, and that happiness has at last been brought into the homes of all its employees, who in common with the rest of the population of South Wales, suffered so much during the bad prewar period as a result of errors of judgment and neglect on the part of Whitehall.

I personally feel bound to express my sincere gratitude to Sir Gerald for his friendly co-operation and advice in connection with occurrences of past years, and I feel sure that shareholders will join with me and the rest of the board of directors in appreciation of his wise counsel at all times and sober solid judgment. We wish Sir Gerald all happiness and contentment in his retirement.

The company is now managed by a team of men of vigour, experience and vision. The average age of your directors is under fifty and that of your first ten executives (including supervisors) is under forty. The complacent attitude usually associated with aged management, however experienced, but reluctant to change old ideas, is now a thing of the past at Ely, and the task of laying the human foundations for future management is one which is constantly in the forefront of our planning as we are continually on the alert for those signs of talent and temperament which single out the promising executives of the future.

As a result of the confidence and responsibility placed upon me by your board, when they appointed me chairman and financial director, I have found it necessary to restrict my other activities considerably in the last two years, so that I could devote my attention completely to the task of ensuring the success of your company and of preserving the capital of all shareholders, including, of course, my own not inconsiderable stake. Therefore, if shareholders will bear with me, I propose to give a full summary of the last 3¼ years, since I was appointed chairman, not, I may say, without some pride of achievement, which pride I delight to share with my colleagues on the board, and with all employees, whatever their work and status. Future annual reports will need no elaboration, and will be confined to the minimum explanation of the accounts figures.

PROFIT AND LOSS ACCOUNT

Our trade for the comparable fifteen months has been fully maintained, in fact, slightly exceeded—no mean achievement in these difficult days.

Our bottling trade has increased by 30 per cent., but, owing to restricted spending power in the last year, we found from observation that individual drinking was down by about 20 per cent., drinkers accustomed to four or five pints, were satisfied with three or less, and in many cases missed a night out, and avoided spending more on "treating." Nevertheless, our sales have kept up, because we have increased our patronage by 10 per cent. to 20 per cent. and thus also consolidated our goodwill.

In the year ended March 31, 1947, a peak year for all breweries, your company's profits were £175,410. Changes in the political and economic state of the country entirely unforeseen three years ago, together with new statutory impositions, have now burdened your company with an additional annual expenditure of almost £100,000 compared with the year ended March 31, 1948. In addition to this, with profits tax raised and pensions, but for the strong and realistic handling of the reorganisation since 1947 and the loyal service rendered by all employees, your company might well have suffered a 15 per cent. decrease in barrelage sales. Such a decrease and meagre liquid position would certainly have put the company in the hands of the debenture holders once again, wiped out all chance of ordinary dividends and resulted in a heavy reduction of shareholders' capital.

The balance of the trading account for the fifteen months at £314,002 is £5,142 higher than that for the previous twelve months. To interpret this increase in its true perspective, we must, however, bear in mind certain pertinent facts. The profits have borne £69,500 extra burdens composed as follows:—

EFFECT OF CATERING WAGES ACT

As a result of the Catering Wages Act, 1948, wages for our managed houses rose by a further £17,000. The previous year's figures were only partially affected by this Act.

Increases in wages and salaries of brewery employees (including office and increased supervisory staff) and cars for senior outdoor executives required a further £8,500.

After the enforced weakening during previous years by quotas and Government regulations, we deemed it wise and politic to raise the gravity of our beers and give more strength and appeal to the palate in order to overcome growing consumer resistance. With the special 3/- imposition, additional beer duty on this account amounted to £31,000. Owing to the stronger beer produced, our expenditure on malt was higher and the increased price of coal needs no comment from me. We have also been involved in much higher charges for cleaning materials which together with sundry small items, amounted to £9,000.

Reductions in the previous Budgets caused us a loss of nearly £4,000 in duty on allowances, and on stock-in-hand.

Thousands of casks and new cases have had to be purchased, and many thousands of those in daily use have had to be repaired.

In spite of all these impositions and substantial increases in costs (not passed on in the selling price), we have managed to achieve our present profit level, because, by means of improved control we have been able to save sums amounting to many tens of thousands of pounds. During the past three and a quarter years we have paid in Beer Duty and taxation over £2,750,000. With the duty on our turnover of wines and spirits, the figure exceeds £3,000,000.

We have, it is true, been somewhat overtaken by general events beyond our control and by an official policy not very favourable to the trade as a whole. Good intentions and good wishes alone do not bear fruit, but our figures are a measure of the high administrative control of your board which together with the loyalty and efficiency of your company's employees, has ended the despondency of the last two decades, during which no dividends were available for shareholders.

ALLOCATION TO ADVERTISING RESERVE

In view of the fact that during the first year of the present Board's control in 1947 the profits improved very substantially, it was considered policy and essential to advertise with a view to putting the company "on the map" and the contemplated national sales of the company's special beer "Brewer's Own." As a result £7,000 was put to Advertising reserve and increased last year by a further £15,000. Your board have decided to utilise £12,000 from this reserve which, generally, gives a fairer picture of the company's position on its trading account.

We have tackled our revenue from unlicensed tenancies where convenient, which has now risen to £4,872 yearly income and should reach £6,000 next year.

We have charged to revenue account all items legally allowable on the basis of past years. If your board had been less conservative and had chosen for self-satisfaction to place certain items to capital to enhance profits indicating improved success still more, we should have been short of cash by many tens of thousands of pounds because of the additional taxation involved. In fact, the revenue account has borne £110,000 in the last three years for various items, half of which will never recur and the other half not for another eight or ten years. While reorganisation and profits have been favourable, the assets, and consequently the company, have derived benefits of an enduring nature, and secure the equity capital, now at 9/11 per 5/- stock unit, as shown on page 8, by simplified analysis.

I cannot leave the profit and loss account without referring to the cash and debenture position, when I was appointed chairman in February, 1947. In addition to debenture debts outstanding at £970,000 in 1946, we had then the following pressing liabilities to face, not provided for when the debenture scheme conversion was rearranged (against my advice and in spite of my strong protests: that it should be half a million pounds of debenture and first preference each and so keep the £135,000 cash, parted with too lightly).

£160,000 for excess profits tax.

£160,000 for Income and Profits Tax.

£60,000 for repairs and very essential replacements to brewery plant, much of which was at danger levels.

£80,000 for repairing casks and cases and replacements.

£95,000 for decayed building repairs, roofs, guttering, floors and cills, all at danger points.

£20,000 for floor coverings.

£25,000 for cellar installations and furniture.

£5,000 for replacement of vehicles (mostly over ten years in age).

£100,000 for general repairs and painting.

Towards all these urgent needs there was only £136,000 cash and £182,650 tax reserve certificates.

As you know from my observations in the last two years I made a favourable case to the revenue to reduce the Excess Profits tax debt to £100,000. We issued £69,000 of new 5 per cent. preference and financed all other outgoings from profits and the Cardiff Malting Company cash flotation, and of course not overlooking substantial cutting down of waste and administrative economies.

I am pleased to tell you that we have consolidated and greatly improved the value of our two largest hotels—The Grand Hotel, Port Talbot, and the New Inn Hotel, Pontypridd—raising the value by about £60-£70,000 to the present book value based on the 1946 valuation.

RECENT ACQUISITIONS

We were fortunate last year in being able to acquire the freehold of the Grand Hotel at 47 years unexpired lease, at the sum of £8,000, and in the case of the New Inn Hotel we successfully negotiated the surrender of the existing lease with 34 years unexpired term and procured a new lease for 99 years at an increased ground rent of £140 per annum. In both cases after much attention to neglected conditions and effecting the necessary repairs in line with modern ideas, the net profits have risen tenfold as compared to 1946-47, although the Catering Wages Act has raised their wage roll by over £3,000 per annum.

I refer you to my observations at the top of page nine in my review of June, 1947, wherein I mentioned that the valuation in 1946 of fixed assets excluded fifteen short leaseholds with less than seven years to run. We have renewed the leases of seven of these and bought the freeholds of a further five and are negotiating at the present with another of these fifteen. In the case of two houses we allowed the negotiations to lapse owing to poor trade and not being justified on the price and terms demanded. We managed to acquire the freeholds of two other houses in place, which were not previously selling Ely beers. In the case of these fifteen houses alone I estimate that the assets have an improved capital value of almost £40,000.

We have in three years purchased 50 freeholds, renewed many short leases to 99 years and in all reduced the debenture debt by £226,050. The latter now standing at £623,950 is about half a million pounds better secured than when issued, and through my personal pressure and initiative since 1945 has been reduced from a million pounds, for which I cannot—being human—do other than claim due credit.

TRIBUTE TO EMPLOYEES

Our profit figures under prevailing conditions reflect no mean effort by all our employees in whose well-being your board continues to take a deep and active interest. It has become a guiding principle in the administration of the company that sympathy, understanding and good human relationships are vital to efficient co-operation between management and labour. We have reason to be well satisfied with the response we have received from our employees, and the loyalty given to Mr Colin W. Jones, your general manager, and myself: for this we are both proud and thankful. Sweated labour conditions, which were one of the stains of the past record of this company, and on all lips in South Wales, is now a thing of the past.

The wages level of all employees, the bare minimum and in fact insufficient numbers employed until 1946, especially on the administration, supervision and cleaning sides, has meant that this company has probably suffered the greatest increase in wage roll compared to barrelage trade with any other established brewery in the country. However, in this direction your board are satisfied, since a well paid staff must have its advantages towards prosperity in the end.

BOARD'S PROGRESSIVE PROGRAMME

We have overhauled roofs, passages, staircases, windows, kitchens and the like, thus incidentally enhancing the value of our properties. It was not possible to attend to all our houses at once but in fact we have done in three years what was then thought would be at least a seven-year job. A progressive programme is in hand whereby every house, wherever situated, will eventually have still better amenities. Our maintenance staff is now organised and is always on the alert to effect, in a matter of *hours*, any urgent repairs and remedy any break-down in any of our houses, to avoid inconveniencing our patrons—and so maintain patronage. All facia boards and sign boards have been repainted and brought up to date.

In the brewery itself and the stores around it, we have repaired much worn and derelict plant and roofs and made extensions for better storage space. We are in course of installing conveyor belt systems and have already installed a modern automatic cask-washing machine to ensure the highest standard of cleanliness. A new bottling plant and automatic labelling machine are now functioning We have relined all our vats, mostly with copper and overhauled our electrical plant. The refrigerating room has been modernised and latest type of filters have been installed. As a result of my visit to the United States of America and invitation to visit a brewery there, we believe we are the first in the country to instal such a special system of heavy are lighting enabling a special watch on *every* bottle of beer whether dark or light, before it reaches the end of the conveyor for crating, thus preventing the despatch of bottles with cracked necks or containing foreign matter. This has saved costs by avoiding the return of possibly affected bottles and of course inconvenience as well as book entries. The public, too, are safeguarded.

In all we have spent large sums so that our houses and the brewery are almost unrecognisable when compared with their condition three years ago. This has resulted in valuable improvement of our assets, and possibilities of increased trading.

I am also pleased to report that we acquired for cash on the open market, during the last fifteen months further debenture stock, which has been cancelled and is not re-issuable and that the amount now outstanding is £623,950. Since June we have acquired and cancelled a further £7,000 debenture stock.

BONUS ISSUE

Owing to the necessity to preserve liquidity pending the final settlement of the company's excess profits tax liability and in view of the substantial sums spent on acquiring freeholds of existing leaseholds, new brewery plant, casks and cases, and repairs and furnishings, extensions and improvements, and taxation, a distribution in shares in lieu of cash is more advisable. The bonus may be considered as small, or modest, but it is considered by your directors that it is more equitable that those shareholders who have invested in the equity or "risk money" should get the reward, in case unforeseen circumstances of the individual compel a sale to procure cash; this is preferable to future shareholders getting all the benefits of bonus issues through undeclared retained profits. Such a small bonus, too, does not affect the dividend distribution, and helps to maintain capital values. We are increasing the general reserve by a further £40,000, making in all with the dividend equalisation reserve and profit and loss balance £313,549. With other balances our total reserves are £543,000.

As trade has been fully maintained and last year's barrelage slightly increased, it is contemplated, subject to no unforeseen circumstances arising, to pay during next April an interim dividend of 3¼ per cent. for the financial year ending June 30, 1951; subsequently a reasonable final dividend for the year will be considered subject to the trading and final profit results of the year.

GENERAL

Although we have no licensed houses at present in North Wales, our prosperity in the south is linked with that of the whole of Wales. It is, therefore, interesting to note that although Wales has long depended primarily upon France for its pitwood, this picture may well change in the next ten years. Under State ownership or control, Welsh forests now cover 90,000 acres. Much of this has already come into production; in the current year, the target, I understand, is about 100,000 tons of pitwood per month, and this target is due to be raised. Last year a million cubic feet of timber was produced in North Wales, of which about two-thirds was sent to the mines in the form of pit props and general timber.

STAFF

I cannot close my review without a final word of thanks to all members of the staff. It is pleasant to be able to report to the shareholders that the morale and *esprit de corps* at Ely are excellent, and the board acknowledges gratefully and I take special personal pleasure in mentioning once again the splendid work of Mr Digby T. Leyshon our head brewer and Mr O. D. Harrison the under-brewer.

Finally I acknowledge gratefully the ready assistance given to me by my colleagues on the board.

The report and accounts were unanimously adopted, and at a subsequent extraordinary general meeting the proposed bonus issue was approved. The proceedings terminated with a cordial vote of thanks to the Chairman, directors and staff.

FINNEYS SEEDS

The fourth annual general meeting of Finneys Seeds, Limited, was held on October 30th, at 18, St. Swithins Lane, London, E.C.4, Mr Ernest Cornwall, the chairman, presiding.

The following is an extract from the chairman's statement circulated with the report and accounts:—

The first year of the third century of our business records a period of successful trading, which I think you will agree is very satisfactory. The combined sales of the operating companies established a record, and this is all the more gratifying, inasmuch as the prices of some of our leading commodities were less than in the previous year, and we have had to face increased and fierce competition. Our trade in agricultural seeds shows a decided increase, and the business in market garden and retail garden seeds has been quite good, and well up to the average.

Two or three months ago it looked as though harvests this year would be bountiful and probably a record, but whilst many crops may have received benefit from the over-abundant rain, this will not be much consolation to those who have suffered severe loss from damaged crops. Agriculture is still our leading industry and the country's first line of defence, and it is the duty of all concerned with this basic industry to strive to their utmost to increase production.

It is always imprudent to prophesy for the future, but our sales since our new year started on July 1st show, up to the present, a very substantial increase over the same period last year, and we are well placed with stocks of seed for the coming season, so that we see no reason why our business should not continue to prosper.

Our managing directors and their associates have rendered fine service to the company, and we owe them and our personnel a deep debt of gratitude for their unremitting work and devotion.

The report was adopted.

THE AUROCHS INVESTMENT COMPANY

SIR HAROLD MOORE ON SUBSTANTIAL INCREASE IN PROFITS AND DIVIDEND PROSPECTS

ACQUISITION OF IMPORTANT MANUFACTURING COMPANY IN ENGLAND

MR J. H. WORMELL'S VIEWS ON SOUTH AFRICAN MINING INTERESTS

The twenty-fifth annual general meeting of the Aurochs Investment Company, Limited, was held on October 25th in London, Sir Harold Moore (chairman of the company) presiding.

The chairman said:—Ladies and gentlemen, the balance sheet and accounts of the company, together with the directors' report, having now been in your hands for some three weeks, I assume you will desire that they should be taken as read. (Agreed).

You will have seen from the directors' report, I am sure with great regret, that Mr Charles Hughes, a director of your company, died on July 21st last. Mr Hughes was a delightful colleague who rendered loyal and valuable service to the company and we greatly miss his genial personality and always wise counsel.

The vacancy on the board has been filled by the appointment of Mr J. H. Wormell as a director, and we have also co-opted to the board Mr William Douglas Gibbs. In due course you will be asked to consider the re-election of these two gentlemen as directors.

THE YEAR'S RESULT

You will see from the profit and loss account that the profit before taxation amounts to £118,795, a substantial increase on the previous year. Nothing has been earned during the year in respect of underwriting commissions, and the whole sum of £118,795 is derived from surplus on investments realised, dividends received from quoted investments, and a substantial dividend of 10 per cent. received from our associated company in Johannesburg. The company's affairs are, as you know, managed by the Whitehead Industrial Trust, Limited, and I think the result of their efforts during the year speaks for itself.

Turning to the balance sheet, you will observe that in addition to the investment of £250,000 in our associated company, the current assets at cost amount to £527,180, giving a total of £777,180. Our effective capital in ordinary shares is £560,000. After making very full provision for taxation, including taxation on the current year's profits, there remains a surplus on the appropriation account and on capital reserve of no less than £104,283, equal to nearly 20 per cent. on the ordinary capital.

SATISFACTORY TAXATION SETTLEMENT

The increased provision of £34,929 for income tax became necessary because the Inland Revenue authorities put forward a claim that a new business was commenced when the present board took over control of the company. This claim has been contested, and I have just learned from our accountants that a settlement has been effected with the Revenue authorities as a result of which some £50,000 of the tax reserve of £119,000 will not be required. Our revenue surplus is therefore increased by a sum of £50,000, which becomes an addition to the amount available for distribution to the shareholders.

We are obligated by the Companies Act to disclose that our quoted investments at Stock Exchange prices on the 31st May last were valued at a figure very largely in excess of their cost. Our most substantial holding is in the shares of Capital Gold and Exploration Company, Limited, with widespread mining interests in the Union of South Africa and the native territories. All these South African undertakings are now managed by Mr I. H. Wormell, who, before poining up with us in South Africa, had a distinguished and successful financial career in England.

You have received from the managers of the company a very carefully prepared chart in which your interests in the various South African companies are fully explained. I had intended to tell you somewhat more in detail about these companies, but as we are fortunate in having Mr Wormell with us today, I am proposing to ask him presently to second the first of the resolutions and to tell you in his own words something of the future prospects and present development of the companies under his control.

I have already mentioned that Mr Wormell has recently been appointed a director of your company. He is also on the board of the Aurochs Investment Company (S.A.) Limited, of which latter company he is now chairman and managing director. You can have every confidence that in his capable and experienced hands your interests in South Africa will be well protected and successfully managed.

THE BOARD'S POLICY

Now just a word or two about policy. When some two years ago a lack of opportunity developed in this country, our attention was directed to South Africa in which it was felt there were great potential possibilities. The Whitehead Industrial Trust, Limited, established themselves in Johannesburg and under their aegis and with the full approval of our shareholders, the Aurochs Investment Company (S.A.) was formed, in which our own company has a 50 per cent. interest. The Aurochs Investment Company (S.A.) Limited is managed by the Whitehead Industrial Trust (S.A.) Limited, and in its first year has made substantial profits and paid a maiden dividend of 10 per cent. Our share of this dividend, after deduction of the non-resident shareholders' tax, amounted to £23,125, which sum appears in our profit and loss account.

A large interest in Capital Gold and Exploration Company, Limited, has since been acquired by your own company and our associated company in South Africa, and through the Capital Gold and Exploration Company we are now interested in many companies actively concerned in exploiting and developing valuable mining properties in the Union of South Africa and the native territories. One of these—the Union Platinum Company—has just declared a maiden dividend of 10 per cent., and others will come into the dividend list in due course. We are hopeful that all these interests will in time produce a substantial and continuing revenue.

PENDING OFFER TO SHAREHOLDERS

In the meantime, we are not neglecting any opportunities which may arise for the profitable employment of our resources in this country.

In that connection, I think I may be permitted to tell you that we have just concluded negotiations for the purchase of a very excellent business involving a sum of £400,000. We are not contemplating any further issue of ordinary shares to finance this deal; the whole amount will be arranged out of our existing resources. As soon as the legal formalities are completed, which we anticipate will be in the near future, the business will be taken over by a new company having a capital of £400,000 in 8,000,000 ordinary shares of 1/- each. We then propose to offer to our own shareholders one such ordinary share of 1/- in the new company for each ordinary share held in the Aurochs Company at cost price, which will be approximately 1s. 1d. per share.

The issue will be underwritten by the Whitehead Industrial Trust, Limited, who I gather will be very glad to take any shares which our own shareholders do not desire to acquire. I may tell you that the accounts of the company have been investigated on our behalf by an eminent and independent firm of accountants, and they certify that the profits of the acquired business for the year to April 30, 1950, before taxation, were £125,779, which, as you will see, is in excess of 30 per cent. of the purchase price of £400,000. They further certify that the turnover for the first five months of the current year, that is to say, since April 30th last, shows an increase of 60 per cent. on the average turnover figure of the preceding year, and they inform us that the directors of the company have estimated that the profits for the year now current will largely exceed those of the previous completed year, and in the opinion of these directors they will amount to not less than £100,000 for the first six months.

Your directors are hopeful that the results for the current year will be entirely satisfactory, and that before we come to our next annual meeting we shall have reached a stage at which we can consider recommending the distribution of a substantial dividend.

The chairman concluded by moving the adoption of the report and accounts.

MR J. H. WORMELL'S REMARKS

Mr J. H. Wormell, in seconding the resolution, said:—Ladies and gentlemen, I am grateful to our chairman for having given me the opportunity to explain to you, and give to you some information on your mining interests in South Africa. I have just returned from there and, as you know, I am chairman of several of the companies in which you have interests and I am also a director of your company.

A chart showing your various interests has been circulated to you, and, if you will now follow me, I will try to indicate and explain to you the extent of the interests you have in South Africa through your 50 per cent. holding in Aurochs Investment Company (S.A.)

Limited, and your holding in Capital Gold and Exploration Company, Limited.

The chart you have received has been considerably enlarged and is behind the chairman's; you will see from this that you have a varied investment in all types of base metals being exploited in South Africa. Yesterday on the Johannesburg Stock Exchange base metal shares were on active market.

CAPITAL GOLD AND EXPLORATION COMPANY

Through Capital Gold and Exploration Company, Limited, you have an interest in the activities of Anglo-Rand Mining and Finance Corporation, Limited, who in turn have an interest in the Union Platinum Mining Company, Limited, which company has recently taken up an interest in a group called Rustenburg Platinum Mines, Limited, and this combine now virtually controls the whole of the platinum mining industry in the Union. Union Platinum Mining Company, Limited, have just declared a maiden dividend of 10 per cent.

Anglo-Rand Mining and Finance Corporation, Limited, have an interest in Northern Transvaal (Messina) Copper Exploration, Limited, whose property is adjacent to the well-known Messina Copper mine. The results so far received from the property are extremely satisfactory.

Anglo-Rand also have an interest in the Beatrice Gold Mining Company, Limited, who, with its associates, the names of which you can see from the chart are known throughout the world, have a high reputation for the development which they have been carrying out. These interests will give your company a number of important development and subscription rights throughout the Union.

Through the Leader Mining and Investment Company, Limited—the names of its associates you will find again are well known in the mining world—you have further important interests and subscription rights.

On the other side of the chart, you will see your company's and Aurochs Investment Company (S.A.) Limited's interest through the Capital Gold and Exploration Company, Limited. This latter company owns a 20 per cent. interest in the prospecting company from whom Nickel Corporation of Africa have acquired a 70 per cent. interest in consideration of its undertaking to do the development of the large territory at Mount Ayliff, Pondoland, which approximates some 87 square miles.

PROMISING NICKEL, COPPER AND COBALT DEPOSITS

Development work is now in progress in this area and from the assay results of boreholes made by eminent geologists, there appear to be extremely promising deposits of nickel, copper and cobalt. I would like to mention here that the increased prices of these base metals should be very helpful to our company. Copper which during the war was £57 a ton is now £202 per ton; nickel during the last three months has increased in price from £321 to £386 per ton; and cobalt, which is becoming greater in demand, is now £1,120 per ton; so you see that in these mines we have very valuable deposits.

The company by its investment in Capital Gold and Exploration Company have an interest in the President Lead and Zinc Mines, Limited, situate in the Mashardadorp district, and also in Consolidated Copper and Lead Mines, Limited, and should shortly be benefiting from these two properties. The former is in course of development; the latter has commenced production of both copper and lead, and from the findings in this area further development results also appear to be promising.

I am chairman and managing director of Nickel Corporation of Africa, Limited, Afrikander Proprietary Mines, Limited, Capital Gold and Exploration Company, Limited, Aurochs Investment Company (S.A.) Limited, President Lead and Zinc Mines, Limited, and Consolidated Copper and Lead Mines, Limited, and I am satisfied from the development that has taken place on all the properties over which these companies exercise control, that we should be reasonably optimistic that success will attend our efforts.

Prior to my leaving South Africa, I personally inspected the principal properties, and my inspection has given me complete confidence that the view I am putting forward is correct and that you have in Capital Gold a very promising investment.

NICKEL CORPORATION OF AFRICA

As an example of the progress we have made to date, the Nickel Corporation of Africa, Limited, have been granted a licence to dispose of the mineralised ore from the Insizwa mine and, having been fortunate enough to secure the plant and machinery for working this property, we can now look forward to reasonably good prospects.

In passing, I would like to mention that this plant and machinery has been purchased on most advantageous terms, and part of it is now in operation.

I am pleased with my appointment to the board of your company as this will give me an opportunity of looking after your interests in the companies with which I am associated in South Africa and in which our company is interested. We have some splendid personnel working on the mines, mechanical, electrical and constructional engineers and mine managers.

In conclusion, I would like to assure you that the interests which your company holds in South Africa will be watched and most carefully safeguarded.

The resolution was carried unanimously.

The retiring directors (Mr J. H. Wormell and Mr W. D. Gibbs) were re-elected, and the proceedings terminated with a cordial vote of thanks to the chairman and directors.

EBONITE CONTAINER COMPANY, LIMITED

SATISFACTORY YEAR

The twenty-sixth annual meeting of Ebonite Container Company, Limited, was held on October 25th in London, Mr W. E. Smith (chairman and managing director) presiding.

The following are extracts from his circulated statement:—

The parent and subsidiary company have experienced a satisfactory year's trading. The financial year ended March 31, 1950, was not seriously disturbed by any major crisis and although still numerous Government controls eased considerably, thereby giving manufacturers some scope to expand as desired. The supply position with regard to raw materials, plant, etc., improved. Not all factors were, of course, in our favour. Wages, the price of raw materials, coal, and other items continued to rise. On the whole, however, your companies not only maintained their position but improved the same.

The profit of the parent company amounts to £40,836. The amount carried forward from last year was £41,076 and after making the various provisions and allowing for the payment of a final dividend of 12½ per cent., less tax, making a total of 17½ per cent. for the year, the amount carried forward is £54,562.

Although both companies have spent considerable sums on new plant, etc., during the year, the liquid position remains sound. Our factories are working to capacity and our order books are in a very satisfactory condition.

The report was adopted and at a subsequent extraordinary meeting, a resolution for the payment of a scrip bonus of one new ordinary share for every two held was passed.

CALCUTTA TRAMWAYS COMPANY, LIMITED

GROWTH OF REVENUE

At the general meeting held on October 20th, the deputy chairman, Mr D. E. Weeks, F.C.A., who presided owing to the recent death of Sir Geoffrey Clarke, said that although receipts continued to increase expenditure was rising more rapidly. The balance on revenue account after setting aside £80,000 for future renewals and replacements amounted to £237,881 compared with £368,736 in 1948, when an additional £25,000 was provided for deferred repairs.

There was a net balance of £49,037 for distribution, the final dividend on the ordinary shares making 6 per cent. free of tax for the year. The net current assets had increased from £572,051 in December, 1948, to £736,390 in December, 1949.

The Corporation of Calcutta had the recurrent right to purchase their undertaking every seventh year on the basis of the average annual earnings during the previous seven years, the serious shortcomings of which agreement were that any capital expenditure would be unremunerative for the whole or part of that period and would thus not be represented in the computation of the purchase price, so that such capital expenditure would be a free gift to the corporation, that extensions and improvements therefore have to be postponed, that raising new money would be impossible.

NEGOTIATIONS WITH GOVERNMENT

As there was a possibility of the Government forming a transport board the company had suggested a new and more reasonable agreement direct with the Government which had been well received. He hoped when visiting Calcutta shortly to discuss the draft scheme with ministers. It would provide for (1) an extension of the company's tenure; (2) fixing a price acceptable to all parties on expiration; (3) fixing a reasonable return to the shareholders during tenure.

They had commenced production of a new type of modern streamlined train which was more suitable for parts of Calcutta with dense population and traffic. There were twenty-eight of these trains, to be increased by the end of this year to forty. Thirty new articulated streamline cars would not be in operation until next year. They would then have only twenty-three cars in Calcutta built before 1926. They were very proud of their cars which would bear favourable comparison with any in the world. They were still awaiting sanction for the purchase of additional land at Esplanade for the proposed re-alignment.

At their last meeting it was stated that the increase of first class fares had led to a big swing over of passengers to second class, owing to the Government refusing to approve any increase except in the first class, so that although total traffic receipts increased there was a decrease in the number of first class passengers of 35 millions, while second class passengers increased by 26 millions. Several schemes were under consideration for getting some of these back to first class.

The general picture for the first seven months of the current year was very similar to last year's. There was considerable unrest and rioting in the early months, but owing to the loyalty and hard work of the staff, often at considerable risk, the damage and loss suffered by the company was confined to a minimum. The shareholders owed the deputy agent and executive staff a great debt for the way they had looked after the undertaking and for the initiative and enterprise in overcoming trouble.

The report was adopted.

TRAWLERS GRIMSBY LIMITED

MR J. CARL ROSS ON THE POSITION

The annual general meeting of Trawlers Grimsby Limited was held, on October 25th, in London, Mr J. Carl Ross, the chairman, presiding.

The following is an extract from his circulated statement:—

It is no longer news that every company engaged in the fish industry in all its various aspects has recently been experiencing extremely difficult conditions, the climax being reached in May and June after the close of our financial year. It is, however, pleasing to report there has been some improvement since that time.

The most serious phase started in November and December last, when prolific fishing resulted in catches being brought to market much in excess of requirements. Exceptionally fine weather conditions for the time of the year were experienced and continued into January, February and March, with the result that fish which had been frozen and put in store by arrangement and in conjunction with the Ministry of Food during the summer months, to be drawn upon when bad weather conditions normally restrict supplies, were not required.

The stocks held by your group of companies have been heavily written down and they have also involved us in substantial storage charges. The position generally has also been aggravated by excessive Ministry of Food imports of frozen fish and unrestricted direct imports of foreign-caught fish into our ports and inland markets. The position in regard to these stocks has improved considerably during recent weeks.

These conditions are reflected in our consolidated profit and loss account for the year ended March 31, 1950. The trading profits of the group amount to £217,854, as against £355,578 for the previous year. This includes exceptional trading profits amounting to some £10,000. Provision for taxation is £29,449, against £112,696 last year.

DIVIDEND DECISION

Of the net profit, amounting to £26,411, the sum of £187 represents profits attributable to outside shareholders of subsidiary companies. With the amount of £35,436 brought forward from last year there is available £61,159; of this sum, the fixed dividend on the preference stock for the six months to March 31, 1950, takes £3,080, and the interim dividend of 10 per cent., less tax, £10,266. It is proposed to transfer £10,000 to general reserve and to carry the balance remaining, £37,813, to next year.

It is hoped that imports of fish will be regulated by the Fish Industry Board recently set up by the Government, but meanwhile distant water fishing vessel owners in the ports of Grimsby and Hull have inaugurated a development scheme designed to improve the quality of fish landed. This scheme came into operation on September 1, 1950.

As anticipated, the release of controls on the maximum price of fish has brought about a big improvement in the quality of fish landed. There is now best quality fish available to suit every purse, although, quite naturally, plaice, halibut, soles and a few other kinds will inevitably be expensive to buy as they cannot be produced in large quantities.

Whilst trading results to date this year do not compare at all favourably with the same period last year, it is hoped that there will be in the later months of the current year a gradual and sustained improvement. With its widespread interests your company is well placed in the fish industry, and your directors face the future with confidence.

The report was adopted.

COAST LINES LIMITED

RESULTS OF A DIFFICULT YEAR

The thirty-seventh annual ordinary general meeting of Coast Lines Limited was held on October 19th in London, Captain A. R. S. Nutting, O.B.E., M.C., the chairman, presiding.

The following is an extract from his circulated statement:—

The net profit, subject to taxation, of Coast Lines Limited, and its subsidiary companies, for 1949 amounted to £684,616, which is £170,000 less than the figure of the previous year. This reduction in profits, of which £75,000 arises from the increased charge for depreciation, is caused principally by the constant increases in costs and charges which the shipping industry has to bear. The profit of the group, less taxation, amounts to £210,917, of which £8,540 is attributable to outside shareholders in subsidiary companies.

Our cross-channel services continue to show on the whole satisfactory results. The coastal and continental trades have had a successful year but there has been some decline in the general cargo trades. In road transport our companies have had another satisfactory year.

The taxation charge against profits in the accounts, computed on the fiscal basis which does not recognise the imperative need to set aside moneys to replace assets at greatly enhanced prices, absorbs over one-half of the profits. It is this aspect of the fiscal policy pursued by the Chancellor of the Exchequer which will have such serious consequences for the whole of the citizens of this country.

We can face the future firm in the assurance to be derived from a soundly-based business, strengthened by the diversity of its interests.

The report was adopted.

ALLIED INDUSTRIAL SERVICES, LIMITED

RECORD OUTPUT

The 16th annual general meeting of Allied Industrial Services, Limited, was held on October 27th at Bradford. Mr W. H. Rhodes, C.B.E., the chairman, presiding.

The following is an extract from his review included with the accounts for the 12 months ended June 30, 1950:

The general output of our factories has again been in excess of any previous period. Expenditure on buildings and plant was approximately £51,000 and a sum of £25,000 was estimated for capital commitments at June 30, 1950; as a result of these outlays, we have made and are making some additions to factory and storage space and to plant. In view of the present cost of buildings and machinery, it may be noted that our main buildings were erected and equipped in the six years prior to 1939; these, together with all our other buildings, have been well maintained. The amounts allocated to general and other reserves will be found in the directors' report.

The net profit amounts to £168,265 and the sum of £200,655 is available for allocation.

Concerning the present year, output to this date (October 4, 1950) is fully maintained; on the other hand the prices of our basic raw materials have risen very considerably during the last few months and there is still a scarcity in the supply of some of the products we require. Thus, with these facts in mind, I consider it somewhat unlikely that results for the present 12 months will be at the same satisfactory level as during the year under review.

The report was adopted.

NORTH KALGURLI (1912) LIMITED

CONSIDERABLE IMPROVEMENT

The annual general meeting of North Kalgurli (1912) Limited was held in London on October 26th.

Mr C. T. Ley (the chairman), in the course of his speech, said: In September, 1949, the price of gold rose from £10 15s. to £15 9s. 10d. per ounce Australian currency. This event was, of course, of great importance to our company. During the last three months of the year the effect was considerably to improve the appearance of our profit and loss account.

The first eight accounting periods of the year yielded a surplus of £52,595 and the last five £142,667. After meeting all charges, including taxation, there remains a sum of £76,335 out of which we are recommending paying a dividend of 1s. per share, less tax, and a bonus of 3d. per share, less tax, amounting to £37,812, leaving £38,523 to be carried forward.

The mine now has a continuous length of a mile and a half. A great part of it has still to be developed but from indications obtained by drilling recently undertaken our ore reserves should before long show a great improvement.

Our general manager, Mr A. A. McLeod, writes:—"The ore reserves were estimated at January 4, 1949, as 2,153,000 long tons and again more recently at January 3, 1950, at 2,359,498 long tons; recent indications enable me to say with confidence that in the next few years this estimate will be substantially increased and a life expectation of a further 20 years is not unduly optimistic."

In spite of troubles we still believe there is a bright future in store for the industry.

The report was adopted.

BENNIS COMBUSTION LIMITED

SATISFACTORY RESULTS

The fifteenth annual general meeting of Bennis Combustion Limited was held on October 30th, at Bolton, Mr Thomas Hough (chairman and managing director), presiding.

The following is an extract from his circulated statement:

We have achieved a level of profit during the past year which has only once been exceeded during the company's history, and I feel sure you will agree that the results before you are very satisfactory.

We have been allocated four large high-pressure water tube boilers for a power station in the 1953 and 1955 programmes of the British Electricity Authority; these entail a year or so of preparatory work, credit for which will only be revealed in our figures at some future date.

The management, both technically and commercially, of Bennis Mechanizations Limited, has been considerably improved, and altogether the prospects are very promising.

Coming to your other subsidiary, viz., Saxon Engineering Company Limited, all has turned out as we expected; the company has made considerable progress during the last 12 months and is well equipped to undertake the substantial orders on its books.

The final dividend of 10 per cent. for the year was declared on September 22, 1950. Income tax and profits tax have continued at the same high level. After making a provision of £39,631 for this item we are allowed to retain the balance of £24,586 from our earnings, out of which we have to make our reserves and provisions for the future and pay our dividends.

The report was adopted.

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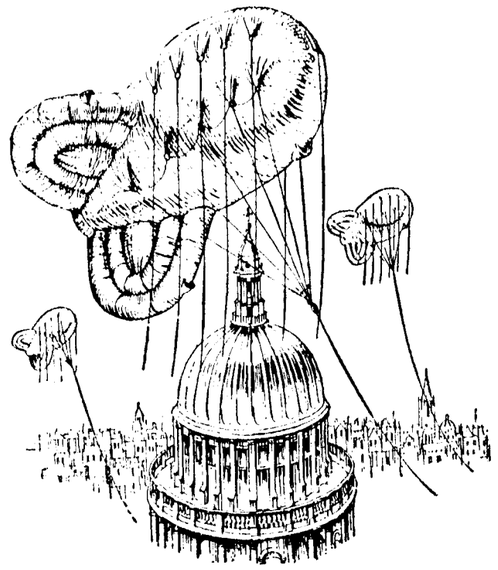
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Thousands of tons are needed every month by I.C.I. for making synthetic fertilisers. It is used in the production of petrol from creosote oil and coal, for making industrial alcohols and as a constituent of urea, one of the most important raw materials in plastics manufacture. All these, as well as hydrogen itself, are produced at the Billingham works of I.C.I.

ICI

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Deadlock of Policy

TEN days of debate in the new session of Parliament have shown the Labour Party to be as barren of fresh ideas for administration as was the King's speech of substantial proposals for legislation. The one important legislative proposal is a Bill to make permanent powers that the Government already possesses; the one declaration of policy is to go on doing as nearly as possible what is being done. The shortage of legislation matters little and may easily be more a blessing than a weakness; the lack of policy matters a great deal and may easily be disastrous. The thought should be lying more and more heavily on the consciences of Ministers that if they cannot themselves grapple with the problems now facing the British economy, it is their duty, calculations of party advantage apart, to go to the country as soon as there is any sign that an election would end the present stalemate.

The new Chancellor of the Exchequer made the best, indeed the only considerable, Labour statement during the whole debate on the King's speech. And he himself summed up its main points as these:

> International agreement on raw materials . . . a strict, but fair, budgetary policy . . . food subsidy and price control, including its re-imposition where necessary . . . other controls designed to keep expenditure in check . . . encouraging productivity and saving.

Apart from agreement on raw materials (on which the British Government has not, in fact, shown any great forwardness) these are the old prescriptions for delaying the day when contradictions of policy bring their inevitable consequences. They are the prescriptions of proved ineffectiveness for anything more than postponement. What adherence to them means in practice is that the Government will drift on the tide with merely a few gesturing beats of the paddle. The present tide is, it is true, more favourable than some. It will become, as Mr Gaitskell admitted, less favourable. The world-wide inflation will put increasingly sharp strains on the British economy in rearmament. The rearmament will be slower and less effective than the country's resources allow. And when eventually the economic tide turns elsewhere, Britain will remain too rigid, inflation here will continue to run strongly, and we shall be back to a shortage of foreign currencies, import cuts, and all the rest.

There is no sign that the Government will do anything but continue to stand still where it is. Mr Attlee's present intentions are plainly to stay in office through the winter—and, it may be, even longer. He has a good chance of succeeding in that. It may be doubted whether the Opposition wants immediately to stop him. His own party may, indeed, judge him severely if ill luck in the incidence of infections on Labour members destroys the plan and forces on reluctant campaigners a January election in the snow. That government should depend on marshalling the infirm to the division lobbies is not less fantastic because the public has got used to the fun. But, as long as members' infirmities allow them to rise from their beds to vote,

the remarkable technique of governing the country by single-figure majorities can no doubt be continued. It has already done much more than take the Government through a session and a bit with only two defeats—one in the early days of inexperience during March and one this week on a minor matter of procedure. It has enabled the Government to feel strong enough to insist on prompt nationalisation for iron and steel. After that, most things are possible. Ministers can hardly complain of any lack of power to do whatever they think fit—provided it can be done (as very many things can be done) without an Act of Parliament.

On such terms the Government may get along not merely for the winter but perhaps through next summer too. But it cannot, by even the narrowest of political reckonings, come through the trial unscathed. It is Ministers who suffer most from the strain of long hours of attendance at the House ; the effect, especially on men who have now borne the heavy modern responsibilities of office for more than ten years, must be still further to devitalise British government. The effects on Parliamentary procedure are not less important. Things have come to a pretty pass when the committee stage of every measure—even down to the Highways (Provision of Cattle Grids) Bill—has to be taken on the floor of the House. This slowing-down of the business of legislation absorbs the extra time that Parliament ought now to have for probing into administration and general policy. No doubt this is a welcome relief for Ministers, but it perpetuates into a period of political deadlock some of the worst evils of government by the steamroller majority of 1945.

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There are also new evils. Near-equality in voting strengths has necessarily made the parties more rigid and uniform internally. That is particularly so with Labour. Whatever its stupidities, the ferment on the Left of the 1945 Parliament did at times usefully enforce a more thorough appraisal of such controversial policies as Mr Bevin's on Palestine. After one early splutter over Seretse Khama the ferment has in this Parliament subsided entirely. That is convenient for the Labour leaders but in the long run unhealthy for British politics ; unrealism can flourish a little less easily on the floor of the House than in the backbenchers' weekly journalistic effusions. As between the two main parties, the political contest has become as dominated by set tactics as was warfare in the pre-Napoleonic era of rigid manoeuvring of massed columns of troops. There is real danger that this formalisation of politics will reduce the popular, democratic interest at least in the present parties.

The sterility of Labour policy-making, the hardening and formalisation of political divisions, are consequences of the February stalemate. But they are its consequences as the Government has reacted to it ; they are not, in their worst features, inevitable consequences. The stalemate implies an absence of highly controversial legislation, but it need not, at a time of external danger recognised by both parties, imply an absence of policy. For ten years the country has had too much governing and the greatest need now is for less of it. Of this less legislation is purely the negative side ; it avoids putting yet further burdens on the civil service. The positive side is to do less administering on the basis of existing legislation. This would not weaken policy but would make it firmer by concentrating on the points that matter. It does not mean, for example, leaving capital investment to settle itself in economic conditions as they now are ; it means controlling the level of investment less by fussy administrative regulation and more by higher rates of interest to restrain the projects that bring only long-delayed returns. But the Government is doing less administering only in a few isolated cases: one of the most important—the dropping of the Ministry of Labour's control over engagements—was forced on it by dissent within the party. In general, government must go on as it is because Ministers can think of nothing better.

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Labour's defence is, of course, that no change is needed: the country is getting along quite nicely on present policies. But no one ever doubted that, once the immediate dislocations of war had been overcome, the British economy of high Government spending and taxation and over-full employment could pay its way in times of world-wide inflation ; no one doubted that, with some degree of restriction on imports and at some exchange rate, sterling could be a hard currency. While the world is inflating we may, indeed, do too well. The Government's policies are essentially measures of containment. They will, no doubt, remain successful in moderating the rise of British prices. For a time they can secure for Britain a stronger competitive position—and more unfavourable terms of trade—than we need. But by its nature the containment is a delaying action. It ensures that inflationary pressures, only suppressed below the surface, will remain strong in Britain when they have worked themselves out elsewhere. It ensures, if it goes on, that at the next turn to buyers' markets the rigid British economy will again be left the fish out of water that it was in the summer of 1949.

Labour's determination is plainly to go on with nothing more than containment to inflation. It is to perpetuate all the economic and political evils of stalemate in the present form. The single, grim consolation is that any better practical alternative is still hard to see. The Tories provide little more than demagogic competition in the promise to squeeze more popular benefits, and particularly more houses, out of the welfare state. In fairness it must be said that any Opposition is bound at this stage to offer some large prospects of popular social betterment. The concentration on housing—for all the unfortunate appearance it gives of thinking of a figure first and of methods afterwards—could be on balance an advantage if it meant that the Conservatives would feel strong enough not to play to the gallery in other policies, and even to try something new. Perhaps it was too soon after Blackpool to expect any signs of that in the debate on the King's speech. It was not too soon to expect a little less general soft-soaping than the Tories were content to produce. For the time being Labour can go on governing by default of an effective opposition. But the time surely cannot be much longer. For the Labour Government is progressively pushing itself into a dilemma. Already its politics are spoiling its economics: it dare not either hold wages down or reduce government expenditure, and is, therefore, incapable of any really effective defence against inflation. And very soon its economics will start spoiling its politics, when the rising cost of living and—probably—sporadic industrial trouble begin to turn the voters against it. Perhaps it is necessary to create a complete vacuum of policy before anything fresh can come in to fill it.

The German Auction

IT has not proved difficult in the western countries—or at least in America and in Britain—to pour scorn upon the proposal that emanated from the meeting at Prague between Mr Molotov and his satellites for still another four-power conference on the future of Germany. The proposals contained nothing new, and their disingenuousness was very transparent. After years of experience with Russian tactics, western public opinion is very well aware what the consequences would be of accepting proposals that would exclude the holding of free elections throughout Germany and place the Soviet's one-third of Germany on a basis of equality with the two-thirds that enjoys the democratic freedom to vote as it pleases.

But it is unlikely that the Kremlin, for all its fantastic misinformation about the west, really expected to produce much of an effect upon public opinion in the western countries. The manifesto was launched with an eye to its effect upon the Germans, and as a weapon in the strugge for mastery in Germany. Far more clearly than the west, the Russians see—and have seen for years—that Germany is the vital battle-ground. Whichever side, east or west, can get Germany effectively enrolled in its support is in a fair way to control Europe. To this end they give a devotion as single-minded as the narrowness of their ideology and their commitments to their satellites permit.

This does not mean that their German policy is not often very stupid—or even that, on balance, it has been less stupid over the five years since the Potsdam conference than that of the western allies. For example, the "national resistance movement" proclaimed by Herr Ulbricht last July was a complete failure, partly owing to the effective action of the Government of North Rhine-Westphalia and of the British authorities in the Ruhr last September, but, more fundamentally, because it conflicted with the present temper of the German people. Communist calls for sabotage and strikes to the slogans of "Americans, go home," and "Germany for the Germans, Korea for the Koreans," met with little response from a passive, egocentric people, who cherish their work and will be less anti-American than anti-Russian so long as America aids them to maintain their factories and asks nothing in return.

But the Communists have always been masters of the tactical somersault. They have now reverted to an only slightly modified version of the policy laid down at the previous conference of Communist Foreign Ministers that was held in 1948. At that time the conciliatory line was hardly more successful than Herr Ulbricht's threats. But no one should leap to the conclusion that it will be equally unsuccessful now. For the circumstances in Germany have changed since 1948. Then the Germans were not in a bargaining position ; nothing but hard work (which is, in any case, a German instinct) was required of them in return for western aid. Now they are asked to do something which they cannot be forced to do. The lists are open and the bidding has begun.

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It was always perfectly obvious that Germany would, some day, quite inevitably recover its national sovereignty, its equality of status among the great powers and its freedom to set its own course. In 1945, at the time of the Potsdam Conference, it was still possible—not indeed to doubt the inevitability of German political recovery, but to believe that it would be long postponed and that the victorious allies therefore had a long period of years in which to work out their reforms and remedies. But as soon as it become apparent that the victorious allies were not going to work with each other, but as hard as they could against each other, then it should have been clear that Germany's recovery of status would be as rapid as it was certain.

None of the western governments, however, has even yet been willing to base its policy upon this hard fact. Indeed, at the moment, so far from showing any signs of ability to interpret the lessons of the past, the policy of the western powers towards Germany does not even seem able to read the signs of the present. The urgent need of the moment is that the policy should be revised in the light of the need for incorporating the Federal Republic into western defence organisations. It might be objected that only last September the Ministers met to do precisely this. But they spent so much time discussing what Germany was to contribute to a future European Army that they gave virtually no consideration to the changes that are necessary in Allied

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control of Western Germany during its transition from an ex-enemy to an ally. The September communiqué, a vague document, would, if taken *au pied de la lettre*, have meant an actual increase in the powers of the High Commission. Even with the most liberal interpretation, it cannot involve much further freedom of decision for the Germans. The western powers are inclined to dwell overmuch on the extent to which the Germans have been granted an internal political freedom which most of them have never known and few appreciate. It was right to accord that freedom, but not enough. In the economic life of the country, the machinery started by Potsdam still grinds on. The Ruhr Authority, which seemed likely to die a natural death in an era of surpluses, has recently revived in order to force the Ruhr to export coal which expanding German industry requires ; and Dr Adenauer has not yet received any assurance that this organisation will cease to exist as soon as the Schuman Plan comes into effect, or some other body takes over the international allocation of scarce raw materials. The High Commission still retains its right to break up the vertical trusts which dominated the German iron, steel and chemical industries, though even at this late date the problem of their ownership and reorganisation is still far from solved. At the same time the High Commission, in particular its American element, still insists on all manner of restrictions in the endeavour to dissolve any and every form of cartel and to prevent them from reforming. Even dismantlement, which is responsible for more bad feeling to less purpose than any other allied measure, has not completely stopped. It is not surprising that the demand is growing more and more insistent that Germany shall be accorded equality of rights in the economic field as an essential prerequisite for German participation in the Schuman Plan, and later in defence. If Dr Adenauer cannot secure really far-reaching concessions for his country in matters concerning the trade and industry of Germany, he may lose even the present half-hearted support he gets for his policy of collaboration in western defence.

The point is not whether the Germans deserve to have these relaxations conceded to them, or whether the result of conceding them will be to produce the sort of German economy that the western victors desired—the time when considerations of this order could decide matters has long since passed. The only important question is whether, so long as these disabilities exist—and are daily exaggerated in the German press—there is any prospect of persuading Western Germany to bear any part of the burden, in money or manpower, of Atlantic defence. It is a dangerous illusion to suppose that the Germans must under present conditions support the West because logic and justice demand it, or because they are anti-Russian and must wish to defend themselves, or because Britain, France and the United States would find it intolerable if Germany were simply to profit from the concentration of all its commercial rivals on armament production.

Neither logic nor justice will be effective in deciding the German attitude. Their anti-Russianism does not imply pro-Americanism. Their present objection to Communism is no guarantee that they will be ready to die or even pay taxes for a concept of individual liberty which they have only known as the concomitant of enemy occupation. Among the greater part of the young men the militant enthusiasm they displayed under Hitler has given way to a disillusioned pacificism under a leadership which provides them with nothing to fire their imagination. Dating world history from 1945, a large proportion of Germans find it easy to argue that the job of defence is one for their western ex-enemies, since the quarrel between East and West was none of their making, and strategic necessity demands a front on the Elbe. And since Germany has suffered so much more than the other nations from the war, the argument runs, it is unthinkable that it should bear any further financial burden. Above all, German sentiment opposes the idea of providing cannon fodder to protect a retreat of the French and other forces behind the Rhine.

How far irresponsibility can go can be illustrated by the demand raised by Dr Schumacher, the leader of the Social Democrats, by Pastor Niemoeller, and other leaders of the protestant churches, that the issue of remilitarisation shall be settled by the people in a referendum or general election—oblivious of the fact that this plays straight into the hands of the Communists. Dr Schumacher has even made the nonsensical demand that no German must aid the west until the Atlantic Treaty powers guarantee that the first battle shall be fought and won on the Vistula—in other words, until German aid is no longer necessary. If those Germans who, like Dr Adenauer, sincerely wish to see Germany committed to the west are to be successful, they will need powerful assistance.

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Ever since 1945 there has been only one sound basis for policy towards Germany. The western powers should have made up their minds on a very short list of restrictions to be imposed, and demands to be made, upon Germany, asking themselves in respect of each item not only whether it was basically necessary to their purpose, but also whether it stood any chance of being permanently maintained—which means, in effect, freely accepted or at least tolerated by the Germans. Once this list was established, and pruned to essentials, all other disabilities imposed on Germany in the armistice period should have been progressively removed early enough for western policy to reap some benefit from their removal. There is no question whether such things as dismantlement and trade discrimination will go ; the only question is whether the circumstances of their removal will help the friends of the West in Germany or provide triumphs for the instigators of grievances against the West.

Most of the chances of pursuing this policy have now gone. There may still be some left, though there is a sybilline progression in these matters, and with every delay a larger price has to be offered for a smaller gain. But it is still perhaps just possible to persuade a sufficient majority of the Western Germans to see all the advantages, and therefore to accept the burdens, of full membership in the Atlantic Pact, and thus to complete the ties of trade, of religion and of political institutions which have during the last few years increasingly bound them to western Europe. At the risk of tedium, it must be repeated that the western powers will quite certainly, at some time in the next few years, find themselves compelled to put up the price required for this bargain by releasing the Germans from their present restrictions and disabilities. The only question is whether they will get anything in return, and the only chance is to act both largely and at once. The first step might well be a four-power conference—but with Dr Adenauer, not Mr Molotov, in the fourth seat.

The Controls—I

Emergency Powers Since 1945

THE only substantial item in the King's Speech last week was the proposal to introduce legislation to "make available" to the Government "on a permanent basis but subject to appropriate parliamentary safeguards, powers to regulate production, distribution and consumption, and to control prices." The subsequent debate on this portion of the Address, which took place on Tuesday, did not reveal in very much more detail what is in the Government's mind. It evidently does not propose anything quite so sweeping as the simple perpetuation of the existing powers, which were recently extended for a further twelve months with very little discussion. But the tone of Dr Dalton's speech made it clear that Ministers' demands for permanent powers of control are unlikely to be modest. Indeed, most Labour discussion of the subject of controls tends to assume that it is a simple issue of retaining all the present powers of control or else of having none at all. It was in this spirit that the Lord Chancellor, in the summer, chose to treat the debate on the Liberal Party's Liberty of the Subject Bill as if the occasion were an evening out with a local debating society. As a matter of political tactics, it would suit the Labour Party's book if this assumption could be made general ; they would not then have to argue the necessity or the merits of any particular power they ask for ; and with luck the Opposition could be tempted into arguing for complete *laisser faire*.

But in fact the issue is not one of simple black and white. Only the ignorant can be "for" or "against" controls in the abstract. The only sensible questions to ask are which powers are needed, for how long, and with what safeguards against their abuse. The answers can only be given in detail. It is proposed to attempt this task in a short series of articles, of which this first one is mainly concerned with the present state of emergency powers and how it arose.

When the Labour Government took office in July, 1945, the wartime Emergency Powers Acts had some eight months more to run. Parliament had obediently given to the executive the right to make what regulations for the conduct of the war it thought fit to draft, but it had insisted that these absolute powers should have one limit, that of time. The Labour Government had until February 24, 1946, in which to decide whether to accept the existing time limit or to ask for an extension. It asked for an extension but it devised a new method of approach. In effect, it divided the wartime defence regulations into two groups ; those which it claimed were still needed for their original purpose ; and those which, it claimed, were needed for new purposes, to regulate the economy in a postwar period of shortages and to assist the processes of reconstruction and reconversion. The first group were to be prolonged, for some two years only, by a further Emergency Laws Act. The second group were to be extended by a new Act, a Supplies and Services Act, and for that the Government asked a life of five years, plus the opportunity to prolong it further by yearly extensions if both Houses so agreed.

Both Acts were amended in 1947. The Emergency Laws Act of 1947 extended the life of some of the defence regulations already prolonged by the 1945 Act until December 10th this year (now extended for a further twelve months). The Supplies and Services Act of 1945 was amended by grafting on to it an entirely new reason for keeping on foot some of the defence regulations still surviving. The additional object to be served is worth setting out in full: "generally for ensuring that the whole resources of the community are available for use and are used in a manner best calculated to serve the best interests of the country." The 1947 amending Act passed both Houses ; misgivings aroused by the ominously vague and general language of the new clause were stifled by the atmosphere of crisis just before the convertibility of sterling had to be suspended and by the fact that the original Act had then only another three years to run.

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The subject of liberty in the modern state is one which is of the greatest importance and yet one which too easily escapes on to the metaphysical plane. It is not the business of the Opposition in Parliament to discuss metaphysics but Government proposals ; for that reason alone the Supplies and Services Act as it now stands makes a convenient starting point for considering the powers of the executive. Although it has not been greatly abused —except in the mood of panic at the time of the fuel crisis in February, 1947—the Act puts in the hands of the Government a very wide range of dictatorial powers, including a power to override any Act of Parliament passed before 1947 save the two 1945 Acts under discussion.

It is alien to the whole conception of parliamentary democracy that a Government should say "These powers should stay because you never know when they may be useful." Of this Ministers showed at least a slight awareness both in last month's debate on the extension of the Act for twelve months and in this week's debate on the Address. But that they still regard any excuse as good enough for an extension of ministerial powers is shown by the eagerness with which they seized upon rearmament. The argument was, in effect: "A new emergency is arising, so we may need these powers." There was little attempt to show how the powers are related to the expected nature of the emergency. They have little relation to war. If the international situation were to worsen, making a large military and economic mobilisation necessary, the Government would have in any case to ask Parliament for a new Emergency Powers Act ; the powers remaining in force under the present legislation are quite insufficient to meet a full emergency. It follows that, if the outbreak of war in any case requires new legislation, the danger of it provides in itself no logical reason why the Government should have at present any reserve of powers over and above those it is actually using. "They may be needed" is nothing but the plea from laziness of the politician in power.

The defence regulations kept alive by the Supplies and Services Acts are many and important. Some of the structure of price control, a good deal of the control over building operations, and all the elaborate machinery governing utility clothing and furniture, food rationing and subsidies—all these depend upon defence regulations. So do the powers to control exports and imports directly ; so do all the Minister of Health's powers to

permit local authorities to requisition land and property and to keep it requisitioned; so does the Minister of Labour's power to declare a strike illegal. So do a host of minor powers; for instance, the Local Authorities (Charges for Dustbins) Order, 1949, was made under Defence Regulation 56, the Syrup and Treacle Order, 1950, under Defence Regulation 55. Some of the regulations date back to the earlier period of the war. A few—notably one empowering the Minister of Health to authorise subletting in houses where the lease prohibits it—were hastily tacked on to the wartime regulations between July, 1945, and February, 1946, before the power to make new regulations vanished. All were made five years ago at least. There is no logic about the pattern; the single connecting thread is expediency.

Has it been essential to keep these defence regulations alive in this way? Of course not. It is clearly arguable that some are still needed—that will be the subject of a subsequent article—but there has been no valid reason why they should be prolonged in this particular way. Among the original defence regulations were those that controlled the movement of money in and out of the United Kingdom, an essential wartime requirement and one for which the need, it may be admitted for the sake of argument, still exists. But these regulations are no longer imposed by the authority of the Supplies and Services Act. In 1947 the Government presented to Parliament an Exchange Control Bill intended to make its powers to control movements of money permanent. The Treasury, at least, had the courage and honesty (and, perhaps one should add, the influence) to cast its postwar requirements into the shape of a parliamentary Bill and to submit that Bill to the full scrutiny of a postwar debate. The Minister of Agriculture took the same course over most of his responsibilities. It may still be necessary for local authorities to keep their wartime powers over requisitioned houses after December, 1951. Is there any reason, in principle, why the Minister of Health should not have presented to Parliament the equivalent Houseownership Control Bill at any time over the last year or so—any reason, that is, except the wish to avoid a discussion that might have had unpleasant consequences on polling day?

There is one defence regulation in particular that the present Government would obviously be most reluctant to debate in detail; one can well believe that a proposal to make the Supplies and Services Act permanent in a general form will spring from a desire to avoid any such debate, on the principle that the more overcrowded the coach the more difficult it is to scrutinise each individual traveller. That is Defence Regulation 58, which authorises the Minister of Labour to set up wage arbitration tribunals for various industries and when this is done any dispute in that industry must be referred to the tribunal and no strike or lock-out action may be taken during the following twenty-one days. Action earlier than this is illegal and it is this regulation which enables the Minister to declare illegal the unofficial strike. What Minister of Labour today would willingly lose that weapon from his armoury? Yet what Minister of Labour in a Labour Government would willingly face a debate on a motion for its extension?

The Supplies and Services Acts present to Parliament, and to the Government, an issue of importance in an unusually acute form: how far should expediency be allowed to prevail over principle? And the first point of principle that public opinion should press upon the Government is that there must be a careful attempt to discriminate, if not between individual powers and purposes, at least between categories. There are some powers that are now being exercised for which everyone will recognise a continuing need. There are other powers now being used which are painful necessities, to be tolerated only until they can be done away with. There are still others which are kept in force only because the bureaucracy will not let them go. And there are others again which are held in reserve—some rightly, some wrongly. All these deserve different treatment. The essential principle of any permanent Act must be discrimination.

(To be continued)

Humpty Dumpski

IT is curious, when one comes to think of it, that no political party has thought it worth while to compile and keep up to date a record of the sallies and epithets it has found most useful in the past. One would have expected the research organisations of the parties to hand down from generation to generation of members an anthology of masterpieces of rudery which could still be used with effect in a House of Commons where the art of invective is in decay. And even outside the House there are things now being said and written which should be preserved for the polemics of the future—things such as the Socialist taunt that a liberal economist is someone who believes in mass unemployment, or that classic phrase "frozen penguins of the City," or the Communist denunciation of Mr Churchill as a "cannibal statesman." There exist dictionaries of quotations, without which few leading articles would be started—let alone written—but there have existed hitherto no dictionaries of abuse and invective. In view of the Marxist revolution in world attitudes, the ideological conflict of the age and the topsyturvy state of our bourgeois society, it is remarkable that such aids to dialectics should be lacking.

Some such thoughts must have passed through the minds of two Russian scholars called Liokhin and Petrov, when they began work on their great Dictionary of Foreign Words, which was published recently by the State Publishing House in Moscow. For they have produced just the kind of anthology of abuse that is needed to start a new fashion in dictionaries. They had doubtless remarked that the period of pre-Marxist lexicography, beginning with Galfridus Grammaticus just five hundred years ago, corresponds almost exactly with the period of bourgeois predominance. As that period is now passing, what is more natural than that two ambitious Soviet scholars should anticipate the universal dictatorship of the proletariat by explaining exactly what words are going to mean under it? They have doubtless read somewhere that Samuel Johnson gained the title of "Great Cham of literature" by producing a dictionary.

This is, indeed, an epoch-making work. For one thing it is funny; and it would remain so even if the dictatorship of the proletariat came to pass. For another, it is superbly dogmatic. Liokhin and Petrov's dictionary is in the best tradition of Humpty-Dumpty ("When I use a word"), for when they use a word it means just what they choose it to mean—neither more nor less. And finally, it is gloriously inaccurate. The authors clearly believe, for instance, that cricket is merely a form of hockey not played on ice; for they define it as "a game played with a ball by two teams, during which one tries to hit the ball into the opponent's goal with a bat." If this should seem a rather esoteric subject, on which Liokhin and Petrov are entitled to go wrong, let us take the definition of the Labour Party—as a body which "from 1936 to 1939 supported the internal and external policy of the Conservative Chamberlain." What endless vistas of misunderstanding are opened up by this definition; it foreshadows a period, not so far off, when it will be impossible for a Russian and a European to carry on a rational conversation. Soviet citizens contemplating foreign travel will study their Liokhin and Petrov and so fortify themselves against subversive influences. And foreigners will have to translate it into their own languages in order to discover what the Soviet citizen thinks he is trying to say.

After the deep concern that Stalin himself has shown lest linguistics in the Soviet Union be brought into disrepute, this lapse into crazy lexicography under official auspices might seem deplorable. (Indeed, someone like Mr Maisky, if he is still alive, might be able to convince the Kremlin that the State Publishing House has had its leg pulled. And Humpty Dumpski might have a great fall.) But it would have been a pity if this dictionary had not been compiled and solemnly issued as a contribution to learning. Without it many would have continued to regard as a joke, or as a mere propaganda ruse, the distortion of words, the reversal of meanings through which the Stalinist now expresses himself. Here now, in 780 pages is the evidence in black and white, of the lengths to which the process has now gone. Double talk and double think of 1984 now has its dictionary; it is only a matter of time before it has its academy and its professors.

Realising from the title and the preface the kind of book he is dealing with, the wise reader will start by looking up himself. In other words he will look up the word bourgeois. He finds that he belongs to "the most reactionary class of present-day society, the bitter enemy of the Soviet Union, the People's Democracies and the workers of the world." He may say to himself "I am not that kind of bourgeois; I am a liberal who hates no one" and then look up "liberal" in the hope of more magnanimous treatment. But Liokhin and Petrov regard a liberal as worse than a bourgeois: he "takes up a thoroughly reactionary position, openly joining the counter-revolutionary camp and allying himself to the front set up against the working class. Liberals are fierce antagonists of socialist revolution and the dictatorship of the proletariat." In the second sentence, of course, the truth is told by accident and cancels out some of the malice of the first. And this makes the bourgeois liberal wonder how the bourgeois Socialist and reactionary Conservative fare. The Labour Party is defined as a "reformist, self-styled workers' party, carrying out a bourgeois policy among the workers as agents of imperialist circles in America"; the Conservative Party as a "reactionary party of the bourgeoisie carrying out an imperialist policy of expansion, suppressing by force the workers' revolutionary movement and liquidating democratic freedoms." The only difference between them lies really in the tailpiece: "at the moment (1949) the Conservatives are openly passing over to Fascism."

So much then for British politics. In the eyes of Liokhin and Petrov they amount to nothing more than a struggle within the bourgeoisie, which goes on in a parliament which "guarantees the class rights of the ruling caste" and under a constitution which "expresses and strengthens the rule of the bourgeoisie and its dictatorship." The forces of reaction maintain their ascendancy in this country—according to Liokhin and Petrov—by such organisations as the Boy Scouts, which is a "bourgeois children's movement of a military political character in capitalist countries."

When it leaves the dismal British scene the dictionary is even more sweeping and scathing in its definitions of some familiar features of the international world. Missionaries "are usually the first spies and intelligence agents of imperialist aggressors"; a reference to Dr Livingstone, we presume. The philosophy of reactionary classes everywhere is "idealism, a reactionary, anti-scientific tendency in philosophy, bitterly opposed to true science and closely allied to religion." After this it is hardly surprising to find that "cosmopolitanism is a bourgeois ideology denying the right of nations to national existence and state sovereignty"; or that

> psycho-analysis is an anti-scientific, reactionary, subjective-idealist tendency in bourgeois psychology based on the work of the Austrian psychiatrist Freud. It ignores social conditions . . . and has been completely outdated by Soviet science.

And if Soviet science is so infinitely superior to all other science it is because, among other things, "the Nobel Prize is frequently awarded, not for the advancement of science, and to true workers for peace, but on a basis of class interests of the bourgeoisie."

★

Those British citizens who take part next week in the "Peace Congress" at Sheffield should find this work on the Kremlin's English useful for helping them to understand what some of the foreign visitors are talking about. For Liokhin and Petrov have not invented the nonsense that their dictionary contains; they have merely recorded what they believe to be current usage among the progressive intelligentsia. To judge from previous peace congresses, questions will be discouraged at Sheffield and critics silenced by the stamping of proletarian feet; but if the platform should—for tactical reasons—make any concessions to British democratic practice, someone might ask what is the correct definition of a supporter of the "peace campaign." According to Liokhin and Petrov "pacifists" are wicked people:

> Hypocritically hiding behind the slogan "pacifism," reactionaries oppose all liberation, revolutionary, civil and other just wars. Rejecting the revolutionary activities of the masses; pacifists deceive the workers and conceal the preparations for the imperialist wars of the bourgeoisie. Thereby their policy contributes to the launching of imperialist plundering and unjust wars.

If that is Moscow's definition of a pacifist, then some new term must be found for the kind of people who will assemble in Sheffield. Proceeding according to the well-known Marxist law of opposites, it is quite clear that everyone who is not a warmonger must be a peacemonger. Let Sheffield, therefore, mark the birth of the word "peacemonger" and so contribute yet another term of abuse to Liokhin and Petrov, who are, doubtless, already working on the corrections for their second edition and clearing up the confusion between ice hockey and cricket.

NOTES OF THE WEEK

The Motives of Mao

It can be argued that the motives of Mao Tse-tung in sending Chinese troops into Korea are defensive; that he wishes to warn the United Nations troops off the precious dams and reservoirs of the Yalu river and force them back from the frontier of industrial Manchuria—in fact, that he is concerned only with defending Chinese interests. It can be argued with equal cogency that he is concerned with stemming the tide of Communist defeat and intends—if allowed—to follow a policy of "repulsing and annihilating the unconsolidated American troops, and of forcing the aggressors to accept a just and peaceful solution of the Korea question." The phrase is that of Peking radio.

If the first argument is true, then he should be sufficiently reassured by what has been said in the Security Council and by American statesmen to stop a very dangerous adventure. Unless he is completely misinformed, he must know—what the Washington correspondent of *The Times* stated on November 7th—that

> it was decided on the highest level some time ago that the United States must avoid war with China at almost all costs.

If the second argument is true, then Mao may gain rather than lose by the part that Uno is now playing. The Security Council has now decided, on British initiative, to invite a representative of the Peking Government to answer the charges in General MacArthur's report. As this allows the Peking Government to take its time over making its case, and as the Russians may be expected in any case to veto a decision adverse to China—though this cannot now prevent the dispute from being subsequently referred to the Assembly—the effect of this procedure must be to postpone for a considerable time any action on the matter by the United Nations as such. This delay may be of advantage in keeping the conflict within bounds; it should nevertheless be recognised that, with American soldiers being killed in Korea by Chinese and an increase in Republican strength in Congress after an election in which attacks on the Administration's Far Eastern policies have been a principal feature, President Truman may have some difficulty in resisting agitation in America for some kind of retaliatory action against Communist China.

* * *

Limits of Cold War

The tact and caution with which some governments are treating the Chinese intervention in Korea are signs of a feeling that it is time to try such classic diplomatic techniques as the quiet remonstrance that leaves a loophole for an angry government. A situation in which British soldiers are fighting hand-to-hand with Chinese troops hardly fits into the normal definition of cold war, which has hitherto been conducted according to certain rules, which have been implied rather than laid down.

First among these rules was the assumption that no great power would directly confront another on the battlefield. Greek guerrillas might fight American-directed Greek Government troops, and British troops could fight Russian-trained North Koreans—but that was the limit. Second was the assumption that the conflict would be contained within the area in which it started and not allowed to spread, for example, to Formosa from Korea. Having started the fashion of aggression by proxy and having let it be understood that these were the rules, the Soviet Union and its allies are obviously wondering whether the American and other forces fighting under the United Nations flag understand them. There has been—and still is—on both sides of the struggle between Stalinism and the free world the assumption that neither wants or is ready to start a world war. Each, in case it might be wrong, makes formidable military and ideological preparations. Each is sufficiently ill-informed or doubtful about the intentions of the other to read into a breach of the rules of cold war more than may be intended. One side's "war of liberation" is the other side's "defence against aggression," and each treats the other's definitions as bogus. All this is clear to the diplomatist, but it is dismally obscure to the man in the street in the free world who, quite rightly, makes no such subtle distinctions between different kinds of war.

It is perhaps worth recalling in these anxious days that both the North Korean attack and the United Nations reply to it were experiments: the first in full scale aggression by proxy, the second in collective police action. Each was undertaken without a clear idea of where it would lead, and it is not difficult to understand the perplexity with which both General MacArthur and Mao Tse-tung regard a situation which has no recent precedents. The American cannot finish the job he was ordered to do without alarming the Chinese; the Chinese cannot see why the American should not interpret the rules of cold war to his own strategic advantage.

In such a situation the old-fashioned remedy would be to arrange a truce and secure a mediator. But the Stalinists have worked so hard to besmear any independent institutions or persons who might perform such a role—witness the campaign against Mr Trygve Lie and the rebuff to India over Tibet—that the main hope of stopping the threatened international crisis lies in the statesmanship of Mr Acheson and Mao Tse-tung, of whom the former is hamstrung by internal politics and the latter by his association with Moscow.

* * *

Still in the Air

It is hard to take altogether seriously the debate on whether the Conservative housing programme is practicable. The figure of 300,000 houses was conjured out of nothing better than the enthusiasm of a party conference; its acceptance by the Conservative leaders was the same kind of concession to the prejudices of the rank-and-file that is so roundly condemned whenever Mr Attlee does anything remotely "Socialist."

The case against promising to build 300,000 houses a year is not that it is impracticable but that it is irresponsible. Certainly the houses can be built—if enough other things are sacrificed. In the House of Commons on Monday Mr Marples, introducing the Conservative case, declared that houses were "the highest social priority, ranking second only to defence." He can hardly have been speaking for the realists among the Tory leaders. They must know well enough that the acuteness of the housing shortage is the creation of just those Labour policies they condemn (if somewhat half-heartedly). The British public can afford to have a higher demand for housing than it has ever had before largely because food absorbs much less of its income than it did before the war. If there were not food subsidies and if housing subsidies were concentrated on slum-clearance schemes, so that most tenants had to pay an economic rent, instead of being forced to pay for houses by taxation, then, if the shortage did not vanish overnight, at least the need for a rate of building in excess of 200,000 houses a year would.

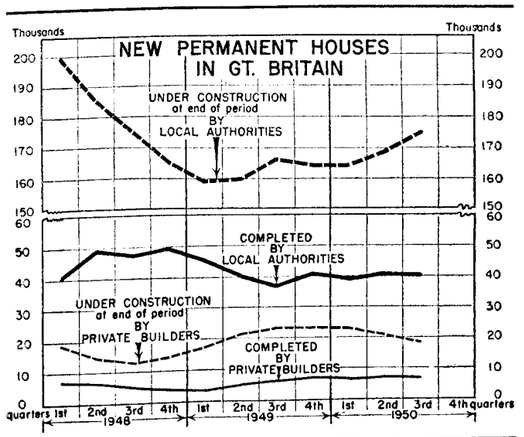
It is true that a Conservative Government would not immediately scrap the subsidies. The official policy is supposed to be gradually to reduce them. Is it consistent with this to talk about a "long-term" building programme—for five or "better still" ten years—that would allegedly give security to the brick manufacturers? If the Conservatives are serious in this they are proving themselves as anxious to perpetuate the artificial prices and rigidities of the British economy as is any Labour planner or trade unionist.

It is impossible to judge more kindly one other of the methods by which the Conservatives on Monday proposed to build more houses: that is to recruit more labour to the industry. At this stage, with inflation mounting again and the demands of rearmament barely begun, it is folly to think of devoting more of the country's resources of manpower to the satisfaction of a subsidy-generated need. Few people will believe that a Conservative Government would in practice be so foolish. To include this among the proposals was to admit that many of the extra 100,000 houses are still as much houses in the air as when they were first thought of.

* * *

The Rate of Building

The practical test of the Conservative programme is whether it could produce more houses without calling for more labour and without the concoction of ten-year commitments to suppliers. No doubt in considerable measure it can. Mr Marples made many sensible, if old, suggestions. There is plenty of scope for increasing the efficiency of building by



the wider application of payments by results. There can be little doubt that houses would be built faster if the speculative builder were allowed more scope (though Mr Churchill's promise to maintain "the priority given to houses built by local authorities" sets a fairly sharp limit to this gain). Thirdly, there is everything to be said for allowing local authorities freedom to build houses smaller than the rather extravagant Dudley-Bevan standard and for the present to exclude some of the more elaborate fittings.

By these means the rate of house-building could be usefully increased and the proper indictment of Mr Bevan is that he will not even consider them. To abolish the bulk purchase of materials—another of the Conservative proposals—might also help to put up the numbers built, but possibly also their cost. And it would not now be unreasonable to spend dollars on as much extra timber as greater efficiency enabled the building industry to use. The question is whether these various measures add up to produce 300,000 houses a year. The most recent quarterly housing returns (Cmd. 8072, 8073), which are summarised in the chart below, show that the rate of completing houses is now fairly steady at 17,000 a month—just over 200,000 a year. At the moment a steady fall in the number of workers engaged on building new permanent houses is being about offset by a slow increase in productivity, especially where incentive bonus schemes are being introduced. Could the Conservative proposals produce such a spurt in productivity as would raise the rate of building to 25,000 a month? Plainly the Conservatives themselves do not think so: they would not otherwise have fallen back on the suggestions for recruiting more labour and for framing "long-term" programmes. On an optimistic view, improved efficiency might in a reasonable time raise the building rate to, say, 20,000 finished houses a month. To promise the electors more than that is to undertake to remove labour from some other industry. And such robbing of Peter to pay Paul is consistent neither with the rest of Conservative policy nor with the patent economic needs of the country.

* * *

Calm in the Council of Europe

In the short space of last weekend, the Committee of Ministers of the Council of Europe met and dispersed in Rome. But if their proceedings were short they were, even in the absence of Mr Bevin, sweet—and generally sensible. A most encouraging symptom was the growing evidence on all sides of a policy of live and let live, particularly on the question of revising the Statute of the Council to give it the possibility of greater federal authority.

Here the Ministers, dodging any decision on proposals offered by the Assembly, decided that the Statute as a whole should be re-examined by a group of high officials, reporting back on March 1st. To some extent this was mere temporising, but in two respects it was an important step. The first is that the Ministers should at last have reached some unanimous decision on this vexed question; the second that, in passing the buck to the experts, they agreed in principle to two of the Assembly's recommendations which open the way to limited progress by "partial agreements" between some member states only. While Mr Davies prefaced his agreement by an apologia on Britain's position

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which marked little, if any, advance on the Government's previous views, he stated unambiguously that Britain did not want its own inhibitions to frustrate any progress that other countries felt they could make without Britain ; and, said Mr Davies, good luck to them. This went a long way towards reassuring M. Schuman, and it should at least provide a challenge to the other members of the Council to show whether they really can and want to federate. Perhaps the only person left with a grievance was M. Spaak, who expressed understandable impatience at the prospect of his Assembly's recommendations being scrutinised by some "expert" high officials, and not returned direct to their creators.

Storm signals went up when the Ministers came to the question of a European army, which has been transformed by France from a Churchillian challenge into the Pleven plan. Even this did not ruffle the calm, though it was unfortunate, perhaps, that Mr Davies took it upon himself to introduce the proposal to postpone discussion. In so doing, he was bound to restate the legalistic British case that it would be *ultra vires* under the existing Statute. The French themselves had left no one in any doubt that they did not want the Council of Europe to be seized of the issue, while it was still with the North Atlantic Council.

* * *

Atlantic Pact Arguments

More than a month has passed since the North Atlantic Council announced, with a fanfare of trumpets, that they had agreed to establish an integrated defence force under single command. All that remained to be done, it was understood, was for the Defence Committee to make its final report on the technical details, and then, "at the earliest possible date," the force would be well on the way to existing. But the Defence Ministers have met and nothing tangible has emerged except more delay, and the dawning realisation that the Foreign Ministers had left a great deal more to be agreed than they admitted in their communiqué. It is now clear that no final agreement can be reached at least until the middle of December, nearly three months after the original decision, when the Council meets again in Brussels.

If the Defence Ministers had been stranded on the sands of technical details, the delay would be disappointing but understandable. Modern armies do not spring from dragon's teeth, and the problem of raising and equipping the necessary manpower, let alone of resolving conflicting national aspiration in the various fields of defence, are formidable indeed. But this was not so ; with commendable promptitude the Defence Ministers arrived at a decision on the total size and national distribution of the forces ; what checked them was the political problem, handed on to them by the Council, of the status of the integrated force, and of German participation in it.

The resulting delay is alarming. Not only has there been no final decision on the distribution of short-term aid—which is intended to keep things going until the new American appropriation next year—but there is a growing need for urgency in working out the complex multilateral basis for the distribution of long-term mutual aid (some aspects of which are discussed on p. 750). This can only be done in the light of the strategic decisions of the Council. Firm decisions on the contributions to be made by member countries and their needs have to be ready in time for the presentation to Congress of the 1952 budget, in January next. Unless some solution of present difficulties is found—perhaps by an agreement to postpone the political problems which are bedevilling practical work—the Atlantic Treaty powers may well find that the right number of troops cannot be got to the right place by the date agreed. Yet that, after all, is the main purpose of the pact.

Lion's Share for France

There is still no sign of compromise between the conflicting French and American views on Germany's role in western defence ; but the American answer to French fears of German rearmament was crystallised this week by Mr Douglas, retiring American Ambassador in London. In a speech at the Pilgrims' dinner he restated American support for the Schuman plan as a means of bringing about the reconciliation between France and Germany, without which no common defence is possible. The French were also reminded that the military security of their country would be guaranteed and the international good behaviour of the Germans assured by the prospect of a "genuine international military and defence organisation subject to genuine political direction."

Quite apart from the Ambassador's speech there is abundant evidence that Washington has gone to considerable lengths to reassure France. M. Petsche has himself declared that, so far as material aid is concerned, the US government has done its "utmost" to satisfy French needs. The French have been promised the largest single share of the total military equipment to be distributed among the North Atlantic powers under the American appropriations for 1950 and 1951 ; this should amount to between $1.6 and $2.2 billion worth of arms. France has also been granted $200 million, part of which is not formally tied to purchases in the United States, and will be used to finance raw material imports and to help balance the French budget. The lion's share—some $275 million—of American appropriations for military assistance to the Far East will also go to France in the form of military supplies for Indo-China.

Simultaneously with this material aid Washington is willing to support an arrangement by which Western Germany would have no general staff and no defence ministry ; German troops would take their orders directly from the Supreme Commander of Nato. This provision, it is believed, meets the most serious of all French apprehensions—that a rearmed Germany would drag the rest of Western Europe into a crusade to regain its eastern territories.

Beyond these steps—and perhaps some vigorous advice to the Germans to get on with the Schuman plan—there seems little more that the United States can do to overcome French hostility to armed Germans.

* * *

Private Members' Time

In its second session Parliament is to enjoy one useful by-product of the political stalemate. The Government, unable to embark on a wide series of controversial measures of its own, has decided to restore to private members their rights to initiate both motions and Bills. In 1949 Bills alone were allowed, and in the last session motions alone ; now ten days are allotted to each. The House has also voted to restore the "Ten Minute Rule," under which private members' Bills may be put up to a snap decision after question time.

The effect is to restore the full prewar rights of private members. This is not less welcome because the Government has postponed it as long as it reasonably could. The next step rests with private members. It is their responsibility to make sure that the time is put to its proper use. That is to deal with the kind of small but urgent issue which should be the concern of the individual member rather than of the party machines. As was pointed out when the House discussed private members' time last month, it has in the past only too often been used for matters bearing the clear imprint of the Whips' office ; what was intended as an assertion of the rights of the individual member is liable to become only another, if indirect, assertion of the party machine.

This danger of misuse is greater for motions than for Bills. Most of the private members' Bills introduced in the 1949 session showed marks of individual authorship, and the five which reached the Statute Book were all of value. But it is now suggested that the Conservatives intend to use the procedure to introduce into the Commons a Bill, already in the Lords, which seeks to make important revisions in the Transport Act. This would surely be a mistake. There is, indeed, no reason why private members' Bills should be non-controversial. But they should be serious attempts at legislation in fields with which the political parties as such are not concerned. Road transport is certainly and properly outside that category.

* * *

Liberal Voters

Oxford and the Scotstoun division of Glasgow are as unlike as most pairs of constituencies, but the recent by-elections suggest that in both the Conservative party is now helped by the absence of a Liberal candidate. The evidence is not conclusive. It is strong.

At Oxford last week 1,875—7 per cent—more votes than in February were cast for the Conservative candidate. The number of converts must have been higher than this, since there would certainly be some Conservative voters at the general election who did not trouble to go to the poll in the lesser excitement of a by-election. It is possible that all the converts were won from Labour, whose poll fell by 3,517 (15 per cent) ; since the total poll fell by 8,943, all the 6,807 Liberal voters of February (and the 494 Communists) may have abstained last week. The strong probability, however, is that apathy kept many more than 1,642 Socialists and Conservatives from the polling booths, and therefore that a fair number of Liberals voted for one or other of the two big parties. There is little reason to suppose that either at Oxford or at Scotstoun, where in both cases the Conservatives were defending a narrowly held seat, apathy would affect one side more than the other. If Labour did not lose relatively heavily on this score, the likelihood is that it failed to attract as many of the Liberals as did the Conservative party. This conclusion is almost certain for Oxford and likely, but no more, for Scotstoun. There the Liberal vote in February had been only 2,023 and Labour lost less ground at the by-election—its vote was cut by 12 per cent, while the Conservatives also lost 4 per cent.

This conclusion does not apply to members of the Liberal party, and especially to its active workers. No doubt most of them would still prefer to abstain, and many even to vote Labour, rather than to put a Tory into Parliament. But the signs are that, of the unattached voters who supported Liberal candidates in February, more would now vote Conservative—in many and perhaps in most constituencies—than would vote Labour. It is not, after all, surprising that if opinion is moving slowly to the right (as the by-elections, for what they are worth, suggest) the Conservatives should gain from the centre as well as from the Left. The implications have to be weighed by the Liberal leaders as well as by the Conservatives.

* * *

Liberals in Parliament

Liberal voters have hardly been encouraged to faithfulness by this week's voting of their nine representatives in the House of Commons. The independence of Liberal members is one of their great assets. But no group of like-thinking people can claim to be a political party without setting some limits, however wide, to the exercise of individual conscience. There are many occasions when Liberals may properly be found in both division lobbies. There is no reason why a centre party should be united on issues between the Right and the Left ; it may reasonably claim that these are not the real issues and Liberal members may, in many cases, judge differently which of the two sides has slightly more of the truth. This is, however, rather more subtle a point than can be effectively made at most political meetings. It was, to say the least, unfortunate that on Monday the Liberals supporting the Government against the Conservative amendment on housing included the deputy leader of the parliamentary party, while its chief whip was among those who voted with the Conservatives.

The split on Monday would have mattered little if it had not been followed by Tuesday's debate on the cost of living. Here the division was on an amendment put down by the Liberals themselves ; it was not a case of choosing between the two evils of Conservatism and Socialism. If the Liberals could not act as a united party on this the voter is entitled to ask whether their Right and Left wings really have any practical policies in common. Yet the deputy leader and two other Liberal members deliberately abstained. Their reason was not, apparently, that they disagreed with the amendment but that they thought it should not be pressed to a division. It is hard to see what else they thought could happen: Parliament had last week given time enough to general debate without dividing on specific amendments. But even if there had been any point in putting down the amendment without wanting to vote on it, no party—and the Liberals least of all—can afford to advertise its differences over minor matters of tactics. The beginnings of a Liberal revival in the country have to be sought in some slight measure of cohesion in the House of Commons.

* * *

Plans of the Pollitt Bureau

Communist propaganda will see to it that the "Second World Peace Congress" which begins next week in Sheffield is made into an event of international significance, whatever the people of Yorkshire may think of it. The gathering has a strategic as well as a tactical purpose. Not only will



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it coincide with the latest Russian efforts to display better party manners at Uno and in a conference of the Foreign Ministers about Germany—if that can be arranged—but it will also mark an important new stage in the Communist effort to split the Atlantic partnership, hamper rearmament, and return to the united front tactics of the thirties.

That Britain should be chosen for the launching of this operation is easily explained. Nowhere in Europe has the Communist Party suffered more from the Stalinist connection; nowhere have the bridges between the democratic Socialist and the Party been blown so extensively; nowhere is there so much to be gained by trying to combine a bogus, anti-American pacifism with the genuine anxiety of workers about wages policy and a rising cost of living. For such a prize the Communist strategist is ready to perform almost any tactical manœuvre.

Mr Pollitt prepared the way three weeks ago in his report to the Executive Committee of the Party. First there was the coaxing reminder to old comrades who have drifted rightwards that Arthur Henderson used to oppose the idea of attaining and preserving peace by strength. Then—as a concession to British common sense—there was the unceremonious jettisoning of the Stockholm peace resolution:

> In the new situation the peace movement cannot confine itself only to a demand to ban the atomic bomb.

Then there is the flattering suggestion that "a mass peace movement in Britain can save peace," and that its people have a common interest with colonial peoples in opposing "American imperialism." And lastly the prefabricated bridge is thrown over to the British trade union movement. If it will oppose rearmament it can avert such "consequences" of rearmament as higher profits, lower real wages and more controls. It is invited to join in a "massive united front" in which "Party and Young Communist League" members will fight in the front rank. Just in case it should be thought by veteran comrades that any real *volte-face* from Stalinism is intended, Mr Pollitt declared:

> If the organised workers producing and transporting the coal, the steel, the bombs and uniforms are wholeheartedly for peace this can be a decisive force for preventing war.

* * *

One Step Back to Madrid

At long last an illogical and unsatisfactory state of affairs has been ended in the relations of Britain and other countries with Spain. A week ago the United Nations General Assembly voted by 38 to 10, with 12 abstaining, to rescind that part of the resolution passed in 1946 which called on members to withdraw heads of missions from Madrid. Spain is also to be admitted into the agencies of Uno without becoming a full member of the Organisation. In this development Britain has played a negative and somewhat disingenuous part: along with France and the Scandinavian states it abstained from voting on the motion—which was backed by the United States. In other words, it did not honestly say what it thinks, which is that it dislikes the Franco regime, would like to see the Spanish people get something better, but has found by experience that the absence of a British ambassador has neither weakened the regime nor helped the people. If anything, the Caudillo is more firmly established than ever. If their envoy now reappears, as he doubtless will, the abstention of the British at Uno will ensure that they get no credit for it.

This policy of embarrassed silence was the outcome of a difference of view between the heads of the Foreign Office and the hearts of the Labour Party. The party men who can just abide Marshal Tito and see all the advantages of maintaining diplomatic missions behind the iron curtain cannot stomach General Franco. Without perhaps realising it, they accept in some cases Salisbury's dictum (which has not escaped Stalin's notice) that

> in past times we have not inquired what the government of a country was in deciding to protect great strategic positions which it was necessary for the interests of England and Europe should be kept from an overwhelming power.

But, for understandable reasons, they regard dictatorship of the right as more untouchable than dictatorship of the left; and they dread nothing more than the charge from the local branches of the party that the cold war is driving them into the arms of Fascism.

There is no question of any such thing. All that has happened is that a Uno decision now makes it possible for British interests and points of view to be represented in Madrid with full authority. Those who wish to criticise General Franco will go on doing so, doubtless encouraged from time to time by such crudities as his description of the Uno resolution as "victory in the last battle of the civil war."

* * *

Friends With Italy

In spite of occasional outbursts by individual Italians, the ill-feeling generated by each of the three main subjects in dispute with Britain has lately declined; these subjects were colonies, trade and the Atlantic Pact. Last year the United Nations reached a temporary solution of the problem of the former Italian colonies only after grinding debate; but this settlement proved enough to cut the ground from under immediate Italian ambitions to regain all the lost territories.

While, therefore, anxiety about Italians in the former colonies is not dead in Italy, the colonial question has become less of a national issue and Britain is no longer blamed for every development. Somaliland may be dismissed now that it is under Italian control. In Libya Rome is still much concerned about the future constitution; in Eritrea about police protection and taxation problems affecting Italians. Last month the Political Committee of the UN General Assembly passed by 53 votes to 1 (France) measures to establish a provisional Libyan government by next April, in preparation for complete independence by January 1, 1952. The new state will subsequently be put up for membership of Uno and may receive technical and financial assistance from it. As the predominant power now administering Libya and Eritrea, Britain has a special obligation to the remaining Italian communities to see that they are not victimised as an alien minority.

Italy has built up its sterling balances to a considerable level, and there is little present complaint on economic grounds. In the field of the Atlantic Pact, on the other hand, there is still plenty of room for misunderstanding. In the Chamber of Deputies recently Count Sforza, the Foreign Minister, had to give assurances that Italian forces would remain on Italian territory. If the British and Americans appeared to favour the defence of northern Europe at the expense of the south—as they easily might, by talking so much of Germany—last year's suspicions that Italy might have to be sacrificed would revive. Now that their industry is being given a genuine role in western rearmament, the Italians rightly count on similar treatment throughout the North Atlantic defence plans.

* * *

Twenty Million More for the Colonies

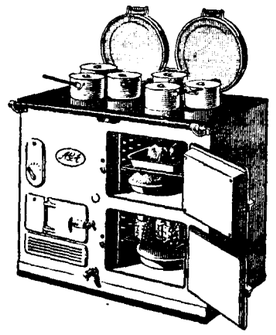
It is not quite two and a half years since the Select Committee on Estimates reported on the underspending of the amounts voted for the colonies each year under the Colonial Development and Welfare Acts. This week the House of Commons was asked to give a second reading to a new Colonial Development and Welfare Bill, which increases the total sum payable from the Fund in the ten years ending March 31, 1956, from £120 million to £140 million and

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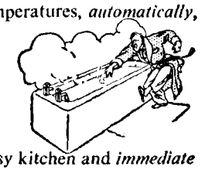
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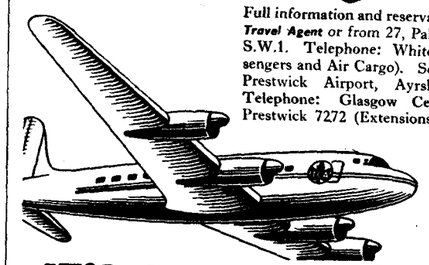
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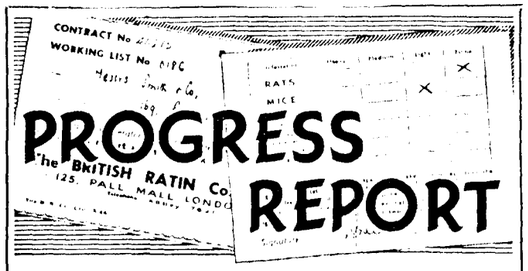
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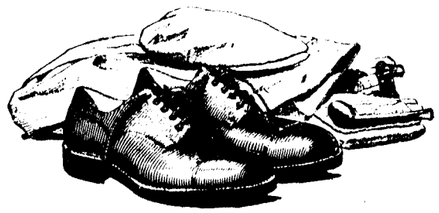
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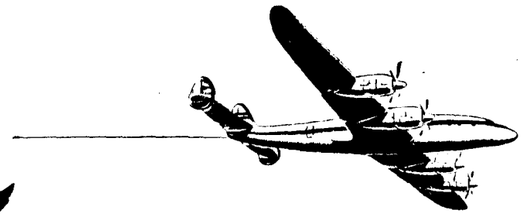
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increases the amount that may be paid out in any one year from £20 million to £25 million. This is no surprise. Last year, so far from the £7,353,000 voted for development and welfare being underspent, a supplementary estimate of almost £6,000,000 was asked for. This year, the estimate, at £19,150,000, is almost up to the limit imposed by the Act of 1945. In its annual report, moreover, the Colonial Office stated that the time had almost come when finance, not the shortage of supplies, would be the limiting factor in colonial development.

The £120 million made available by the Act of 1945 was allocated as follows:—£85½ million to individual colonial governments as part of the finance for their ten-year development and welfare schemes; £11 million to reserve against unforeseen developments later in the decade; and £23½ million to projects, such as research, surveys and higher education, designed to benefit the whole colonial empire and which could best be administered from the centre. It is to replenish this central fund, which is now nearly exhausted, that the extra £20 million is needed.

Another clause of the Bill repeals the provision in the Act of 1940 limiting the benefits of the Colonial Development and Welfare Acts to colonies "not possessing responsible government." Ceylon, for instance, ceased to be eligible for development and welfare grants when it attained dominion status. Malta, on the other hand, by special dispensation, has remained eligible, although it has responsible government in internal affairs. With so many colonies on the brink of responsible government—yet still so backward economically—it is clearly necessary that financial assistance from Great Britain should not be in danger of coming to an end overnight. But the inclusion of colonies with responsible government within the scope of the Acts is not automatic. *It will depend on the decision of the Secretary of* State, with the agreement of the Chancellor of the Exchequer.

* * *

Living in Flats

The Ministry of Health has recognised the need to do something about the worst disadvantages of life in flats. A sub-committee of the Central Housing Advisory Committee has been set up "to examine social needs and problems of families living in large blocks of flats." The committee's first move has been to send to local authorities with appropriate experience a list of ten specific points on which their views are invited. These include questions on the design of flats, communal facilities, measures to prevent noise, and a delightful inquiry about measures taken by the local authority "to counteract the lack of individual gardens" which surely begs the whole question about life in flats.

Flats are a necessity in some areas, and anything is to be welcomed that may prevent a repetition of such grey cliffs set in a sea of black asphalt as have been built since 1945 at, say, Woodberry Down by the London County Council. Among town planners, who are frequently architects, there is a dangerous preference for the large and spectacular as against the intimate and homely—for a series of eight or ten-storey blocks instead of low blocks and three-storied terraced houses. In Holborn or Westminster high blocks are unavoidable, but they need not be copied outside the congested areas. The new committee will presumably comment on the social costs of dense development, particularly in its effects on young families. The terms of reference do not cover financial costs, and with its report the Ministry of Health could usefully publish information about the relative costs—and relative burdens to tax and ratepayer—of flats and houses at different densities. It is only with such information that the public can decide how to balance the advantages and disadvantages of life in flats.

Putting the Icicles Outside

As winter comes the family circle shrinks into the living room or kitchen and the shiny bedroom suite witnesses only a shivering plunge into bed. At a recent conference of the National Women's Citizens Association Mr G. Grenfell Baines, chairman of a group of architects working on two new towns, said that only about a third of most houses was at present efficiently used; the greater part of each house was empty except at night. If all the rooms in the house could be used more constantly it would be possible to reduce the size of houses without a loss of effective living space.

This is a theme worth developing. In this country houses are being built at public expense bigger than those in any other part of the world. An area of 1,050 square feet would be considered palatial in Sweden, Holland or Denmark. Yet the British houses are so frigid upstairs that domestic life in winter is crowded into the one warm room—and this in spite of improvements in insulation and heating appliances over the past ten years. In Scandinavia, with colder winters, a much smaller dwelling is more intensively used.

There is a strong case for reducing the size of many new houses to something near the prewar 800 square feet. That is probably as much as most council tenants would choose to pay for if they had less extravagant assistance from the taxpayer. If the reduction can be made without reducing, or even while increasing, the effective living space, then even the idealists can hardly complain. The practical possibility turns on the comparative costs of the present house and of a smaller house with improved methods of heating, insulation, and so on. It is for the architects and the heating experts to say whether they can keep houses warmer at a low cost. If they can, future generations may no longer have to simulate pride over the film of ice on the bedside glass of water.

* * *

Hard Facts of Benelux

Every time the three Benelux countries meet to push their economic union a stage further, they run up against one hard fact: the Belgians are *laisser-faire* minded, while the Dutch have a preference for a manipulated economy. This conflict arose once more at the conference held last month by Belgium, the Netherlands and Luxemburg to discuss trade between them in agricultural products.

One of the main obstacles to union has been the unwillingness of the Belgians to import agricultural produce from Holland as freely as the Dutch would like. Their reluctance springs from a desire to protect the home farmer and from the fact that Belgian agricultural prices are nearly 30 per cent higher than those in Holland. This differential is partly the result of greater farming efficiency in Holland and partly, too, the Belgians claim, the result of the Dutch policy of maintaining subsidies. Costs for the Dutch farmer are reduced by subsidies on feeding stuffs, and his wage bill is kept low by the system of domestic food subsidies which holds down the general cost of living.

To date the Belgians have protected home agriculture against Dutch competition by traditional *laisser-faire* methods. They have subjected Dutch imports to a heavy licence tax which has "uplifted" the selling price of these products on the Belgian market. Under the agreement reached at the conference, the Belgians have consented to fix the amount of this "uplift" jointly with their two partners, to narrow the list to which this practice will be applied, and to allow Holland to collect the tax; the amount of the "uplift" will be shared equally between the two parties. What the Belgians have not agreed to is a Dutch suggestion that this levy be used to set up an indirect system of subsidies on the model of the Dutch agricultural equalisation fund. In return for Belgian concessions the Dutch have

pledged themselves to a further reduction and gradual abolition of their own domestic subsidies.

Great hopes were expressed at the end of the conference that the final Benelux Treaty of Economic Union would be signed at the end of the year. But it is plain that months, perhaps years, will elapse before the three economies can in practice become thoroughly co-ordinated. Even if the agricultural problem were settled, which it is not, there would remain Holland's balance of payments difficulties, at present being aggravated by the uncertainties of trade with Western Germany, its biggest single market.

* * *

Savings on Proprietaries

In its efforts to place a limit to expenditure on the health service, the Ministry of Health has in recent months been asking doctors not to prescribe proprietary drugs if an equally good standard preparation exists. Two types of proprietary drugs are in question. There are those that are advertised direct to the public. A list of these has been sent by the Ministry of Health to doctors. It covers some 700 preparations ranging from the well-known "Aspro" and "Bile Beans" to the less well-known "Johnson's (Mrs) American Soothing Syrup," "Page Woodcock's Wind Pills" and the wonderfully alliterative "Kasbah Kidney Cure." The Ministry of Health states that "the inclusion of preparations in this list has no significance as regards their therapeutic value." Its request to doctors not to prescribe them for health service patients is based on the report of the Central Health Services Council's committee on prescribing, which recommended that preparations advertised direct to the public should not be prescribable through the health service because responsibility for prescribing should rest solely with the doctor.

The other proprietary drugs that the Ministry of Health has asked doctors *not to prescribe* are those that are sold exclusively to the medical profession and for which there is a standard equivalent. In defending the expenditure on the health service in the House of Commons last March, Mr Bevan made great play with the economies that would result if doctors prescribed non-proprietary preparations. It is now revealed, in the report of the management committee of the Executive Councils' Association for England, that doctors who have been complying with this request have found that chemists have often not got the non-proprietary preparation in stock—and may not even have heard of it. The result, in fact, is only a considerable waste of the doctor's and patient's time.

The best way to save on the cost of the pharmaceutical service is to cut down on the amount prescribed rather than to restrict what can be prescribed. The association's report also reveals that in the year ended March 31, 1950, some 192 million prescriptions were dispensed in England alone—that is, about five for every health service patient. Is it not time that the Government again considered imposing a shilling charge ?

* * *

Children at the Cinema

After the report of the Departmental Committee on Children and the Cinema, published some months ago, comes an important section of the evidence on which its conclusions were based: the fascinating report of the official Social Survey that investigated the cinema-going habits of a random sample of about 2,000 schoolchildren. It provides a reasonably solid and entirely objective statistical framework for generalisations about the cinema habit. It also discloses highly suggestive correlations between the nature of the child's home and school background and the frequency of visits to the cinema, and between both these and what may be called the attitude to life of the children questioned.

Of the boys under ten years old 47 per cent, and of the girls 39 per cent, go to the cinema once a week or more often: over the age of ten the proportions rise to 72 per cent and 66 per cent respectively. In this older group 35 per cent and 27 per cent go two or more times a week. Frequent visits to the cinema coincide consistently with lower economic and educational status, with lack of hobbies and other interests (including membership of clubs and the like), with a taste for the more violent type of film, and with evidence of a romantic and fantasy-tinged attitude to the child's own future. Wisely, no attempt is made to establish the direction of the chain of cause and effect. There is no reason to give a snap verdict against the cinema. The absence of alternatives, for the child from a poor home without recreational resources, is as likely to encourage excessive cinema going as is the latter to cause the emptiness that so often accompanies it.

The efforts of the Survey's investigators to find out what films children like or dislike, and why, were ingenious and well-considered. The results are, however, unmistakably the thinnest part of the report. Films are disliked because they are "dreary"—or liked (by a small minority) because they "make one feel sad." How, without knowing the individual child concerned, is one to interpret such judgments ? "At Kilve there is no weathercock"—so Wordsworth's boy tried to account for an unsatisfyingly obscure preference ; in a similar spirit, perhaps, one eleven-year-old, more inscrutable even than those questioned by the Social Survey, summed up his appreciation of "The Red Shoes" in the words "Wizard trains!"

The State of Germany

WE have the satisfaction of stating that the alarm of war . . . has for the present subsided. . . . The old system, with much increased humiliation for Prussia, and much exultation for Austria, is restored in Germany. The mediating Czar, who is almost recognised as lord paramount of Germany, and sees his power over that country much increased by the appeals made to him, is exalted into the master of Continental Europe. . . . If indeed, the Russian pretensions should grow under the patronage of Count von Brandenburg, and the Prussians be called on to resist the Czar, the present humiliation imposed on them by him will exalt their courage, give point to their patriotism, and make them, at all hazards, as in 1806, brave the fortune of war.

Though we rejoice in the preservation of peace, as certain ultimately to promote the freedom of Germany, we feel no satisfaction at her present pitiable condition. The result of all the late struggles — of the blood shed by the democratic rabble and the legal functionaries—of the destruction of confidence and property by the revolutions—of the severe sufferings inflicted on many families—of the pompous oratory at Frankfurt, and the subtraction of so many learned professors from the quiet order of their college lives—of the vast theoretical changes that have been advocated, promising a profusion of liberty and social welfare—the result . . . seems to be the restoration of the old military mastership. The corporal, somewhat improved indeed in manners, and the Croat, hardly improved, but converted from a fierce savage into a cunning political dandy, have resumed their rule in Germany.

The Economist

November 9, 1850

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THE CROWN COLONIST was the only paper devoted wholly to the affairs of the British Colonial Empire. For twenty years it has faithfully fulfilled its function of linking the Colonies, Dominions and the Mother Country.

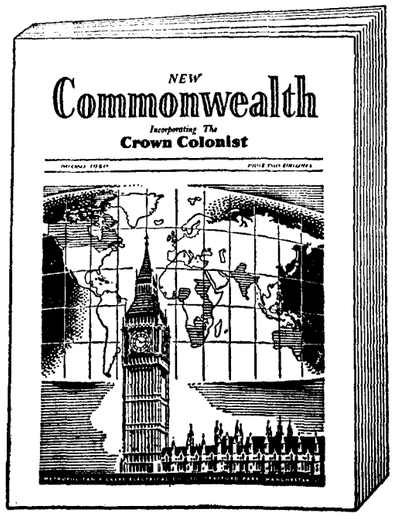
The characteristic trend of development in the British Family of nations is that Colonies become Sovereign Peoples. This evolutionary process has been quickened and today the Commonwealth stands on the threshold of the greatest economic and political expansion in its history.

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Letters to the Editor

Two Chancellors

Sir,—In your issue of October 28th, in writing on "The Two Chancellors," you made this misleading statement:

> In 1948 inflation was checked in the only way then possible. . . . The higher taxes of Sir Stafford Cripps's first budget were the necessary method of securing a large budget surplus.

Actually, Sir Stafford Cripps's "higher taxes" in April, 1948, only added £11 million, for he raised £47 million more from Customs and Excise, remitted £86 million in Income Tax reliefs (rising to £103 million in a full year) and imposed the Special Contribution (which you found most objectionable) which was to yield £50 million in its first year. Thus, the big surplus of £319 million which Sir Stafford Cripps secured in 1948-49 was, in fact, due (except for £11 million) to Mr. Dalton's two budgets of 1947, both of which increased taxation.—Yours faithfully,

NICHOLAS DAVENPORT

Athenaeum Club, London, S.W.1

[THE 1948 Budget imposed higher taxes with the considerable yield of £97 million in their first year. It was to these, not to the net effect of the Budget changes, that the quoted statement referred. The reliefs in income tax could hardly have been avoided by any Chancellor as military expenditure ran down after the war. Sir Stafford Cripps's distinctive decision was that he did not allow these reliefs to eat into the prospective Budget surplus (of which the two causes were Dr Dalton's higher taxes and the 1947 inflation, increasing tax yields in 1948), but instead achieved a large surplus by higher taxes in other fields (not, as the article of October 28th pointed out again, well chosen, but in some form necessary).—EDITOR.]

The Way it Works

Sir,—Surely a serious periodical like *The Economist* can find better use for its paper allocation than to poke fun at that well-meaning body of civil service statisticians, whose constant endeavour it is to bring down the cost of living. Where would we be without them? What would my money be worth now, for example, but for the master-stroke whereby the introduction of the new interim index of retail prices was delayed until the price of my pipe tobacco had risen from 1s. 2d. to 4s. 2½d. per ounce?

If one must poke fun, moreover, let one at least have due regard for the facts. Had you taken the trouble to refer to the Ministry of Labour's handbook on the new interim index, you would have discovered that beef sausages indeed figure therein, and from your knowledge of the past you should have known that there could be no question of their being removed from the index merely because nobody eats the things any longer. "Obsolescence" in this context is no crime; if the tallow candle could still supply light in the old cost of living index more than thirty years after its use became confined for all practical purposes to ecclesiastical circles, the beef sausage is clearly destined to live long as its modern counterpart in the field of statistical curiosities.

You would have been on sounder ground, surely, in drawing a distinction between the Statistical Pork Sausage (the "Webber"), whose contribution to the new index will presumably fall in accordance with the "Meat Content" formula explained in the Ministry's handbook, and the Sausage As Eaten—whose meat content seems likely to remain at 50 per cent because the master butchers decline to do better without an increased allocation of pork.

One sees that your fantasy on the subject of "Standard Sausage Satisfaction" is based on the method adopted in the index for dealing with beer. But hard fact, had you known, is better than all your prosaic flights of fancy. "The procedure chosen" (I quote from the handbook) "in fact gives a sort of compromise movement . . . and therefore may be said to reflect the fact that a purchaser of a glass of beer is not only concerned with the alcoholic content, but also with the quantity of liquid refreshment, service, recreation, social intercourse and amenities of the public house." In measuring all these in a single figure the Ministry performs a statistical feat to which your sausage cannot hold a candle.

All the same, the official treatment of beer has its mysteries. The price (says the handbook), ascertained from a specified list of public houses, is adjusted each month "to allow for the extra duty which would have been payable if it had been of the strength which prevailed in 1938." To the layman this would seem to mean that if the excise duty on beer goes up next month and the gravity remains unchanged, the cost of living will go up (i) by the extra duty on the beer you are actually drinking, plus (ii) the extra duty on the beer you are not drinking, but would have been drinking if 1950 had been 1938; which seems odd.—Yours faithfully,

PETTIFOGGER

The United Nations

Sir,—In your issue of October 21st, you point out that in deciding whether the problem of Indo-China is to be referred to the United Nations or not, the Big Three must do a lot of calculation of uncertain and marginal votes. You imply that, if the prospect is good that a majority can be obtained for a Big Three decision, the problem should be submitted; if the prospect is that a majority cannot be gained then the Big Three must act in some other way.

This is an entirely realistic attitude on your part, but does it not reflect a complete conviction that the United Nations machinery has broken down, or has, at least, failed to function as was hoped? Are you not simply saying that the only hope of maintaining world peace today is a military alliance of the Big Three, and like-minded nations?

As far as I can see, this is the truth of the situation. Why should it not be faced? Why must we go on with this pretence that the United Nations system is working? As long as it is assumed to be working, as long as the present chorus continues of cheerful assertions that the United Nations showed, in the case of Korea, how Communist aggression could be stopped, so long shall we drift to the inevitable moment at which the Big Three find themselves unable to act for the preservation of civilisation, because the United Nations machinery will not permit this.

Mr Acheson is trying to escape from this dilemma, by an attempt to alter the functioning of the United Nations system, without first obtaining an impossible alteration in the Charter. Even if this plan be adopted, it will not solve the problem which you state—of cases in which Mr Acheson cannot depend on obtaining a majority vote in the General Assembly. Would it not be better for us to face facts and to substitute for the United Nations system a franker alliance between the Big Three and like-minded nations than now exist?

Action in this direction would not involve the disbanding of the United Nations system. It would require open acceptance of the fact which you state—that it is the power of the Big Three which guarantees the peace of the world, and that the United Nations is to be regarded, at present, and probably for a long time, as nothing more than a forum in which international affairs may be discussed, with the rather vague hope that this discussion may produce good results.—Yours faithfully,

P. C. ARMSTRONG

Montreal, Canada

Consumers Representation

Sir,—As Mr Egbert Cadbury states, the consultative committee system is new; he is still more correct in pointing out that the general public is not aware of its existence.

Many who have followed closely the postwar trend away from local democracy are emphatically of the opinion that consultative committees and councils at the local level in connection with passenger transport, gas, electricity, hospitals and health should meet in public. Their proceedings would then be reported in the local press—so far as space, now so wickedly limited, affords—and the public would soon take a most salutary interest in these organisations. Probably they would first ask how the councils, etc., are appointed! A necessary reform is a new Press Act covering all these new bodies.—Yours faithfully,

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Books and Publications

Very Taking Lecturer

Testament for Social Science. By Barbara Wootton. *Allen and Unwin.* 192 pages. 15s.

Though Mrs Wootton may not altogether like having her admirable book called a declaration of faith, that is essentially what it amounts to. Scientific method, to summarise her thesis, is essentially as applicable to human problems as to those more obviously physical. All that science can do in any field is to establish associations; the higher their probability the better, but such certainties as the boiling point of water are only limiting cases. In the social sciences degrees of probability are generally low; but they can be raised, and while some scientific methods (notably the rigorously controlled experiment) are excluded, others, such as observation, measurement and statistical analysis, only demand the development and application of existing techniques. Even pending these, there is no excuse for adopting towards human problems a "pre-scientific attitude," whether merely impulsive, superstitious, or self-containedly intellectual. Science need not prove effective occupation of the territories over which, on its behalf, Mrs. Wootton claims sovereignty with all the assurance of that Pope who divided the New World between Spain and Portugal. There is nothing, from the demand for soap to the nature of mystical experience, from the motives of tyranny to aesthetic emotion, from the formation of public opinion to the workings of conscience, which scientific enquiry—observation, hypothesis, empirical verification—cannot eventually explain; conclusions otherwise reached are no more than unverified hypotheses.

Like her namesake, Mr Bernard Shaw's Salvationist, Mrs Wootton "would have been a very taking lecturer on Secularism," though certainly no one would preface that judgment, as did Major Barbara's interlocutor, with the remark "It's a pity you was never trained to use your reason, Miss." She is courteous, incisive, sensible, witty, and cool; in fact, a paragon among controversialists. Yet she seems curiously blind to the dangers of her claim. Scientists may be sufficiently scientifically-minded to remember, and to give warning, that this or that conclusion is provisional; but while, in other fields, conclusions are acted on by experts who understand such warnings, the field of human relationships is one in which everyone must practise. What happens when the inexpert get hold of a scientific conclusion in that field is demonstrated by those luckless parents and children whose relationships have been conscientiously shaped, against all instinct, intuition and "pre-scientific" horse sense, by textbooks on infant psychology. Nor is actual misreading of, or undue reliance on, the "conclusions" of science the only or the gravest danger. There is an observable and radical difference in quality between those actions in the field of human relationships which are spontaneous and those which are intellectually planned and deliberately willed. A love-relationship scientifically considered by the lovers, a loyalty-relationship scientifically considered by leader and led, a joke or an impulse of generosity scientifically analysed by the laugher or the giver, cease to be what they were and become something unmistakably less valuable—less "valuable" even in Mrs Wootton's sense of conducing to physical and mental health.

Here is a dilemma indeed. If physical and mental health demands that certain experiences and certain relationships remain unanalysed and spontaneous for those involved in them, then those scientists whose vocation it is to test and analyse such experiences must themselves fall short of mental health—and must, moreover, realising this, safeguard others from this latest and deadliest fruit of the tree of knowledge. The complete conquest by science of the human field, foretold and applauded by Mrs Wootton, demands in fact a priesthood of sociological initiates, debarred by their initiation from normality, constantly perfecting their knowledge of the springs of human nature, and eventually exercising a power more inescapable than any physical tyranny; a priesthood in whose hands the rest of mankind, debarred for their own good from the arcana, would at last be no more than puppets.

The dilemma, however, is indicated in no spirit of obscurantism. The harm done by dogma and ignorance far outweighs any to be expected in the nearly foreseeable future from the advance of science over new territories; curiosity still retains the same overwhelming survival-value as when it first spurred mankind upward from among the other primates. It can only be rightly curbed in the name of principles which it has itself established; and if that happens Mrs Wootton will presumably comment from the Elysian fields, not "*Mea culpa*" but "I told you so."

Broad-Gauge Executives

Developing Men for Controllership. By T. F. Bradshaw. *Harvard.* 231 pages. $3.25.

The Growth and Development of Executives. By Myles L. Mace. *Harvard.* 200 pages. $3.25.

These volumes, published by the Harvard Business School, are competent and useful studies of the experience of big American firms in training their senior executives. They cover much the same ground. Professor Bradshaw noted that an accountant is often a major executive in his own field, may control a staff running into hundreds if not thousands, and often also passes into the field of general management (one remembers the Urwick Committee's figures showing how 70 per cent of British technicians end as managers); he set out to discover how firms develop their accounting technicians into what he describes as broad-gauge controllership executives. Finding that accountants, for no very good reason, are usually left out of executive training schemes, he had to fall back on the more general experience of turning specialists into managers, which also concerns Professor Mace.

Both studies are records of experience, rather than speculations on how training might be improved. Their weakness, so far as they have one, is that they do not go back often enough to first principles and ask, in the light of the theory and practice of education outside as well as within industry, how this or that might be done better. But as a record of what is actually going on they are interesting and stimulating. Their central theme is that in big firms the vast majority of the posts through which men graduate to general management are of necessity specialised and so offer only a limited range of experience. These firms therefore find that it pays handsomely to define requirements for each executive post, appraise the qualifications of staff

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BUTTERWORTH'S COMPANY PRECEDENTS

1949. Edited by RALPH SUTTON, M.A., K.C. and W. J. WILLIAMS, B.A., of Lincoln's Inn, Barrister-at-Law. Two volumes, price £6 6s. per set, postage and packing, 2s. extra. This work is a separate edition of Volumes 4 and 5 of *The Encyclopaedia of Forms and Precedents*, especially produced for company secretaries and accountants. Every form likely to be required in everyday practice will be found in these two volumes, which contain 802 Draft Forms, with over 100 Object Clauses in the section on Memoranda of Association.

Butterworth & Co. (Publishers) Ltd., Bell Yard, Temple Bar, London, W.C.2.

available for promotion, and adopt a definite training scheme to make the gaps in their qualifications good. Each firm's policy must be tailor-made ("no capsulated programmes"). The authors are properly sceptical about the rule-of-thumb methods still commonly in use. Executive training gives results in the long run, and to some extent diverts attention from day-to-day problems; therefore it needs good publicity and sustained pressure from the managing director downwards to get it across. Its most effective method is a dressed-up version of the old school of hard knocks. A man learns best by moving through a wide range of jobs in his own field, and occasionally outside it, and by coaching on the job; the coaching to be done, not by some hireling from the personnel department, but by the budding executive's own immediate superior. Coaching, as defined by Professor Mace, turns out to be neither more nor less than the process by which a good manager in any case gets the best out of his subordinates. Classroom methods have their place, and the education experts have their part to play in coaching the coaches. But no one has yet produced a substitute for experience in the art of handling men.

These books pass the supreme test of being digestible in a badly-lit train around one a.m., after a heavy day. But the murder of English will out. The broad-gauge controllership executive, it seems, is trained to dollarise the day-dreams of managing directors by being rotated for several years within his function, varied with short courses of role-playing; an intriguing activity promoted by the disciples of Kurt Lewin, but nowhere here precisely defined. Professor Bradshaw is the worse offender. Professor Mace gets off with a verdict of occasional manslaughter.

Taxes for Prosperity

Creation of Income by Taxation. By Joshua C. Hubbard. *Harvard University Press, London: Geoffrey Cumberlege.* 239 pages. $4.00. 25s.

That deficit finance is the obvious budgetary weapon against deflation, and taxation the most powerful means of breaking an inflationary spiral, is a fiscal generalisation which, according to Mr Hubbard, will not stand up to close analysis. Deficit finance rightly employed has its place in full employment policy; but that place is a preliminary, almost a subsidiary, one. The really reliable lever by which to jack up consumption and investment and reduce savings to a healthy level is none other than the supposedly deflationary device of higher taxation.

This paradox Mr Hubbard justifies through a closely reasoned, austerely expounded, argument in which Keynesian terminology is combined with a critical attitude to Keynesian precepts. The basic phenomenon on which his theory is founded is the stickiness of the propensity to consume. Taxes will be, on the whole, paid out of the taxpayer's margin for saving; the richer the taxpayer, and the heavier consequently the tax, the more notable will be their effect. Let the receipts then be devoted either to increasing consumption (by redistribution action) or, in certain, recognisable circumstances to increasing investment (directly or through cheap or interest-free loans) and the net result will be income creation and higher employment. Thus the bogy of an increasingly unbalanced budget can be laid and an effective full employment policy be combined with financial rectitude.

It is impossible to deny that Mr Hubbard has brought into prominence an important and generally neglected element in the fiscal picture, or that considerable benefit may be derived from this element being properly taken into account. Unfortunately it is difficult to feel as cheerful as he does about the practical implications of this income-creating property of taxation. A once-for-all activation of the "stagnant" economy, bringing it up from an under-employment equilibrium to one of full employment, is one thing; successive tax increases imposed to deal with a chronic tendency to relapse into stagnation are quite another, resulting as they must do (quite apart from any effect on incentives) in the transfer of more and more economic power and initiative from producers and consumers to government officials. The converse, too, of the merits of taxation as a creator of income is its demerits as a weapon against inflation—an uncomfortable thought in present-day Britain, with its apparently irreducible tax burden of 40 per cent of national income. Mr Hubbard, apparently unconsciously, does much to explain the "gap" lamented by successive Economic Surveys.

Land of Promise?

Brazil, World Frontier. By Benjamin H. Hunnicutt. *Macmillan, London: D. Van Nostrand, New York.* 387 pages. 45s. $6.00 Illustrated.

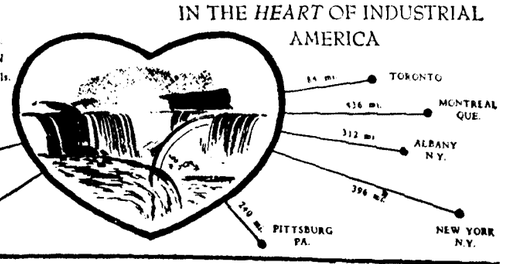
Here is a book for the American student or business man, about a land of promise, written by one who has lived and done educational work there for more than forty years. The author is bilingual, having written books and articles in Portuguese as well as in English, and he has been honoured by the Brazilian Government with the rare decoration of Commander of the Order of the Southern Cross, in recognition of his efforts to promote understanding between the peoples of Brazil and the United States. The book is illustrated with photographs and attractive black and white drawings, and reinforced with statistics—and yet, it is disappointing; for at the end of it, primed with facts about the history, development and potentiality of the country, we only know the people in so far as they have adapted themselves to the North American pattern — which is superficially. Many aspects of Brazilian life are examined, but the approach is always from the standpoint of the United States, never from that of world geopolitics, so that all contrast and comparison is bilateral. Having read it, the American traveller would arrive in Brazil with a wealth of data, a predisposition towards friendliness, and a conviction of his own popularity there; but unless he had previous experience of the Latin American temperament, he would soon become perplexed and frustrated, because his guide-book was devoted to action and exclusive of reaction.

The British reader would feel slightly inhibited, for one is left with the impression that Brazil is a United States preserve, and that European association is to be deprecated. The author actually uses the phrase "cultural warfare," and primly deplores that "The prewar activities of a number of nations in actively promoting cultural relations in Brazil could only lead to one conclusion. They were seeking trade." Which enormity having been exposed, he goes on with naïve enthusiasm to describe the activities of the Rockefeller Foundation and the Office of the Co-ordinator of Inter-American Affairs in encouraging cultural unions, study tours, scholarships, exchange of professors, distribution of books, films and radio programmes, and "everyday trade and commercial interchange" whose cultural values are coyly admitted to be "somewhat elusive."

The most exciting thing about Brazil, from the author's angle, is that its frontiers are still fluid. Previous waves of exploitation (sugar, gold, rubber and coffee) have each affected the shape and size of the developed area, and new road, rail and air communications, with modern engineering and agricultural

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techniques, presuppose a further spate of settlement in lands hitherto uninhabitable. Mr Hunnicut makes no secret of his belief that this development could best be carried out under the aegis of the Good Neighbour Policy—and perhaps he is right. But there are signs and portents, in the recent presidential elections, that a neighbouring republic, whose influence is not here taken into account, is just as eager to be associated in the cracking of the Brazilian nut.

A Study in Colonial Development

Puerto Rico's Economic Future. By Harvey S. Perloff. *University of Chicago Press and Cambridge University Press.* 435 pages. $4.75.

The problems of many "colonial" territories are cast in a mould which is at least as much economic as it is political or social. Puerto Rico is no exception so far as the general rule goes, but it is almost unique in so far as painstaking attention has been paid to the analysis of its economic structure, and the discussion of contemporary events in their economic setting. Dr Perloff's book is, in fact, a model of what should be attempted for every dependent territory in which a low standard of living and low productivity of labour are matched by high political and social aspirations.

The most outstanding contribution that he has made to the study of this important subject is to apply techniques of quantitative measurement to the situation he has investigated. Many of his conclusions will be disturbing to the politicians, and it is very right and proper that this should be so. Population trends are, he finds, alarming; unless the very rapid rate of population growth can be checked, higher levels of living cannot be maintained, and even the present very low standards may deteriorate still further.

Dr Perloff assumes that agriculture will not be able to provide much more employment, and most of the increase will have to be absorbed elsewhere. No fewer than 170,000 *new* "non-farming jobs" will have to be found by 1960 if excessive amounts of poverty and unemployment are to be avoided. This will mean the creation of an "employment pattern" similar to that of North Carolina, Georgia or Tennessee, as it existed in 1940. The capital investment that will be required will be of the order of $340 million, or, making the necessary allowance for the upkeep of existing plant, about $85 million a year, at 1948 prices. (Even this does not provide for the agricultural sector of the economy.)

The final conclusion is that "real and lasting gains can be made only if the people of Puerto Rico are willing to make present sacrifices for the sake of future improvements." The island's Government and the Federal Government of the United States can take much credit for the energy and the efficiency with which the problems of the island have been tackled. But what has been done so far can be regarded only as a beginning. Dr Perloff's remark that "there seems to have developed in Puerto Rico a tendency to associate the economic improvement programmes with the war-created budgetary surpluses" is a clear warning of gathering storms ahead.

A Sombre Picture

The Age of Terror. By Leslie Paul. *Faber.* 256 pages. 18s.

As in his previous books, Leslie Paul offers us the choice between a return to God from Mammon and inevitable destruction from total and incessant war. With his accustomed clarity of thought and style, he inquires into what has happened to the Europe which was founded on the precepts of Christianity and flowered into the exuberance of humanism, to bring the glowing promise of the enlightenment to the sordid modern fulfilment of police state and cold war.

He examines the history of socialism and its diverse manifestations through Fabianism to the Labour Party; through Marxist theory to the Social Democrats; and through the gradual transformation of the ideal of the dictatorship of the proletariat into Lenin's actuality of the dictatorship of the Communist Party over the working class, and Stalin's application of this to power politics.

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The chapter on "Economic Perplexities of Western Nations" might well be extracted and issued as a text-book for sixth-formers, to send them out into the world with a grasp of what will be expected of them as wage earners, and what they can and cannot hope to receive in return.

The author believes, with Bertrand de Jouvenel, that the present economic problem of Western Europe is only a symptom of a moral condition arising from the fact that the individual no longer relies on himself, but throws the onus of providing his means of maintenance on the state, which in its turn relies on foreign aid; and that this moral sickness *cannot be cured by increasingly* generous gifts in the shape of indefinite loans, but only by a realisation that the material ends for which we all struggle and are willing to die are chimerical.

> *The rejection of the spirit* is the rejection of humanism; the rejection of God is the rejection of Man. It does not need words to prove this: one honest and steady stare at the contemporary world is proof enough. How long, in *such a stare, before we lower our eyes* in anguish?

It is, indeed, a sombre picture. But before we are overwhelmed, it might be well to remind ourselves that what Western man has been, and is, willing to die for is a way of life, in the defence of which his material well-being is reduced. Moreover, the medieval acknowledgment of a supra-temporal power did not prevent the devastating struggles of Guelph and Ghibelline, or the later horrors of the Thirty Years War; nor is ours the only age to be "bedevilled by conflicting ideologies." If our present pass is due to spiritual inadequacy to our vastly expanded material environment, the answer is not the renunciation of materialism, but its control in the interests of humanity. It is irrefutable that in his pursuit of creature *comforts* and power (which is an inherent human urge, and not a genie escaped from the Renaissance bottle) modern man has evolved a social conscience not dreamed of in times of greater awareness of spiritual values. If the present is, in Bertrand Russell's words, "An age in which authority no longer suffices to produce a socially necessary minimum of belief," it is also an age in which the common man is aware of his dilemma as never before, and in which his representatives consider his situation as a major factor in the shaping of world policy. Reforms may be adopted from expediency, but *their conception* is a matter of conscience, and this, with or without faith, is a thing of the spirit.

Academic Pamphleteer

Essays in Social Theory. By G. D. H. Cole. *Macmillan.* 251 pages. 15s.

Among Professor Cole's many gifts is that of being able to speak with many voices and address many audiences. There are few more effective pamphleteers, popularisers, translators into the vernacular from the vocabulary of the mandarins; and it is in these capacities that he is most widely known and admired—or, occasionally, deplored. Behind the superbly efficient mouthpiece, however, is a serious political thinker and teacher of political thinkers; and in this collection of essays it is the serious thinker, though armed with the same powers of lucid and delightful exposition as his pamphleteering *alter ego*, who is uppermost. The essays collected here range from Professor Cole's inaugural lecture at Oxford on "Scope and Method in Social and Political Theory," through appraisals of the ideas of Rousseau, of the *Déclaration des Droits de l'Homme*, and of Auguste Comte, to practical dissertations on the teaching of social studies, on civil service *reform, and on the basic aims* of education. The collection is characteristically rounded off with a reprint of the chapter "What I Take for Granted" from his "Intelligent Man's Guide to the Postwar World," which bears re-reading, and pondering, very well—not so much for its actual content as for the light it casts on the mind of a fairly representative Socialist intellectual.

On the whole it is the essays dealing, from one angle or another, with educational matters which are most satisfactory. Whatever has to do with the imparting and organising of knowledge, with the training of minds and characters, with the development of the qualities making for a happy and creative society, brings out all that is best in Professor Cole's attitude both to his fellow-men and to the things of the mind. While registering the opinion that it is extremely fortunate, both for Professor Cole and his countrymen, that he lacks "aptitude and taste," as he says, for political leadership, one could wish that he were in a position to impress his views more directly on the emergent educational system of Great Britain.

Shorter Notices

Both Sides of the Curtain. By Sir Maurice Peterson. *Constable.* 314 pages. 21s.

The Foreign Office bears a heavy responsibility for emasculating the memoirs of its servants. There can be no other explanation of the fact that, in regular sequence, experienced and able ambassadors are unable to offer any profound or far-ranging reflections on the principles and conduct of British foreign policy. Instead they restrict themselves to cautious reminiscence and to amateur reflections on national character and institutions, which show a limited range of sympathies and interest. Sir Maurice Peterson is less guilty of such superfluities than some; but he would doubtless have liked to give the British public a picture of his work in Moscow comparable in range and documentation to that given by the American General Bedell Smith.

There are excellent things in the Moscow chapter: for example, the sketch of Molotov, "the little buttoned-up man whose smile seldom extends to the eyes," whose "sole intellectual equipment" is "tenacious obstinacy." Sir Maurice remarks in passing that as Soviet Foreign Minister he "committed nearly every stupidity under the sun"; that is the kind of idea which one would like to see developed for several pages. There are even better things in the chapter on Spain, which the author saw in three guises: King Alfonso offering advice on unemployment to Ramsay MacDonald, a sleeping portrait of a British ambassador worthy of La Bruyère, candid remarks about both Falange and Republicans. Sir Maurice has dry wit, a very readable style, some justifiable grudges and it seems the gift of observing foreign affairs *without* significant emotion.

Variations in Working Class Family Expenditure. By J. L. Nicholson. *University of Oxford, Institute of Statistics.* 60 pages. 2s. 6d.

This paper, first published in 1949 in the Journal of the Royal Statistical Society, has now been reprinted by the Oxford Institute of Statistics where most of the work was carried out. It is a study of the effect of changes in family income and family size on the pattern of prewar household spending, made by carrying out a statistical analysis of some of the working-class family budgets collected by the Ministry of Labour in 1937-38. Of particular interest is a section attempting to measure the cost of children, which was undertaken at the request of the Royal Commission on Population. But much of this work must be regarded as only experimental, for there are many difficulties in an analysis of this nature, especially when it is confined to a fairly small sample—most of the results are based on a total sample of some 700 families. In discussing the difficulties, the investigation should be helpful in the design and analysis of future budget surveys.

World Statistical Congress. United Nations. Proceedings of the International Statistical Conference, *Volume II.* *275 pages.*

The first World Statistical Congress under the auspices of the United Nations was held in Washington during September, 1947, and was attended by representatives from fifty countries. This volume contains the addresses and papers reproduced in the original language in which they were presented, together with an abstract in the other of the two working languages (English and French) of the United Nations.

The papers include accounts of the statistical activities of agencies such as the International Labour Organisation and the Food and Agriculture Organisation and also the most important developments in the statistical work of national governments. The collection and availability of international statistics have altered quite appreciably since 1947, but this volume provides some useful background information.

Urban Mortgage Lending by Life Insurance Companies. By R. J. Saulnier. *U.S. National Bureau of Economic Research.* 180 pages. $2.50.

This is one of a group of investigations of real estate finance in the United States sponsored by the National Bureau of Economic Research. Although in the United States, as in Britain, mortgage loans are now a much smaller proportion of insurance companies' assets than they were in the nineteenth century, between 15 and 20 per cent of all mortgage debt outstanding there is still held by insurance companies; the offices concentrate in particular on the financing of specialised commercial properties such as hotels and offices and of larger residential structures. Professor Saulnier ploughs systematically and painstakingly over the whole field of his subject matter; the history, scope and varying experience of such loans, the legal framework within which the companies operate, the organisation and operating costs of the lending, all are reviewed in staccato style amid a plethora of statistics.

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AMERICAN SURVEY

Two Ramparts to Watch

Washington, D.C.

SOME weeks ago Mr Walter Lippmann pointed out that because the Republicans were in power during the period of American territorial expansion in the Pacific they had, as a party, tended to take a special interest in that area; the Democrats, on the other hand, having been in power during both World Wars, had become involved in, and identified with, European affairs. In the election campaign which has just finished this difference between the two parties could be seen with greater clarity than ever before. For almost the first time in American politics both sides were advocating some form of intervention overseas, even if, in the case of economy-minded candidates, it was only a verbal one. Neither party was preaching complete isolation as both have preached it at times in the past.

Mr Dewey once remarked that the party out of power always appeared to be more isolationist than the Administration, a theory which, though it has no validity in other countries, has been generally true in the United States. It is so long since the Democrats were out of power that it is easy to forget that they did not, in opposition, appear as an international party, preaching an identity of interest with Western Europe. They complained that the annexation of the Philippines was "imperialism" during the campaign in 1900 and in 1932 they had an isolationist programme, and it was Mr Stimson, with his attempts to stop the Japanese in Manchuria, who was the interventionist. If, in recent times, the two parties looked different ways, this was because, in a country which occupied a continent and had frontiers on both the Atlantic and the Pacific, there were two ways to look and a case could be made for preferring either.

But, by 1950, with the Soviet Union stretched across Eurasia, though each party continued to look in its traditional direction, both saw the same danger. It was this which made it possible for Senator Vandenberg to chivvy his party into support of the "bipartisan foreign policy," that is to say, into temporary agreement for giving priority to Europe. But the arrival of the enemy on the Pacific coast of Asia scared lesser men, in Mr Vandenberg's absence, into breaking the national unity and precipitating a bitter quarrel over Far Eastern policy in a critical year.

Because each party looks in a different direction and there is so little resemblance between the strategic situations in Europe and Asia there are conflicting ideas about the best means of meeting the threat of Communist expansion. The Administration, having in its favourite continent a large and literate population, most of the industrial potential outside North America and peoples who have fought invaders from the East for as long as they can remember, believes that the cheapest and most effective policy—and the one with the best chance of avoiding open war in the pursuit of its aims—is that of encouraging, supporting and helping the countries of Western Europe. The opposition, which puts not its trust in foreigners, would prefer, if necessary, to fight Communism at once in China, and do it without allies, though not, if its campaign oratory is to be believed, in Korea where the United States enjoys the moral support of most, and the material support of some, of the rest of the non-Communist world.

"If the Europeans," the *Chicago Tribune* said the other day, "without our garrison in Germany, cannot hold off the Russians for even a few months, until our reinforcements arrive, the Europeans are worthless as allies and our ten divisions in Europe will be sacrificed for nothing." A week or two earlier Mr Herbert Hoover had raised the question whether the European nations, except for Britain, had the will to fight or even the will for preparedness. "If we do not find," he said, "real military action of powerful strength in Western Europe . . . we had better . . . consider holding the Atlantic Ocean with Britain (if they wish) as one frontier and the Pacific Ocean with an armed Japan and other islands as the other frontier"—a simplification of the problem before the United States which, for his party's "elder statesman," approaches the naïve.

There runs all through the Republican approach to the problem—the result, no doubt, of eighteen years without responsibility—a skein of mediaeval xenophobia, of the isolationism of an untrustworthy baron who, wary of friendships and alliances, would shut himself and his forces up in an impregnable castle, raise the drawbridge and pour boiling oil—or the oil of boiling invective—on any stranger who ventured near.

*

From these different views of how best to deter or defeat Communism there flow two different views of how to treat, and treat with, Communists. The President, the Secretary of State and all his Department believe that every chance of reducing tension between East and West must be taken. If Mr Acheson's policy costs votes because some of Senator McCarthy's mud has stuck, that must, as the acting Chairman of the Democratic National Committee said, be accepted as part of the liability of the party in power. The Republicans, on the other hand, believing that conflict is unavoidable or undesirable to avoid, take every chance of insulting the Russians and fought their campaign by calling anyone who was prepared to negotiate with a Russian a Communist sympathiser or a "pink," in the belief that this would please the voters.

The *Washington Daily News* (and, perhaps, others of the Scripps-Howard newspaper chain) published a photograph of the President shaking hands with Mr Vyshinsky when he went to address the General Assembly with the ominous caption: "You are likely to see this picture again," and the remark that a Republican might say about it: "But he didn't have to smile, did he?" And Mr Dewey, who, however

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

much the Hanley letter may have tarnished his shining armour, is not a fool, must obviously have thought that he was collecting votes when he said, in a prepared speech, at a dinner for United Nations delegates, that "it would be folly to ignore the harsh fact that . . . the Soviet Union has ten to fifteen million people living as slave labour under conditions which amount to torture and death." The satisfaction with which he added: "I must say I am complimented by the withdrawal of those who plot the destruction of the world," when Mr Vyshinsky and Mr Malik walked out, suggests that the success of this piece of atrocious manners had been carefully calculated.

This kind of tactic gives the Administration, which has the responsibility of trying to prevent war, a bad time during an election campaign. The State Department discovered during the Berlin blockade that quiet discussion, such as then took place between Mr Jessup and Mr Malik, could produce satisfying results. Ever since they have been on the watch for a chance to repeat that success. The conversation Mr Dulles (who, having been engaged in active diplomacy, does not share the irresponsibility of other Republicans) had two weeks ago with Mr Malik may only lead up a blind alley—and the fact that it became known and its substance was published may ensure that it does—but it might lead somewhere more substantial. Coming soon after a suggestion by Mr Malik to Mr Bernard Baruch that the visit of a private individual to Moscow might be worth while, it at least suggests that the public should welcome, rather than question, Mr Truman's smile to Mr Vyshinsky.

It would appear that one Republican politician, Mr Harold Stassen, had his doubts about the wisdom of the rest of his party and thought that a man who tried to make peace could gain more popularity than one who went about scattering personal insults. He presumably heard of the approach to Mr Baruch and jumped in to turn it to his personal advantage. But Mr Stassen, who moves in a mysterious way his blunders to perform, bungled as usual and made conditions which earned him a rebuff from *Pravda* instead of an invitation from Stalin. The result of the election hardly justifies his doubts and may well scare the Russians into a belief that no accommodation with the United States can be reached if the American people are turning to the Republican view. But having come so near to gaining control of the Senate, the Republicans may recapture some of their mood when they controlled the Eightieth Congress. Then they were a more temperate party than they were before—or have been since.

Northwest Frontier

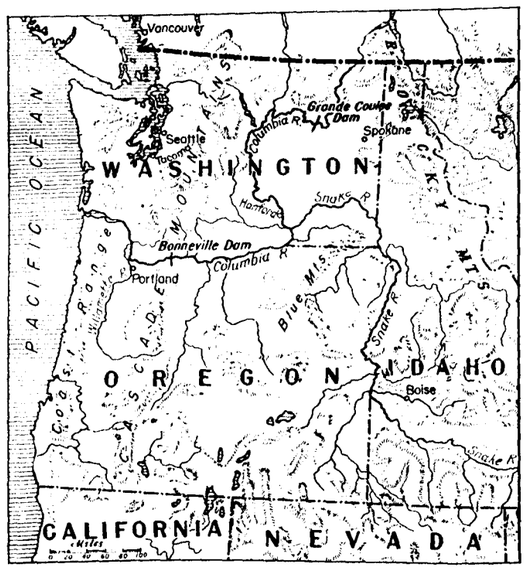
[FROM A WEST COAST CORRESPONDENT]

In the Pacific Northwest, complacency is a sin. The rawest newcomer and the oldest inhabitant share the same pioneering spirit and both are convinced that this is a land of almost unlimited opportunity. Their enthusiasm has not been satisfied in the slightest by the mushroom growth of industry in the Northwest or by the bursting prosperity there. These modern frontiersmen feel that the possibilities for expansion have only just begun to be realised. Yet there is a notable absence of the blatant boastfulness which has characterised other boom regions, especially Texas and Southern California. The quiet determination of the people of Oregon and Washington leaves little doubt that they will succeed in subduing their "wilderness."

It is already more subdued than wildernesses usually are. The bustling cities, ringed round with new factories, do not look much like a frontier, nor do the huge aluminium plants, although they stand where only a few years ago was raw land. Nor are the forests of fir, pine and cedar very wild, for they echo with the whine of power saws and the roar of tractors.

The Second World War only partly explains why the Northwest has shot up so quickly towards industrial maturity. Its economy was deeply rooted long before 1940 in lumbering, agriculture, fishing and mining and, since the war ended, these basic industries have absorbed much of the population which flooded westward during the war years. In the mid-forties, sceptics predicted that many of these immigrants would leave the Northwest when the shipyards and other war industries were closed. But when noses were counted in Oregon and Washington this year, the census showed a million more people than in 1940, an increase of 37 per cent in the decade, and fewer of them are now idle than at any time since 1945.

The wave of prosperity which has swept across America has lifted the Northwest to new crests. Sawmills in Oregon and Washington are producing more than 17 billion board



feet of lumber this year for the 1,250,000 houses Americans are building, and plywood, pulp and paper mills are all working to capacity to keep their heads above a record-shattering demand. More food is being eaten and more money is being paid for it, which makes Oregon and Washington farmers expect a cash harvest even richer than last year's $840 million. This year, the Northwest's aluminium mills will produce nearly 300,000 tons of the light metal, almost half of the US output, confounding the "experts" who only a short while ago were predicting that these war-babies would never survive the peace. This pattern of prosperity is repeated in nearly all of the area's other factories, large and small and in the high level of retail trade in the cities and villages.

But what of the industrial goal the Northwest has set for its future? Here the pace is slower and problems are many, but, little by little, there is progress, and everywhere there is confidence that the problems will be surmounted. For example, signs are multiplying that the nation-wide building boom is nearing an end, yet, in the last few months, half a dozen big lumber mills have begun to expand. Two new plywood factories are now being built, bringing the additions

since 1945 to 25. Behind these decisions is a confidence that new markets will be found to replace the dwindling demand from house builders. Already the wood producers are planning broad advertising campaigns designed to attract new consumers to new products. Lumber and plywood have an infinite variety of uses, many of which have scarcely been exploited because military and conventional purposes during the last ten years have taken all of the supply. The plywood industry, for instance, considers it has only scratched the rural market; six million farms, it is calculated, could find new uses for plywood, if its possibilities were understood by farmers. Nearly every large lumber company has tucked away on its "rainy-day shelf" processes for making new materials from wood waste—about 35 per cent of cut timber is damaged or not used at all. Research has found ways of extracting tannin and wax from fir bark, cheaply and in huge quantities. Sawdust mixed with plastics can be pressed into a wide variety of boards, whose surfaces are glossy and harder than the hardest hardboard, and there are dozens of other possibilities.

In recent years, too, Northwesterners have conquered another problem—depletion of the forests. More than five million acres are now set aside as "tree farms," where forests of the future are seeded and cultivated with all the care of growing vegetables. Hand in hand go timber cutting practices which forbid the harvesting and stimulate the growth of immature trees. Never will the Northwest's forests be ruthlessly slashed to extinction as were the once-great timber stands of the Atlantic and Great Lakes regions. Nor will agriculture be hampered by lack of land, at least for generations to come. In eastern Washington, a vast federal irrigation project will in 1952 begin to make fertile a half million acres of sage-covered desert.

These and the Northwest's other natural resources—its minerals and its rich fish crops—provide the foundation for even greater industrial expansion. But the lifeblood of the Northwest's present industrial colonies and the hope for its future empire is the power that comes from the huge dams on its rivers. Inexpensive electricity has been the lure for many of the region's new factories; it will be the bait to draw as many more. At present, there is just enough power to make ends meet. Until more is available, industrial growth will be stunted. But during the coming two years new hydro-electric projects and additions to present generating plants will add 880,000 kilowatts of electrical capacity to the existing 4,400,000 kilowatts. The lion's share of this expansion will be at Grand Coulee, the world's largest hydro-electric enterprise, and already engineers have surveyed sites for 257 additional hydro-electric dams on the Columbia River.

*

It is as yet too early to tell whether the defence programme will, like the last war, touch off a new boom in the Northwest and start a new migration to the region. Some industries have already been affected; aluminium factories are speeding up production to the limit of the available power supply, and will expand their capacity if electricity can be provided. The big Boeing aircraft works at Seattle, that city's largest single industry, is working at a faster pace, and expansion at the huge Hanford atomic plant in eastern Washington is being hurried. In western Idaho and eastern Washington—the Northwest's mineral belt—lead and zinc miners have felt the spur of higher prices and rising demand and so have farmers and fishermen in the area. However, the once-great shipbuilding yards, now deserted or dismantled, show no signs of revival and, with many of the military establishments built for the last war still intact, the demand for lumber for defence purposes is small.

American Notes

Close Call for Democrats

The Democrats have kept their heads above the Republican mid-term tide, though it has crept uncomfortably high. A majority of two, instead of twelve, in the Senate, and of less than forty, instead of ninety, in the House leaves technical control, and the committee chairmanships, in Democratic hands, but it also more than confirms the conservatives of both parties in their unofficial working majority. Mr Truman's consolation must be that the cynical exploitation of the Communists-in-government issue, and the Korean casualty lists, did not produce a stampede among the voters and return to the Republicans the control of both Houses they won in 1946. The reverse of the coin, however, is that the opposition will now enjoy more power without responsibility—a combination it has made the most of in the past.

Republican gains in both the Senate and House were to be expected, for not since 1934, when the New Deal was still in full flood, has the party in power been able to hold, or increase, its Congressional majorities. The real surprise and shock to the Democrats has been the swamping of most of the President's champions in the doubtful states, and the triumphant survival of all but one of the embattled Republican conservatives. Senator Lucas, the Democratic leader, lost by over 150,000 to Mr Dirksen, whose last turn of coat has once more revealed him in the Pacific-first colours of the *Chicago Tribune*. Senator Myers, the whip, gives way to a Republican of a progressive and internationalist stripe, Mr Duff. In normally Democratic Maryland, Senator Tydings, who courageously climbed out on a limb in pursuit of Senator McCarthy, has been sawn off.

The labour leagues have failed as conspicuously in bringing down their Republican quarries as in saving their friends. Senator Taft's nip and tuck race in Ohio turned into a walk-over with a majority of over 430,000; with the victories of



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Senators Millikin, Capehart, Hickenlooper and Wiley, the line-up of the Republican right shows no gaps save that caused by the elimination of Senator Donnell in Missouri. It is, instead, strengthened by the victory of Mr Nixon, a former member of the Un-American Activities Committee, over Mrs Douglas, an even more convinced Fair Dealer than the President.

The Democratic left suffered a series of other reverses; it was its moderate, independent candidates, such as Senator Lehman, Mr Monroney in Oklahoma, and Senator McMahon in Connecticut, who saved the day. Senator Benton's helicopter also carried him just over the finish line in Connecticut, but the Governor who first appointed him, the Fair Dealing Mr Bowles, has lost. Even more discrimination was shown by voters in New York. Returning a Democratic Senator over the ailing and somewhat flyblown Mr Hanley, they nevertheless sent Mr Dewey back to the Governor's mansion with a majority of over 550,000; and in New York City they repudiated both machines in favour of Mr Impellitteri, the Acting Mayor, who, instead of keeping the chair warm for the next official Democratic candidate, turned independent, at least for the campaign, and walked off with it under Tammany's nose.

The trend to the right shown by the voters will discourage Democratic Fair Dealers and reinforce the grip of mid-western conservatives upon the Republican party. Mr Truman will have to accept the conservative view on taxation and controls, and make considerable concessions in foreign policy if the blockade of the past two years on progressive domestic legislation is not to spread and paralyse the business of government. Senator Taft has already proposed a review of foreign aid programmes, and Mr Stassen has demanded his pound of flesh in the form of Mr Acheson's resignation. This is stretching the election returns, but the Republicans have it in their power to make Mr Acheson's position unbearable.

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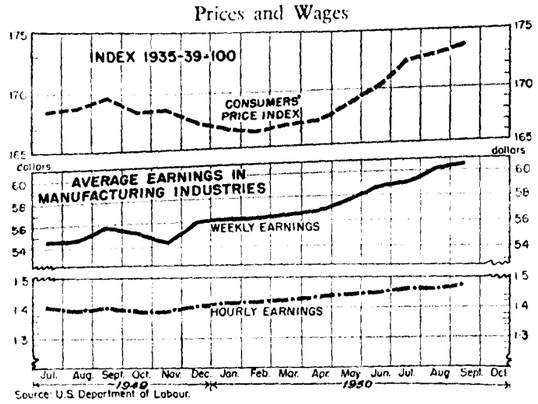
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Wage Controls Around the Corner?

In an hotel room in Pittsburgh last week, officials of the US Steel Corporation listened to Mr Philip Murray, president of the United Steelworkers' Union, as he explained why his 155,000 members must have a wage increase. Every manufacturer in America kept one eye on that hotel door, wondering if "Big Steel" would give its workers another 12 or 13 cents an hour, to add to their present average hourly wage of $1.70. But unlike previous years, other manufacturers have not waited for US Steel to start another wage race. Most of them broke through the barrier months ago. In September alone, the rush of trade unions to get pay increases before wage controls were imposed resulted in wage boosts for over 1,200,000 organised workers. The average wage of production workers has climbed to $60.53 a week, the highest in history.

Nevertheless, wages are barely half a head above the cost of living: since the Korean war began the consumers' price index has moved up 3.6 points to 173.8, just below the record set in 1948. Mr Murray is as determined as any of his labour colleagues that the cost of living shall

Prices and Wages



Source: U.S. Department of Labour.

not catch up with his union members, but he has not attacked this negotiation with his old vim and vigour. The talks have dragged on for three weeks without result, and some Republican critics have taken this as evidence of a deal between the steel workers and the Administration to delay settlement of the contract until after the election. Announcement of a pay increase in the steel industry, say these critics, followed by the rise in the price of steel which corporation executives think is inevitable, might have raised a clamour for wage and price controls, an embarrassing prospect for any politician running for office.

Now that the election is over, neither US Steel nor any other manufacturer may be able to resist further wage demands. American manpower is in tight supply, and manufacturers must pay whatever is asked. Last month, unemployment fell off in 147 out of 150 cities checked by the Bureau of Labour Statistics, and total factory employment edged close to 15.6 million; there were 35,000 jobs left vacant for want of men to fill them.

With jobs going begging and with many trade union contracts calling for automatic wage increases in 1951, Mr Stuart Symington, the chairman of the National Security Resources Board, will find it hard to avoid direct wage controls. So far, the Administration has been willing to allow wages to catch up with prices. A chairman has been appointed for the Wage Stabilisation Board, but he has no staff. Mr Symington has put his faith in such indirect controls as higher taxes, restrictions on hire purchase credit, and allocations of scarce materials. "If everyone gets in

and pitches," he says, "we may have a good chance to make indirect controls work." But the Administration may not have all of organised labour pitching on its team this season. When automobile sales slumped as much as 50 per cent after the Federal Reserve Board tightened hire-purchase terms for motor cars, Mr Walter Reuther, president of the powerful automobile workers' union, denounced the measure. He sees "mass unemployment" as the result.

* * *

Bullets and Ballots in Puerto Rico

Now that the United States has in its turn reached the stage of trying to liquidate its colonial interests, it is discovering for itself that dependent peoples sometimes bite the hand that frees them. The snarling protest from the Philippines, that the graft and extravagance there only followed the example set by Americans, was still echoing in Washington when the Puerto Rican shots threatened the President's life and the Puerto Rican revolt seemed to threaten the territorial government for a day or two. But the Filipinos were mortified not because the United States was putting an imperialist finger in their pie, but because there was hesitation about publishing the Bell report which recommends that the United States should, in effect, resume responsibility for the entire economic menu of the Philippines. And, while the would-be assassins from Puerto Rico were more orthodox anti-imperialists, it is not President Truman who stands in the way of their nationalist aspirations, but their own Governor Munoz Marin, elected by an overwhelming majority of their countrymen two years ago.

He is convinced, partly perhaps by the experience of the Philippines, with a similar type of economy, that Puerto Rico cannot yet afford independence or even statehood, however desirable one or the other may be in the long run. The tax and trade privileges which the island enjoys as a territory save it from the bankruptcy which threatens the Philippines, and Governor Marin has no intention of dispensing with these until the economy of the island is established on a soundly diversified basis. His attempts to bring American manufacturers to Puerto Rico, with the help of an industrial development corporation which the Philippine government is now urged to copy, have had some success; they should have more as costs rise and labour becomes scarce on the mainland as the result of the defence programme.

This programme will open new opportunities for the many unemployed Puerto Ricans, who take advantage of cheap air transport and their American citizenship to seek jobs in the United States. The conditions they find there, as unskilled workers, of mixed race, speaking little English, have not given them much cause to admire the American way of life, and the large number of Puerto Rican voters in New York City have been the main support of Mr Marcantonio, the fellow-travelling Congressman. The President's assailants came from his district and he was the only opponent of the legislation passed by Congress last summer, which permitted Puerto Rico to put the keystone on its uniquely independent position as a self-governing territory, by writing its own constitution. Mr Marcantonio objected to this legislation, as did the small group of nationalists in Puerto Rico, and the even smaller group of Communists, on the ground that it was a sop to distract attention from genuine independence.

The first step towards lifting this keystone into place was taken last weekend, when voters registered for next summer's referendum on the constitution. The revolt, and probably also the attack on Mr Truman, seems to have been an attempt by the nationalists and Communists to discredit and disrupt the process of gradual and orderly progress towards political maturity. But the Puerto Ricans, preferring ballots to bullets, refused to be diverted: at home they registered in unexpectedly large numbers and in New York Mr Marcantonio was defeated.

Not for Export

In August the United States found itself with an import surplus of merchandise for the first time since 1937. Imports, which have been rising steadily since last year's currency devaluations, shot up to a record figure of $819 million under the impact of war demands and raw materials shortages in the United States. This is almost 50 per cent above the 1949 monthly average. Exports reached only $761 million, compared with an average monthly total of just over $1 billion in 1949. In 1947, the excess of exports over imports alone amounted to nearly that. Mr Sawyer, the Secretary of Commerce, reports that, on preliminary estimates, the export surplus has been wiped out for the three months July, August, and September. It is this return to a balance in America's international payments, stimulated though it has been by mobilisation demands that one trusts are abnormal, that has prompted demands in the United States that Britain and the sterling area should begin to dismantle the controls that have protected them from dollar competition. The National City Bank points out that, if shipments under foreign aid programmes are disregarded, the United States has incurred import surpluses since last January.

Exporters, who have watched their trade decline by a third in three years, are gloomy about the future, though the exports of military goods under the Mutual Defence Assistance Act probably will prevent an import surplus during the coming year. This newest difficulty is less a dollar shortage —some restrictions abroad are being relaxed—but a shortage of goods for export. The goods that foreign countries would like to import are increasingly hard to find, quite apart from the export controls now imposed on copper, aluminium, lead, and zinc in the interests of the defence programme, and the revival of controls to protect domestic civilian supplies of sugar and cotton. What foreign traders would like is some assurance that foreign markets will not be starved to protect home consumers.



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The Administration will not be entirely unsympathetic. It still puts a high priority on international trade as a method of strengthening the West, and of binding the undeveloped countries to the anti-Communist alliance. It also appreciates that supplies of raw materials may become contingent upon the ability to turn dollars into machinery and electrical equipment—perhaps even Cadillacs. Most of the rise in imports in August came from Latin America, in the shape of coffee, tin and copper. Armed with a fresh supply of dollars, the Latin American countries are increasingly anxious to know what they will be able to buy with them. If the rearmament programme is as rapacious as is feared, a limited number of priorities for export may be needed.

* * *

Piling Up the Stockpile

The newest recruit to step into the ranks of the alphabet agencies of American defence will be the DMA, or Defence Minerals Administration. Scheduled to move into action within a few weeks, the agency will offer federal loans and guaranteed markets to producers who develop new sources of such vital minerals as aluminium, manganese, copper and zinc. A potent force for the future, the DMA will have little effect on today's metal markets, which are fluctuating wildly out of control. Copper is commanding up to 46 cents a lb. on the grey market, compared to 17.6 cents a year ago; tin has jumped to $1.52 a lb., an historic high, compared to 76 cents a lb. before the Korean outbreak.

Most of these materials, of course, are being gobbled up by private industry, whose appetite for raw materials to fill defence contracts and to manufacture mountains of civilian goods seems insatiable. However, the decisive influence which has tipped the balance from adequate supply to acute scarcity has been the government's decision to double its buying for the US stockpile of strategic materials. When the Korean war began, Americans were shocked to discover that four years of work and $1.5 billion in appropriations had given them a stockpile only 38 per cent complete by dollar value. President Truman promptly asked Congress for another $600 million to speed up the process; the Economic Co-operation Administration announced it would lay out an extra $138 million for purchase of strategic materials abroad.

The government's headlong plunge into the raw materials markets has drawn bitter comment from many manufacturers. Tyre makers claim that orderly buying last year could have secured all the rubber the government needed at 16 cents a lb., but that the sudden rush to amass a 1,500,000-ton stockpile had created such a shortage that natural rubber now costs 70 cents a lb., an increase of 350 per cent. When three big steel companies cut their production of galvanised products by 20 to 30 per cent, they blamed the lack of zinc on government stockpiling. And as nickel vanished from the market, automobile manufacturers gloomily prepared to use more paint and less chromium on new models.

Even abroad, where the spending of dollars once raised unqualified hosannas, the stepped-up stockpiling programme has met with a mixed reception. The demand of the United States for 20 to 30 per cent of the highest grade wool in the Commonwealth clip, when tight supplies had already forced prices up to record highs, has led some nations to wonder if America's concern for her stockpile has not blinded her to the needs of her allies. And some Americans have already asked their Administration to consider if a woollen blanket in the haversack of a British soldier does not contribute as much to US security as a bale of wool cloth on a US stockpile.

Shorter Notes

The Swiss Government has reluctantly agreed to the addition of the "escape clause" to its 1936 trade agreement with the United States. American watchmakers are losing no time in asking the Tariff Commission to invoke the clause on the ground that their industry is being seriously injured by imports of Swiss watches. They are undoubtedly encouraged by the fact that, for the first time, one of the similar petitions which have frequently been presented by other manufacturers has been successful: tariff concessions on women's fur felt hats and hat bodies, made to Czechoslovakia, France and the United Kingdom in 1947, are to be withdrawn at the end of this month.

*

The Tax Court has ruled that the fees paid to "five percenters," the "pedlars of influence," who help manufacturers to get government contracts, are legitimate business expenses and can be deducted for income tax purposes. The Bureau of Internal Revenue had refused to allow this, considering such payments contrary to public policy.

*

If the Civil Aeronautics Board examiner has his way, a "heliport" will be set up on the roof of the General Post Office in New York, and the centre of the city will be linked with its three airports and at least 35 other towns within a 50-mile radius. Mail, freight and eventually passengers will be carried. One of the most telling arguments for the service was its usefulness in the event of atomic attack. The only opponent was the Post Office itself, concerned not about its roof, but at the addition to its perennial deficit which will be involved if passengers do not take kindly to the new service and leave the mail subsidies to hold the helicopter.



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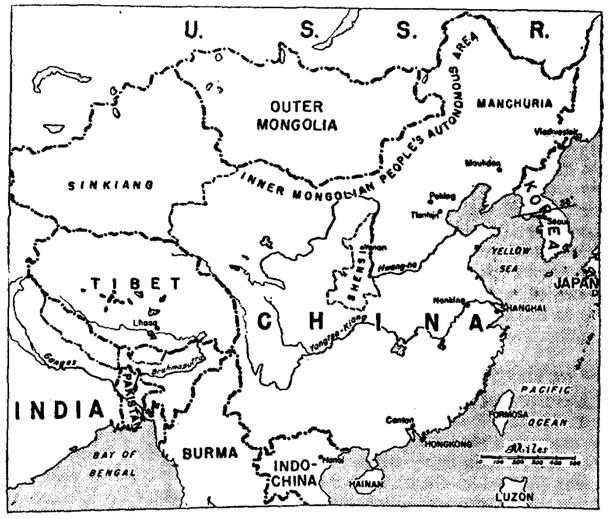
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THE WORLD OVERSEAS

New Order in China

(By Our Hongkong Correspondent)

AT Hongkong, now the only open threshold of China, the first impression is of variety. The downfall of a centralised regime confronts us with an old truism: that China is not so much a nation-state as a great sub-continental area, containing a great range of geographical, social, and other conditions. In an age of fervent nationalism, progressive opinion (both Chinese and foreign) has long discounted this underlying fact as far as possible, desiring to support the country's struggle for a national and independent status. It is the more striking, therefore, to find the Chinese Communists, in all practical matters, bluntly recognising this diversity as a preliminary fact. Their China is divided into half a dozen main regions, each with different regulations, different administrative devices, taxes and incentives—even issuing different postage stamps. Administratively, there has been a great decentralisation of procedures, and localisation of the immediate executive machinery. With this has come, however, an equally great centralisation of the powers of control and decision — indeed, of all authority on any plane higher than the executive one. Mao Tse-tung had repeatedly promised a "federal" solution for China; here it is, neatly coupled with the extreme of "Leninist - Stalinist Centralism."



This is, of course, not called Communism. That is held out as a future goal. Only foreigners speak of "Communist China" or "Red China"; the present regime defines itself as the "New Democracy," and each of its regions is a "People's Government." The element of people's government consists in the familiar device of allowing non-Party candidates to stand, on condition that they are personally approved by the Party and always vote with it; the element of democracy consists in allowing local administrations to debate freely the best means of locally enforcing central decisions. The "New Democracy" has, however, a broad theory of class collaboration (other classes being permitted to exist, though under the dynamic leadership of the working class), which has not yet been discarded to the extent it has in Eastern Europe.

Theoretically, only "bureaucratic" capital (that associated with the Kuomintang), and foreign imperialism are to be suppressed; "people's capital," workers, handicraftsmen, peasants, are all to be encouraged. In practice, this is a great scheme for "having it both ways": workers were first supported in inordinate demands against capitalists, but later the government could turn round, invoke its duty to support the "people's capital," and put the screws on the workers. This has happened in thousands of instances, with the general result that standards have on balance deteriorated for both parties.

Thus far this is, broadly speaking, the local application of a pattern already familiar in Eastern Europe. The primary differences are perhaps the regionalisation of administration, and a less subordinate relationship to the Soviet Union. The regional dispensation is, in the Marxist phrase, "not accidental," since it largely reflects the basic structure of the country, though it has been specially shaped by recent circumstances.

The nucleus of the new state was the wartime stronghold of Shensi Province, around Yenan. This area was wild, remote; appropriately termed the Border Region, it was self-contained (under blockade) at primitive levels. A rough and ready collectivism was there achieved, a homespun way of life close to the heart of the peasant. In the vacuum created by the Japanese surrender and the Russian Army's marauding expedition into Manchuria, this simple populism was rapidly spread, in 1945-46, over a great part of North China. Quickly, crudely, but on the whole smoothly, the Yenan pattern was imposed in wide stretches in the North, as an egalitarian (but not relentless) collectivism. It is deeply characteristic of Chinese Communism that its most spontaneous form of public demonstration is a childish rural folk-dance—the yangko, originally an ancient harvest-revel. The sense of liberation spread rapidly, and it must be stressed that this was liberation: the sudden ending of the foreign occupation and the long years of war-weariness, and the swift disappearance of corrupt puppet or Nationalist regimes.

The people of this area, which may be called the first zone of liberation, were barely conscious of any alternative to the Communists. In the first days the people found the dances and the crowd-movements very enjoyable, after the gloomy years of war. Only occasionally were they rudely interrupted by the fall of Nationalist bombs and shells; that the latter were known to be manufactured in America did more for Communist propaganda than all the efforts of the Communists themselves.

Soviet Models in Manchuria

The second zone to be distinguished is the North Eastern People's Government—the area more familiar under the name of Manchuria. In the last few days of the war, when the Japanese were already defeated, it was seized by the Russian Army. Soviet troops behaved in a manner fitting their own description of colonial imperialism; the country was plundered, the inhabitants manhandled. The Soviet

Union took railway and port concessions exceeding any previously demanded by Tsarist Russia; it removed a great part of the industrial potential of the country, then handed the remainder over to Chinese guerrillas and cadres established rather by Russian authority than by that of Yenan. The Communist pattern—its collectivisation, nationalisation and the rest, is clearer and firmer in Manchuria than in North China: but it is on Russian, not Chinese, Communist lines.

United Front in the Towns

Meanwhile, in China proper, a third zone was coming into existence. Besides the "stable base" of Yenan there had continuously existed a broad and fluctuating penumbra of guerrilla operations, representing an extraordinarily wide permeation of Communist and semi-Communist influence all over the country. Into this third zone the "overturn" was spread, in part by force of arms, in part by the methods of embittered class struggle, and largely through terrorist action by the fifth column. The upshot was sometimes a degree of compromise between full Yenan-style collectivism and the needs of the local situation, but more usually a savage imposition of Communist doctrines. The easy-dancing populism of the first zone here went by the board.

This phase shaded rapidly into the next, and into the emergence of a fourth zone. The next expansion of Communist territory brought in the major industrial and urban centres of China. The acquisition of these faced the Communist Party with entirely new problems. Its old stress on agrarian reform and its somewhat rustic populism had to be revised; a new United Front approach, with a different doctrine of class collaboration, had accordingly to be emphasised. This new task of organising a part-industrial state proved to be much beyond the immediate resources of the party cadres. From this point onwards (from the fall of Nanking and Shanghai) they have given the impression of being unable to cope with more than one task, or one sector of the home front, at a time; and it was their rural programme that was abandoned, so that all available hands could be turned to the urban and industrial problems. Thus the land-distribution and other programmes, which have been fully and uncompromisingly carried out in the North, have been effected only partially or in modified form in the third zone, and halted altogether in the fourth.

Uncertainty in the South

This carries the story to the crossing of the Yangtse River. Thereafter, the whole of South China fell swiftly into Communist hands. South China represents an entirely different region, with problems entirely different, in every social and economic field: the rice economy (instead of wheat), tenancy, transport, customs and outlook, even language—everything is on a different footing from that found in North China. The Communists appear to have been unable or unwilling to produce a solution for this area, or to apply to it the procedures confidently followed in the North; indeed, they have—broadly speaking—done very little in the South, and certainly nothing decisive.

Still a sixth zone remains to be specified: the vast and potentially rich hinterlands of West China. The turnover of power in that great area was extraordinarily slow, often lackadaisical. In many areas, liberation armies did not even arrive for many months; in some districts interregnum has become almost an accepted state of affairs, and local forces (which are commonly nothing but bandit groupings) are holding these districts in varying degrees of collusion with the new central authorities.

This rough outline is intended to emphasise the amazingly uneven development of the new order in China. This fact has not received adequate recognition abroad, but it is probably fundamental to an understanding of the position and prospects there.

(To be continued)

Persia Faces Both Ways

AT first glance the new Russo-Persian trade agreement, coming on the heels of two announcements about American aid with economic development, looks like just another parry to a thrust in the cold war. But, seen from the Persian home front, it has a different significance. The Persian political world consists of a myriad splinter factions, dozens of which must be simultaneously wooed by any premier who wants to keep in office. The agreement with Russia, and the pleasure with which it was greeted locally, is proof that no Prime Minister of Persia can afford to lean on the west alone. Since the Shah's visit to America last year, successive governments have tended to look chiefly westward.

But the Russians are so near that, even to Persians who do not like them, it seems merely prudent to get along with them. There was therefore relief when, in August, they made overtures about implementing the Russo-Persian Trade Treaty of 1940. This month's agreement is an annexe to that treaty.

The west need not feel that it has been worsted. Its prime requirement is a stable Persian Government, in order that its economic aid to Persia may have a chance to mature. The present Persian premier, General Ali Razmara, has for the moment gained a wider backing because he can point to agreements in hand with Russia as well as America; his chances of stability are therefore improved.

Expensive Russian Sugar

Whether the agreement will also increase contentment by improving the economic plight of north Persia remains to be seen when it is put into practice. Its actual terms are not yet published. The Russians are hard bargainers. The best evidence of this fact is that in the last year in which they supplied any considerable quantity of goods for the Persian market—1946-7—they headed the list of suppliers (in value) of Persian imports, chiefly because the 12,000 tons of sugar which they supplied cost Persia 600 million rials, whereas only 250 million rials was paid for 35,000 tons of sugar coming in through southern ports. The new agreement is made on a barter basis; if north Persian rice and dried fruits now resume their old route northward in fair exchange for Russian sugar and manufactures, prosperity in Persia's Caspian provinces ought to increase, and contentment with it. It may be a good augury that the Russian negotiators seemed ready to meet Persian requirements on some important points that were discussed—in particular, to trade through five Persian Government agencies instead of, as the Russians wished, through Soviet commercial travellers dealing directly with Persian rural producers. They also agreed to hand back the Persian frontier patrols they had impounded, to settle some disputed boundary lines, and to reopen negotiations about the eleven tons of Persian gold which they carried off to Moscow during the war.

A Start with Point Four

As far as foreign policy is concerned, therefore, General Razmara is now facing both ways. He is, however, more deeply involved with the west than with Russia. The two newest items of western aid at his disposal are a 25 million dollar loan from the Export Import Bank of Washington and a $500,000 American grant—the first such to be made under this year's Point Four allocation—towards village training centres in agriculture and public health. These are to be run on the pattern of those already operated—on a tiny scale compared to the size of Persia—by the American Near East Foundation. Half a million dollars will not greatly alter the scale relationship, but it is a start.

Can the Prime Minister, striking while the memory of success with both Russia and America is green, utilise the support he has temporarily gained in order to put through the main items of his home policy? His chances do not look rosy. The main aims he is pursuing are three. One is the passing of a budget; Persia has been living on monthly votes for some years. Another is advancement of the country's education in democracy by decentralising some of the responsibilities of the Government, and passing these to elected provincial and district councils. The third and most important is the financing of the Seven Year Plan for development and welfare. This, which has been on paper for years, gets little farther because Persia has no money to finance it, and because most Persian politicians are too proud to borrow this except on terms which are far too arbitrary and opinionated to attract most foreign lenders.

General Razmara has the Shah behind him in his efforts to get these three projects moving. But he is handicapped by the age-long failings of the Persian politician. Even Cabinet Ministers desert rather than admit that they are not being 100 per cent. successful; his latest cabinet re-shuffle was caused by the desertion of his Finance Minister while on an errand abroad. In the Majlis, group upon group of landlord politicians are endlessly ready to carp and criticise, but unready to advance an inch towards the changes that are their only hope of arresting Asia's march towards the overthrow of their class. Their support for General Razmara has been fluctuating because, belonging largely to Teheran—if they do not belong to the landowning class—they hate his decentralisation policy. Further, throughout his time in office, they have poured volumes of destructive criticism upon his every idea for raising funds to finance the Seven Year Plan. They prefer to turn a blind eye to the fact that he can achieve this only by foreign borrowing, or else by accepting the Supplemental Agreement on oil royalties which the Anglo-Iranian Oil Company had offered to his predecessor and is still fully ready to make. (The terms of this relatively generous agreement were set out in *The Economist* of May 6th, 1950.)

Unconstructive Parliamentarians

General Razmara has secured an Export Import Bank loan but this does not yield funds for local spending; it serves merely for purchases of equipment in America. To meet the local wage bill of the Seven Year Plan, and to start activities that will ultimately yield revenue for servicing and refunding loans, he must both borrow more and come to terms with the oil company. Yet, at present, the prating in the Majlis is such that he is doing neither. Precious time is being wasted, and the very considerable funds that the Majlis could immediately secure by accepting the Supplemental Oil Agreement are lying idle. An Assembly of sleek and unconstructive Parliamentarians is spending its time either procrastinating or reaching for the moon. Sometimes it gives the impression that it would not be capable of grasping essentials or facing realities even were the tumbril at its door. There is no doubt that a more purposeful parliament could borrow the money Persia needs both on better terms and in bigger quantities.

Is there a way out of a situation in which politicians cannot finance their own development and will not let others do it for them? The best discernible course is to pray for the emergence of a leader with sufficient aplomb and backbone either to command a steady following or else to override unconstructive opposition. To the disappointment of many of Persia's foreign wellwishers, neither the Shah nor General Razmara seem to think that it is up to them to display such qualities.

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German Industry Reaches a Landmark

[FROM OUR SPECIAL CORRESPONDENT]

THE moment is approaching when the Atlantic Pact powers and Federal Germany will have seriously to consider what the Western German economy is capable of contributing to Atlantic defence. No direct request for financial or industrial aid has yet been made, but the word has gone round that the Federal Republic will be expected to contribute in one way or another ten per cent of the national income. This percentage will deliberately be kept lower than the British or American burden in order to meet the German argument that wartime destruction, dismantlement and the need to support an army of unemployable refugees and disabled soldiers have rendered the economy incapable of bearing even the present burden of occupation costs. This aspect of the complex problem will be discussed in a later article.

The question also arises: is German industry capable of expanding to meet the demands of western rearmament for its basic materials and, perhaps, equipment such as uniforms and lorries? No one at present thinks of re-establishing the dismantled German armaments industry, but it is realised that there are many ways in which the country should and could help to supply the Western forces without rebuilding Krupps.

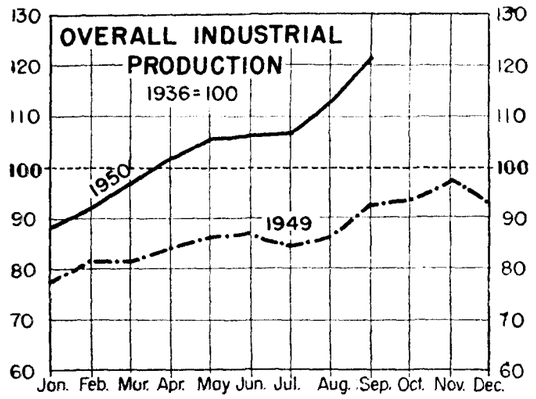
At this moment, the situation in German industry appears to be that further increases will be limited by shortages in coal, power, chemicals and skilled labour. Further shortages in imported raw materials, particularly non-ferrous metals, loom up with the exhaustion of Germany's foreign exchange resources unless effective measures to direct the use of available funds are taken. Last winter's worries over an unemployment crisis and deflation seem more remote than the troubles of 1946.

Will the Boom Continue

A landmark has been reached in the progress of German industry, and Germans as well as the Atlantic powers are asking themselves, what next? Many firms are now working to capacity, particularly in the chemical field, and are reluctant to expand because of the uncertainty as to whether basic necessities will be available. A wider doubt also influences many—whether the boom will continue. There is a tendency in industrial circles to take the view that Stalin need only smile and American rearmament will be called off. This doubt is making some firms whose production of strategic materials has hitherto been prohibited chary of turning back their factories to their original use when the bans are raised. It also means that industrialists and traders still believe that they need and would find a stable market in Eastern Europe.

In the meantime, records continue to be achieved in output, productivity, employment and foreign trade. In September, for the first time, overall production exceeded that of 1936 by 21 per cent and reached the level of 1938. The greatest

increase was in investment goods (plus 10 per cent compared with August), and in the consumer goods industries (plus 8.8 per cent). Some individual records that are notable were: machinery (plus 9.3 per cent, largely owing to the spectacular increase in export orders); precision and optical instruments (plus 14.4 per cent); electrical goods (plus 14.7 per cent); iron, steel, sheet and metal goods (plus 11.8 per cent); and glass (plus 22.7 per cent). On the other hand, steel production has recently remained fairly constant at slightly over one million tons a month, while coal and coke production stagnated. The way in which production has soared without a break this year is illustrated by the accompanying graph.



The coal shortage is temporarily serious. Nothing but a real fright would have induced the Ministry of Economics to revert to a form of rationing. Last week the German Coal Control (DKBL)—a curiously anomalous body which exercises the powers of a government or cartel under the nominal authority of the Allied Coal Control—was empowered to ration supplies, in practice though not in name. The DKBL can do so because it controls a sales organisation which in the internal market exercises all the powers which used to be wielded by the *Rheinisch-Westfaelisches Kohlensyndikat*. This organisation was dissolved by Military Government on account of its being a cartel. *Plus ça change, plus c'est la même chose.*

The outlook for coal is not, however, so black as it appeared in September. After a strenuous tussle, the Germans in the Ruhr Authority secured an assurance in October that they could keep for the home market all output over 370,000 tons a day. The average daily output in October was 365,000 tons. There is every likelihood that this will prove a substantial concession, since the pre-Christmas period of peak production is beginning, and the miners have just received an increase in wages which introduces an output bonus. Even so, however, a stringent time lies ahead. The steel industry estimates that its present production can only be assured if coal output is at least 385,000 tons a day. To reach this figure it will be necessary to do more to stop the present drift of miners to less arduous jobs. The recent rise in wages is a step in the right direction. But it is being matched by the increases which are now taking place in almost all branches of industry.

Is There Full Employment?

The statement can already be heard in German economic circles that the country has reached the stage of full employment. This is, however, only true if qualified by the words "under present conditions." The unemployed still amount to 8 per cent of the employable population (workers and unemployed together) in spite of a constant flow of men and women into jobs. The total could doubtless be still further reduced if proper training were given to the army of youths—the product of the birth rate boom during the Hitler regime—who annually enter the market, and if more were done to provide housing in the industrial areas. Owing to this influx, the rise in the number of employed has been greater than the reduction in the total of unemployed. A satisfactory feature of the situation is that productivity has been rising and costs have been cut at the same time as employment has increased; and the process is not at an end. What can be done as a consequence has been shown by the Ford Motor Company, which recently simultaneously cut its prices and distributed a substantial bonus to its workers.

In detail, the trend in employment is shown by the following table:

in 1,000's	1948 30th June	1950 30th June	1950 30th September
Employed	13,468	13,845	14,295
Unemployed	451*	1,538	1,271

**The figure of unemployed at the time of the currency reform is misleading, since few found it worth while to register for employment or the dole while money was worthless.*

In contrast to 1949, the trend towards lower unemployment has continued into October. The first clouds on the sky appeared late in that month, when the limits of capacity were temporarily reached in some fields, shortages of raw materials began to appear, and the country's reserves of foreign exchange ran out. It is now gradually being realised that the new situation in the world is having repercussions on the German economy which call for revised policies. The first breaches have been made, on American instigation, in Dr Erhard's free market economy.

(To be continued)

Economics of the Atlantic Pact

On October 27 the North Atlantic Council Deputies decided to establish "an economic and financial working group" in Paris, based on the delegations of North Atlantic Treaty (NAT) countries to the Organisation for European Economic Co-operation (OEEC). The Deputies explained that their decision was inspired by their desire to gain access to OEEC's wealth of experience in tackling the economic problems of rearmament and the equitable distribution, in particular, of mutual aid. So far, so good; it is at last assured that the anomaly of establishing a separate body of experts, attached exclusively to the Nato organisation, sitting in Lancaster House, and duplicating (or attempting to do so) the work of OEEC, will be avoided.

The practical decision about OEEC's contribution to Nato work was confused, sometimes lost, and certainly delayed, by the psychological problem of OEEC's relationship with the younger organisation. Was OEEC, the European organisation, centred in Paris and the instrument hitherto of American pressure for European integration, to retain its individual importance and become Nato's economic instrument? Or was it, in the shadow of Nato, to be gradually absorbed and even replaced by the broader Atlantic character of the latter? Though they have decided to set up their economic working group in Paris, with OEEC delegations, the Deputies have temporarily shelved this issue, but it took valuable time to enable them to do so. They have forged a device through which they hope to use OEEC in their work without prejudice to the future relations of the two organisations. Those members of the Atlantic Pact—particularly the British—who feared that by using OEEC delegations and facilities the issue would be prejudiced, have been persuaded to swallow their fears—not indeed from a change of heart, but because the voracious demands on personnel of the Atlantic and other international organisations have at last convinced them that they cannot afford to duplicate.

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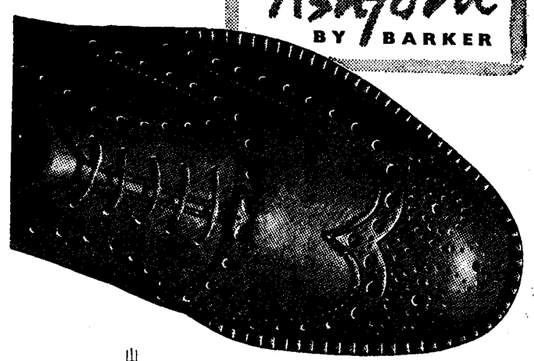
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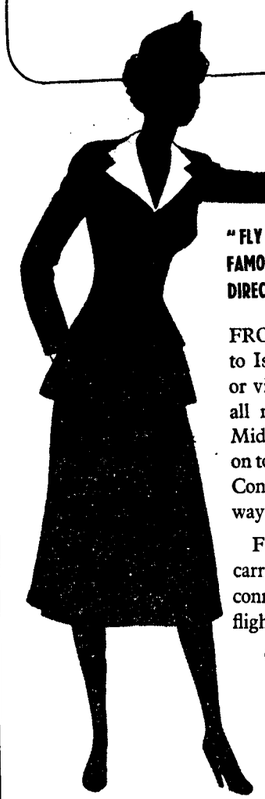
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This psychological background to the Deputies' decision finds a clear reflection in the ambivalent personality of the new working group. While the actors themselves will all be drawn from the delegations to OEEC, the dramatis personae will have different names, they will meet in different places and at different times, as dependents of Nato not of OEEC.

The immediate task for the group, which began meeting last week, is to produce comparable facts about the economic position of the Nato countries which are relevant to a decision on the equitable distribution of long-term mutual aid—that is, aid available after the end of the present American emergency appropriation in June, 1951. If the "fair-shares" ideal is to be realised, a complex assessment has to be made of each member's need to receive, and ability to contribute. This must include not only the size of each member's forces—already decided by the Defence Ministers—and the location in each country of production for joint requirements of equipment—now under study by Nato's Production and Supply Committee—but also the relative capacities of each country to absorb additional burdens, both in their internal budgets and their external balance of payments. It is towards filling this gap in the information available to the Deputies that the fact-finding activities of the working group in Paris will be directed; and they must cover such factors as internal financial stability, levels of investment, productivity and consumption, and trade and balance of payments prospects as affected by the rearmament and strategic production plans finally agreed by the North Atlantic Council.

OEEC's part in this exercise is beginning to emerge fairly clearly. The working group will use the information collected by OEEC in its October questionnaire for the Third Annual Report; to the extent that this will not cover the whole field (and for security reasons it is clearly impossible that it should) it will issue an additional questionnaire of its own, exclusive to Nato countries, in which the OEEC secretariat and the neutral members of the OEEC will not be involved.

Raw Materials and Controls

Secondary tasks for the working group must presumably be the more specific economic problems of rearmament such as raw material shortages and export controls, and here its relations with OEEC are ambiguous to say the least. OEEC is already launched on a study—and has committed itself to making recommendations—on the raw material situation as it affects the economies of all participating countries. While there is no question of transferring this work to the working group, the latter must be involved and may need, in the specific context of defence and security, to take the matter further than, or approach it differently from, the OEEC. No cut-and-dried decision has been, or will be, made on the division of work between the Nato working group and OEEC on this sort of problem. In theory, the duplication of personalities is intended to avoid duplication of work and, if not unanimity, at least compatibility of decisions. But in practice the Nato body in Paris would seem likely to gain predominance over OEEC where the two are covering more or less the same ground. Where they are not, as for instance in OEEC's work on internal financial stability, manpower, productivity and technical assistance, OEEC will continue unaffected. Thus, oddly enough, the consequences of establishing a formal link between OEEC and Nato on the former's home ground may well be, not to consolidate OEEC's position, but to provide a corridor down which the work of OEEC can gradually pass into the hands of Nato, without losing the knowledge and experience which the Paris body has so admirably acquired.

Communism Hard and Soft

[FROM OUR ROME CORRESPONDENT]

SENSATIONAL inferences about Togliatti's latest retreat into a nursing home have been answered by full-page dithyrambics in the leader's honour in the Communist Party organs. It took the *Unitá* twenty-four hours, however, to dismiss the impression that Togliatti was a politically finished as well as a sick man. After July 14, 1948, when Togliatti was saved by the surgeons from any fatal consequences of the attempt upon his life, very much the same speculations floated around. Then, too, the party's bulletins were scrutinised for indications that the grief was only formal, and that the necessary long period of rest would in fact be permanent. Then, too, it was said that the controls would pass into the hands of the "hards," then identified chiefly in Luigi Longo, because times were no longer propitious to the "soft" Togliatti with his Latin quotations, historical disquisitions, and studied personal resemblance to Cavour. But after a month or two Togliatti took back the reins.

Two years later Togliatti undoubtedly shows signs of fatigue and disappointment. He has presided over many frustrations and has had few openings for bestriding the stage with a convincing air of intellectual superiority. The fact that this year for the first time he led his deputies into physical *mêlée* on the floor of the Chamber has not raised his prestige. None the less, not only was the theory of an imposed diplomatic illness, parallel to one of Thorez, put out of court by the news of the new serious operation on October 31st, but there seem no grounds for believing that the party has undergone a profound upheaval. In the third week of October extensive reports were published in the Communist press of a three-day session of the Central Committee in preparation for the plenary party Congress in January. Though many of the contributions are reported enigmatically, a really big commotion should surely have betrayed itself.

Behind Picasso's Dove

It can be discerned that the atmosphere was not buoyant. The chief positive line was a call by Togliatti himself for greater confidence in the movement of the Partisans of Peace. Sereni, the party's cultural adviser, was the chief spokesman for the movement which, he said, has achieved "an autonomous political physiognomy." This means that a certain number of non-Communist notables, such as very aged pre-Fascist statesmen, can be claimed as signatories of the peace pledge—the important Bishop of Trieste has been widely publicised as a signatory despite his own indignant denials—as well as a great number of the bewildered and ignorant, and some people who are still seriously convinced that Italy's interest lies in neutrality. Through Togliatti's latest utterance there still floats the hankering after a great national front of varicoloured organisations shepherded and led by "the advanced element of the nation." These flocks would not rally behind the Garibaldi banner in 1948, but they might follow Picasso's dove in 1951. Such seems to be the main theme prepared for the impending national congress of the Communist Party.

Luigi Longo, the party's military chief, once the most quoted "hard," and second in the official hierarchy, seems to have said nothing even faintly divergent from his now invalided chief. A good deal more interesting was the intervention, as reported, of Pietro Secchia, in charge of organisation. Secchia indicated in abstract terms some deviations to which he could presumably have attributed personal identities. There were the "opportunists" who "have no faith in the masses but claim to save them without their own aid by dint of parliamentary combinations," and on the other wing there were the "sectarian extremists also

without faith in the masses who claim or believe that they can save them by sole virtue of revolutionary loquacity and simple exaltation of the conscious part (of the nation) and of the advanced element." It is perhaps an indication of Togliatti's value at least as a figurehead that either of these deviations might conceivably be expected of him. Secchia's speech was unmistakably "hard," and it included the interesting remark that it is not enough to have reliable local chiefs; they must also be men capable of compelling acceptance of the correct political line. Among the many excursions in self-criticism, the most amply reported was that of Togliatti when he lamented that activity was only displayed by party members of the rank and file when there were syndical struggles afoot and when direct instructions came from the centre. An eminent "hard," Di Onofrio, spoke similarly of the abundance of good executants in the party, with a scarcity of men capable of diagnosing a situation and acting correctly. Many speakers called upon comrades to show greater keenness and persistence in talking to men and organisations outside the pale of Communism, which one said was "far more important than talking to ourselves." Unmistakable discomfort in some quarters about the continued existence of Nenni's Socialist party as an alternative approved vehicle of Marxist policy was revealed by a defence of this anomaly by Togliatti. He vaguely justified it on grounds of "tradition, personalities, and methods."

Togliatti's Advice

Despite some little displays of "hardness"—such as a denunciation of "acquiescence in the liquidation of the Constitution" and a call for "mobilisation of forces against these reactionary messages"—the general purport of Togliatti's last utterance before his enforced rest was one of advice to keep the movement going in view of new opportunities to be offered at a later day, when the present "slow erosion" of anti-Communism, thanks to economic discontents, shall have changed the national situation. The summer months appear in fact to have been discouraging for the would-be fomenters of a new revolutionary situation. If Government information can be trusted the attendance at "Korea" meetings throughout the country has been feeble, and echoes of criticism about Korea from the rank and file pervade parts of Togliatti's own speech. If indeed the "hards" are going to profit by his absence to take the running of the party into their hands they will probably have to pay for their hardness by a sacrifice of numbers.

French Socialists Stand Firm?

[FROM OUR PARIS CORRESPONDENT]

THE press of the world has interpreted the French Government's refusal to accept German rearmament as envisaged by the United States chiefly in terms of French Socialist opposition. At the same time the recent Soviet proposal that the four occupying powers should confer on the basis of the "Prague decisions" is seen as a shaft thrust into that chink in the Atlantic armour offered by French Socialist half-heartedness in matters of defence. It is true that France cannot, in the interval before the general election of next spring, summer or autumn, be governed against the will of the 100 Socialist deputies. It is also true that French Socialist tradition from Jaurès to Léon Blum has been suffused, if not with pacifism, at least with a deep repugnance to everything military. Thus at the Riom trial—that curious fiasco in which the Vichy Government sought to inculpate the ministers of 1939 and before of having dragged France into a disastrous war—Blum, Prime Minister of the Popular Front, was accused of stinting military preparations. The uneasiness of the postwar Socialists over the Indo-China war, which they have regarded as the legacy of outmoded colonialism and of its epilogue under the provisional government of General de Gaulle, has added colour to the anti-militarist portrait. The unconvincing performance of the veteran M. Ramadier as Minister of Defence, itself associated with the unfortunate loss of General Revers's strategical report, set the seal on the legend of Socialist defeatism, which is a prominent theme of present Gaullist propaganda. What substance is there in this charge today?

Ministers in Key Positions

The Socialists, in the person of M. Moch, hold the Ministry of National Defence and its subsidiary, the War Ministry (M. Max Lejeune). Both these ministers have outstanding war records; in addition M. Moch, *le premier flic de France*, is the Communists' most successful and best hated antagonist for his virtuosity in smashing the insurrectional strike. There is no greater patriot in the National Assembly. The party's *Comité directeur*, which has absolute control over policy, including decisions to participate or not participate in the coalition government, is said to contain paler personalities. It is therefore interesting to examine the record of the party's national congress, held last week-end immediately after the Soviet diplomatic overture.

M. Guy Mollet, secretary general and schoolteacher from Arras, whose courageous actions in the resistance have not prevented a certain reputation for pacifist neutrality in the cold war, stated at the outset that "for Europe neutrality is the position of the lamb in front of the wolf." He asked the delegates fully to support the Government's proposal for the inclusion of German units in a European army. This support seems to have been generally given, although under the condition—also M. Pleven's—that Germany should first sign the treaty pooling her steel and coal with that of the other five countries negotiating the Schuman Plan. Several voices expressed disbelief in any European amalgamation without Britain (M. Ramadier, in particular, feared that "the Catholics believe in a Western European coalition . . . schismatics excepted . . . under the aegis of the Vatican"); but M. André Philip, most vigorous of federalists, who has just returned from the United States, strongly rebutted this view. The French rearmament proposal had, he said, come too late for acceptance; since, therefore, purely German units must be raised, the danger of a German quest to recover the lost Eastern territories could not in fact be avoided. The sole means of curbing Germany economically and militarily was to create a nucleus of European specialised institutions to which Germany would effectively surrender sovereignty.

Uno and Indo-China

The congress seems to suggest that the French Socialist Party is neither weaker nor stronger in regard to the Germano-Soviet problem than the M.R.P. or Radicals. The Socialists proclaim that French rearmament must not be paid for out of workers' wages; but so do the other coalition parties. The Socialist Party is certainly more disposed than they, at least on its left wing, to drop French hegemony in Indo-China by appealing to the United Nations and to make reforms in the North African protectorates. However, M. Gorse, a former colonial secretary, just returned from the United States, warned the congress that France was quite isolated in the United Nations as regards policy in dependent territories, and that an appeal to UNO over Indo-China was both technically difficult and politically inadvisable.

If these speeches are reliable evidence of Socialist intentions during the next months, it may be concluded that the party will be doctrinaire only in the matter of opposition to a reduction of the workers' purchasing power. For the rest the leader-writer of *Le Populaire* . . . no longer shrunk to one sheet through lack of funds . . . rejects outright the terms of the Soviet proposal on Germany and demands a united Atlantic front for security.

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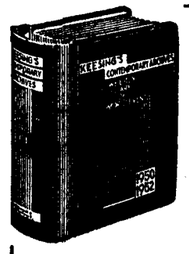
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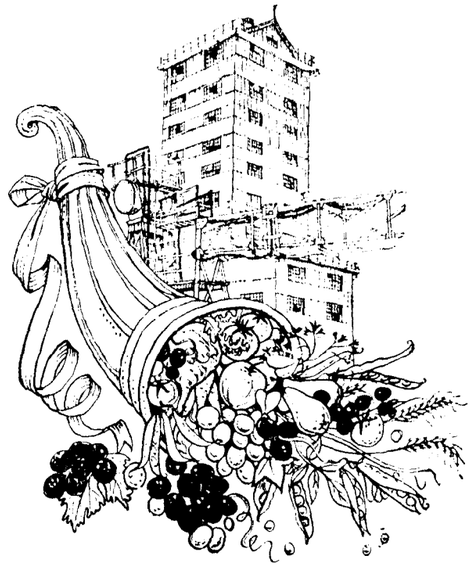
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THE BUSINESS WORLD

Dollar Aid in Suspense

IT is not often that the Home Secretary assumes the responsibility for making an important pronouncement on the state of the British economy. Mr Chuter Ede's declaration in the House of Commons this week was as startling as it was presumably inadvertent: "We have now reached a stage," the Home Secretary said, "through the policy of the Government and, I admit, a bit of luck, in which Marshall Aid is no longer a requisite of our economy." From any backbencher this proposition would have passed unnoticed; but as a pronouncement from the Government front bench it must presumably be regarded as marking official recognition of a turning point in Britain's postwar economic history.

It must also be regarded as a sign that the Government has decided to bow to the inevitable. On the eve of Mr Ede's statement, Mr William L. Batt, the new head of the Economic Co-operation Administration in Britain, arrived in this country. The first important item on his agenda is the somewhat invidious one of negotiating with the British Government for the suspension of the flow of Marshall Aid to Britain. This question has been under discussion ever since the sterling area began to run an appreciable surplus in its current trade with the Western Hemisphere. The Americans have never intended that Marshall Aid should serve as a reinforcement of the British gold and dollar reserves; it was to be a means of plugging a deficit. It may be assumed that the new Chancellor of the Exchequer was left in no doubt about American intentions when he recently visited Washington. The first official statement on this important development in Marshall Aid policy was made by Mr Attlee when he disclosed in the House of Commons last week that the British and United States governments would review the question of Marshall Aid to Britain "in the light of relevant factors." This statement was subsequently confirmed and made somewhat more specific by Mr William Foster, who has followed Mr Paul Hoffman as Economic Co-operation Administrator in Washington. Mr Foster suggested that any suspension of the flow of Marshall Aid to Britain would be conditional and that "any new economic relationship between ECA and the British Government should be rather one of standby aid than of termination."

These carefully phrased statements and soft-worded reservations cannot hide the fact that in present circumstances, with Britain gaining and the United States losing gold, with sterling hardening and the dollar softening and with Britain balancing its foreign payments, Marshall Aid to Britain is to be brought to a complete—though possibly temporary—standstill. It would be courting disillusion to assume that the outcome of the discussions which are to begin in London between Mr Batt and representatives of the British Government is not already prejudged. Unless there is a considerable change in the international balance of payments Britain is likely to have received its last Marshall dollar.

Since July 1st Britain has received $175 million of its provisional total allocation of $424 million of Marshall Aid for 1950-51. Britain's total allocation for this year was to include $150 million of conditional aid, which was to offset its initial contribution of the same amount to the European Payments Union. It is true that this initial EPU debit has not yet been wholly exhausted by the surplus that the sterling area has accumulated in account with its EPU colleagues and that no firm allocation can yet have been made of the whole of this $150 million of conditional aid. As and when the EPU compensations show the cumulative position of Britain with EPU to have reached the figure of $150 million, however, the necessary allocation of conditional dollar grants can be made retrospectively and can thus be made to refer to part of the $175 million which have already been paid over. Put baldly, the continued operation of EPU and the fact that Britain may be called upon to give further aid to other member countries does not imply that Britain can count on further conditional grants from ECA.

The relation of Britain's receipts of Marshall Aid to changes in the gold and dollar reserve since the plan

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came into effect is shown in the following table:—

	$ million	
	ERP Receipts	Changes in gold and dollar reserve
1948	681	+23
1949	1,132	+67
1950 (9 months)	974	+1,959

On the superficial showing of these figures the logic and justification of the American case are scarcely open to question. Marshall Aid was conceived as a rescue operation, to extricate the countries of Western Europe from the chronic deficits that they were running with the Western Hemisphere and to allow intra-European trade to continue undeterred by the lack of balance that characterised the aftermath of war. It was never intended to be a device by which the countries of Europe might look to the United States for special rewards for the rapidity and vigour with which they emerged from their temporary insolvency. It could be argued that some such element of incentive should have been drafted into the scheme. But that, for good or ill, was never part of the plan and its absence can hardly be a ground for complaint now. Once Britain had attained solvency in its over-all balance of payments and the sterling area had attained solvency in its current dollar account the *raison d'être* of Marshall Aid was achieved.

The arguments put forward by the American Administration have been reinforced by the contentions that the strain on the American economy has recently been increasing, that the United States is undertaking a larger proportionate burden in its additional rearmament expenditure than that carried by any other North Atlantic Treaty power and that there is nothing in the Marshall Plan, or in any other commitment made by the United States Administration, to justify continued aid from American taxpayers and consumers to a now solvent Britain. Right up to the outbreak of the post-Korean boom it was possible to argue that some (although never a large) part of Marshall Aid "financed itself" by filling up what would otherwise be slack in some sectors of the American economy. That argument is now utterly untenable. Every dollar that the American Government gives away now represents one less dollar's worth of purchasing power in the pockets of the American people.

What are the arguments that may be put forward on the British side for some continuation of assistance? Britain's first reaction may be to stress the abnormal and impermanent factors which have played their part in the recent improvement of the gold and dollar reserves. The shift of sentiment towards sterling has unquestionably had an appreciable impact on the timing of Britain's dollar and other foreign currency receipts. These were being delayed before devaluation; they have recently been anticipated, and the incidence of this factor on the current balance of payments must be responsible for a considerable part of the improvements in the gold and dollar reserve since September, 1949. Stockpiling and the phenomenal rise in commodity prices are other developments on the permanence of which it would be improvident to count. Stockpiling could easily be followed by a prolonged period during which current purchases by the American authorities were well below normal. Apart from such elements of artificiality in the recent improvement in the reserve, it might also be contended that the restored equilibrium in the balance of payments has been achieved at a low level, for the volume of imports into Britain is still no greater than 84 per cent of what it was in the last prewar year. It might also be argued that the gold reserve, in spite of its recent improvement, is still at an inadequate level if sterling is to play its part as an international and ultimately a fully convertible currency and that, therefore, the need for Marshall Aid has not disappeared. There is also the possibility that the impact of rearmament may endanger once again the equilibrium that has now been achieved in the British balance of international payments.

These are arguments that might be persuasively put to Mr Batt. It is by no means to be implied from their enumeration here that they are valid arguments or that the wider aspects of national dignity and economic independence justify their use. The precise weight of each argument is difficult to assess. It is almost impossible to discern what is permanent and impermanent in the factors that have contributed to the recovery of the gold and dollar reserve. The suggestion that America should go on helping Britain in order still further to raise the level of the gold and dollar reserve is one which might carry greater power of conviction in the United States if there were a clear indication that Britain would match each rise in its reserves by some relaxation in the discriminatory application of its import controls. Despite the doubling of the reserves since devaluation, there has so far been no such relaxation. British official spokesmen have lost no opportunity of uttering sympathetic generalities about the need for multilateral trade, non-discrimination, convertibility and the rest. But when asked to give more precision to these hopes, they have made it quite clear that they are still thinking of these objectives in terms of "the long run when we are all dead." Last June, it is true, rumours of some projected moves towards convertibility were in the air but the rearmament crisis is reported to have swung the debate in favour of the apostles of caution. If these rumours are correct those who counselled timidity after Korea have served the country ill.

There remains the question of the financing of mutual defence needs. This is an issue of which the merest preliminaries have yet been discussed between the North Atlantic Treaty Powers. The kernel of this problem is that of the division of the burden between the United States and Great Britain. It may well be that the suspension of Marshall Aid will be dovetailed into this new form of military aid. No reply has yet been received to the British memorandum, sent to the United States last July, which set out the intended scale of Britain's rearmament effort and stressed that it could only be reached on the assumption of substantial American aid. It may, however, be assumed that when Mr Gaitskell was in Washington he was given part of the answer to the British memorandum, namely a firm refusal by the United States to contemplate military aid to Britain in the guise of "free" dollars—that is to say of dollars available for expenditure in any part of the world and intended to make good any loss of British exports arising from industrial conversion to defence. This refusal to grant free dollars confirms the other indications that civilian aid to Britain under the European Recovery Programme will be brought to a temporary halt. The discussions with Mr Batt would, therefore, appear to have a predetermined conclusion and it is possible to regret that this fact should not have been recognised earlier in British quarters. British representatives could surely have spared themselves the unenviable role of pleading for a continuation of aid at a time when Britain, with the help of the sterling area, is managing reasonably well without assistance of this kind.

The implications of this development are important and wide. In the first place it should kill stone dead recent suggestions that the pound sterling should be revalued. It should also serve as a healthy reminder of the strength of America's economic position. Marshall Aid is one of the valves that can and will be turned off, if necessary, to ease the pressure on the United States' economy. After this reminder there should be less irresponsible talk of a breakdown in the American economy. Whether the suspension of Marshall Aid to Britain will have a serious impact on the British economy must depend on the course of British and sterling area exports. In existing circumstances the suspension will mean no more than that the recovery in the gold and dollar reserve will be reduced to the pace of the sterling area's trading surplus with the dollar world. Beyond that the prospect becomes shrouded in uncertainties about stockpiling by the United States, about the behaviour of commodity prices, and about the extent to which American exports will be impeded by America's rearmament drive. On all these issues it is impossible to formulate even approximate estimates. The new situation need not be overdramatised since the ratio of Marshall Aid to merchandise imports into Britain has been running this year at 12 per cent. The suspension of Marshall Aid should not call for new measures of import control in Britain; dollar import control is still screwed up tight as it was before the substantial improvement in reserves began. The danger that suspension may postpone still further any advance towards freer trade is real enough, but this does not mean that such postponement would be justified. Britain's duty to itself and to the free world is to keep its dollar accounts in good order, but the fearful (though they may have good reason for their fears) may still take heart from the fact that if sterling deteriorates again to a point at which an appreciable dollar deficit returns, Mr Foster's promise will no doubt hold good and "standby aid" will again be forthcoming.

Policy for Commodities

THIS week's news from Korea depressed the security markets, but it has led to a new scramble for rubber and tin. Prices are fantastic—tin touched £1,280 a ton and rubber 70d. a pound—and there are scarcely any supplies. This scramble for raw materials has been going on for nearly five months. In this brief space of time prospective surpluses have become a lost illusion; the whole of the free world is battling with problems of dire shortage. These changes have been so bewildering in speed and scale that common effort and thought about them have not been able to keep pace. The Organisation for European Economic Co-operation and the North Atlantic Treaty Organisation are engaged on a survey of key commodities and hope to draft workable schemes for their international allocation and a common policy for stockpiling key materials. But while these difficult deliberations proceed, commodity prices continue their dramatic rise. These discussions, nevertheless, do represent an advance on purely national or "producer or consumer" attitudes towards commodity problems. Only a month ago, the international wool study group endorsed proposals from the Commonwealth countries for a scheme of reserve prices for wool designed to prevent wool prices from falling below a given point. At this moment a special conference in Geneva is discussing a draft control scheme for tin designed to regulate its price by imposing export quotas, restriction of output, and building a buffer stock. Next month the international sugar council is to meet in London to consider an international agreement for sugar which again presupposes (though perhaps with greater relevance in this case) a surplus of supplies.

These recent and prospective discussions show how sadly the world has been caught unawares by the booming prices and desperate shortages of many critically important commodities. The phenomenal price increases have alarmed producers as much as consumers; they have let loose forces of inflation beyond the powers of fiscal discipline in producing countries. The accompanying record of the course of prices for tin, rubber and wool during the past five months needs little elaboration. It shows what has happened to three strategic materials bought and sold in free markets unhampered by any lack of foreign exchange. But it is important to remember that the increased demand that has been responsible for these record prices has not been for supplies to use now but for supplies to put into stocks. Consumption of the staple raw materials both in the United States and in the United Kingdom has increased but little in the past few months, but stocks have risen dramatically. In the first half of the year, some reduction was made in stocks because prices in the second half of the year were expected to fall. Korea violently altered that expectation and fears (heightened early this week) that the conflict might extend to South-east Asia, coupled with the possibility of delays in shipment and expanded rearmament and stockpiling programmes, have made stock building attractive and difficult. Industry in Europe and in the United States has found itself in competition with the American Munitions Board, now engaged in a frantic attempt to bring its strategic stockpile up to a more "reasonable" level—and what is "reasonable" is affected by every change in political tension.

An indication of the pressure exerted on commodity markets is given in Table I. This shows the annual rate of world production of eight commodities based on the first six months of this year and the annual rate of world commercial consumption. In the majority of items production exceeded consumption, though usually the balance was more than absorbed by American stockpile purchases. Column (6) gives estimates of American military requirements for all of these commodities except cotton; if these are to be met within a reasonable period the current level of commercial consumption will have to be reduced appreciably.

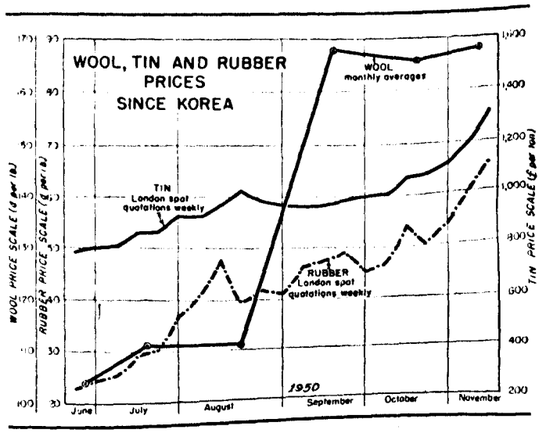
Prospects of increasing the production of these commodities are not bright. The trend of output since the war is shown in Table II. Copper output in Rhodesia could be expanded if sufficient fuel were assured, but there is a persistent shortage. Production in Chile, the United States and Canada might expand with the

incentive of high prices, but the limiting factor will be refining capacity until the extensions to the Rhodesian refineries are completed. There is even less hope of increasing zinc production. The need for a larger output of lead is not so urgent though the sharp rise in world output since 1946 suggests that some further expansion might be difficult. Tin production is already very high and is still rising. This year's output should reach 170,000 tons and the present fantastic level of prices may encourage some further rise. Natural rubber production is also expanding quite sharply and should reach 1,750,000 tons this year ; Malaya has only limited possibilities for further expansion but production in Indonesia shows a quickening tempo and next year world output could reach 1,825,000 tons. But this is outpaced by synthetic rubber, the output of which has been running at an annual rate of 460,000 tons, with an actual estimate for the full year of 560,000 tons ; by March next year, the United States expects to produce synthetic rubber at an annual rate of 950,000 tons. Production stepped up to such a rate will not be easy to curtail. Wool supplies this season will be smaller than in 1949-50, for although the clip is larger, the stocks of the Joint Organisation are almost exhausted. Users will have to wait while wool grows on the sheep's back—a slow process that cannot be expected to increase total supplies by more than 5 per cent a year ; 3 per cent may be more realistic. World cotton crops this year were relatively small, chiefly because the acreage restrictions imposed by the United States became effective at an awkward moment. They have now been taken off so that output in 1951-52 should expand sharply ; but twelve months is a long time to wait.

★

The problem confronting the commodity markets is twofold. The immediate job is to make the best use of current supplies in the defence programmes of the Western Powers. The other problem—scarcely less urgent—is to offer security to primary producers to encourage them to expand their production with all speed and purpose. But as the present inflated demand for commodities is largely to increase stocks, it follows that the mechanism of the commodity markets might be upset when conditions become more normal. Once the political outlook showed convincing signs of becoming easier, manufacturers and governments would have to look carefully at the cost of carrying stocks, and a fall in prices would be certain and sharp. Expanded rearmament programmes (apart from defensive stockpiling) will give support of their own to key commodities for two or three years and there may well be an unsatisfied demand for consumer goods because raw materials are diverted to military purposes. Any satisfactory scheme of encouraging production now must include some means of curtailing it later without reducing the producing areas to a state of insolvency and political unrest.

The price mechanism is one method of distributing materials between civilian and military uses. But in present conditions it can make the process of rearming and stockpiling a very costly one because military demand has the longest purse. If allocation by prices were to be effective, countries would have to take steps to curb



their domestic inflations and to allow high prices for raw materials to be fully reflected in prices of finished products. There are few of them, not excepting the United States, that are prepared to accept the political and economic strains implicit in such a decision. The price mechanism works tolerably as a method of allocating supplies when conditions are such that buyers have to assess the financial cost of their actions. Today, political uncertainty, fear of rationing and high taxation remove such considerations from traders' minds and encourage them to carry large stocks irrespective of price.

The alternative to the price mechanism is some system of international allocation. During the last war, the Combined Raw Materials Board was highly successful in keeping both British and American factories supplied with enough raw materials at reasonable prices. But it is well to pause and see exactly what international allocation implies. First, it presupposes a system of fixed

COMMODITY CONSPECTUS

TABLE I

COMMODITY BALANCE, 1950
(Based on first half of the year)

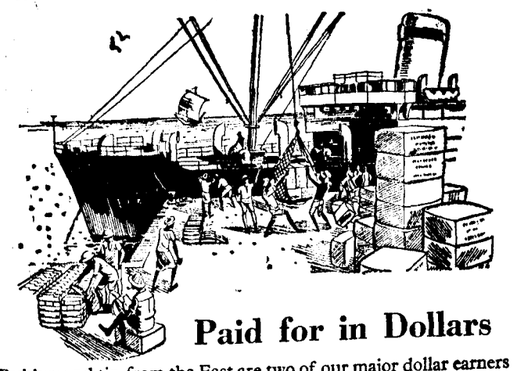
	Units	Production		Consumption		World Balance (+ surplus — deficit)	Estimated U.S. Military Requirements
		World	U.S.A.	World	U.S.A.		
		(1)	(2)	(3)	(4)	(5)	(6)
Copper	'000 tons	2,197	821	2,140	1,231	+ 57	260
Lead	"	1,547	494	1,450	331	+ 97	100
Zinc	"	1,752	798	1,740	766	+ 12	175
Tin (metal)	"	172	65	122	67	+ 50	100
Rubber, natural	"	1,640	...	1,570	725	+ 70	750
Rubber, synthetic	"	458	425	510	473	- 52	
Wool (clean)	mn. lb.	2,257	107	2,625	627	- 368	200
Cotton	"	14,890	7,800	14,640	4,655	+ 250	n.a.

TABLE II

WORLD PRODUCTION OF KEY COMMODITIES

	Unit	1938	1946	1947	1948	1949	1950*
Copper	'000 tons	1,901·5	1,653·4	2,055·0	2,102·2	2,079·0	2,197·0
Lead	"	1,559·0	1,015·7	1,263·7	1,275·5	1,452·7	1,547·2
Zinc	"	1,484·5	1,275·5	1,452·7	1,559·0	1,653·5	1,751·9
Tin (metal)	"	162·1	99·3	124·6	157·4	168·6	172·2
Tin (concentrates)	"	159·4	93·0	112·0	151·5	162·5	162·8
Rubber, natural	"	910·0	837·5	1,260·0	1,525·0	1,487·5	1,640·0
Rubber, synthetic	"	23·7	806·6	559·3	532·2	440·3	457·9
Wool, greasy	mn. lb.	3,788·0	3,765·0	3,709·0	3,782·0	3,938·0	3,979·0
Cotton	"	14110·6	10285·1	12072·8	13767·4	14822·8	14889·7

*Annual rate based on six months.



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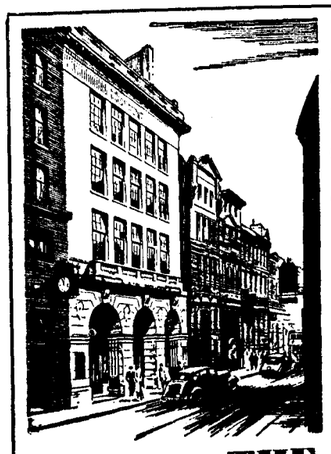
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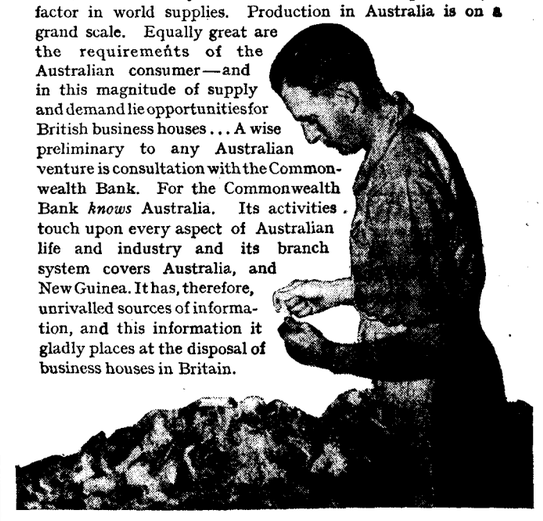
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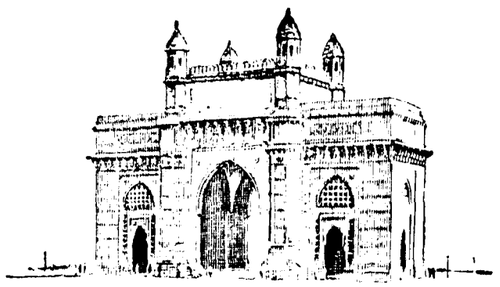
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or controlled prices, which would mean the closing of the commodity markets ; such a decision would be politically unwelcome to governments of producing countries. Secondly, allocation of materials would have to be carried out inside each consuming country ; producers would never agree to fixed prices if the supplies allotted to a particular country were then distributed to those manufacturers who were prepared to bid the most. Thirdly, an allocation system would have to cover all production and not merely that part which was exported ; no producing country would submit its output to allocation at a fixed price if a consuming country which produced part of its domestic requirements could remain outside it. Fourthly, allocations of one commodity would have to be related to allocations of others. These are merely the technical requisites of an allocation scheme. There are abundant political and administrative difficulties besides. The Combined Raw Materials Board was successful because only three important consuming countries were involved as allies. Today, twenty countries would be concerned and each would demand adequate representation and require assurances that its own interests were protected. Negotiations to devise such a scheme and make it work, in circumstances short of war, would require superhuman patience.

A comprehensive allocation scheme even for the major strategic materials may be out of the question at present on all these grounds, but there would still be room for co-ordinated methods of procurement, at least within the Atlantic Union, to meet the more urgent requirements for rearmament and stockpiling. But nothing has yet been done to overcome the immediate problem of shortage without provoking a future problem of surpluses. A system of reserve prices as proposed by the Commonwealth wool producers is likely to suffer the common defect of such schemes of putting the minimum price too high and thus encouraging too much output. The tin scheme is specifically designed to combat non-existent surpluses and its only immediate help might be to give some security to producers about the future. Neither of these schemes has been devised with any system of allocation in mind, nor does either guarantee minimum supplies for consuming countries in the event of a shortage. In these respects, the wheat agreement seems to provide a more suitable pattern for adaptation to suit the needs of individual commodities. Its system of minimum and maximum price limits and of guaranteed supplies to be sold or purchased at the top or bottom price respectively, may provide the conditions needed to ensure sales of given size to producing countries at a minimum price and supplies of given size to consuming countries at a maximum price. If such an agreement existed for tin, the United States would be guaranteed an agreed supply at the predetermined maximum price and could then decide whether to use it for military or civilian purposes.

To introduce any scheme for any commodity now that inflation has already become rampant would be most difficult, for prices have got out of hand. If tin can jump and fall £100 in a day, who can be expected to fix reasonable maximum and minimum prices to satisfy both sides for perhaps five years ? Yet, if the scramble for commodities is to be brought to order by means of allocation schemes or co-ordinated defence purchases, action will have to be firm and swift—indeed, it is already too late to secure many of the advantages that such a scheme might be expected to confer. If, however, the price mechanism is to be the sole arbiter, consumers who could make good use of materials here and now might suffer interruptions of supplies and defence output might be jeopardised at a critical time. It would then be no satisfaction at all to point to large stockpiles passively filling the warehouses that ought instead to be filling the defence pipelines.

Business Notes

China and Chancellor

There has been plenty to give the security market food for thought this week. Active Chinese intervention in Korea came as a distinct shock ; it requires news as serious as this to depress gilt-edged stocks by as much as a point, and the new 3 per cent Funding Loan, dutifully subscribed by cash applicants who received 89 per cent of their applications in amounts of more than £1,000,000, opened at a quarter of a point discount with little business. Had the conviction grown that Chinese intervention might become the prelude to a long and costly campaign of containment in Korea and throughout the Far East, this disturbance to the gilt-edged market would not have stopped where it did. Perhaps the revised calculation that Chinese intervention represented no more than a tactical move in the protection of China's frontier interests, rather than a new strategic threat, puts a cheerful gloss upon future possibilities ; but at any rate by the middle of the week the gilt-edged market was staging a quiet recovery and Funding scrip showed a small premium. By that time, too, it was showing some readiness to share

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Wall Street's welcome to the drift to the right revealed by the American election results.

The two events have at least one economic meeting point. If the Chinese are set on a major adventure, commodity prices would be pushed even higher (as they were earlier this week), even though the heightened political risks depress tin and rubber shares—which happened, too. In the United States, firm executive action will now become extremely difficult, and there may be less chance of securing a stable financial policy or effective economic controls at home and the desirable degree of economic co-operation abroad. Directly or at a remove, these factors will make it no easier to control the rising tide of inflation throughout the world. The instinct that has brought new support for commodities, for rubber, oil and copper shares, and selective buying of industrials seems sound enough—so long as these conditions last. It may be illogical that gilt-edged should advance at the same time, but that phenomenon merely continues the minor puzzle of the markets only too familiar in recent months. It argues a readiness on the part of the authorities to tolerate conditions of monetary ease that seem hardly appropriate for an economy already fully occupied and under the necessity of shouldering additional burdens for defence.

For this reason, the market's reception of the Chancellor's economic review in Parliament last week has been distinctly qualified. If there were any doubts that the new Chancellor was an apt disciple of his former master, this speech certainly removed them. It presented serious warnings about the dangers of internal inflation, of rising prices and potential shortages of raw materials that might call for the reimposition of controls, and against immoderate claims for higher incomes beyond the "due share of any increase in the national output" (is this not already dedicated to the needs of defence?). But the Chancellor's prescription offered no new conclusions about economic policy beyond the hope of international agreement on the allocation of raw materials, and was content to reassert the need for a strict budgetary policy (continuing "all possible economies in public expenditure"), maintenance of food subsidies, and strict price control.

The situation changes, but the formula remains constant. Ebullience about the rise in the gold and dollar reserves is waning, for foreign funds are no longer flowing to this country and dollar aid is in question. Meanwhile the forces of internal inflation, despite the Chancellor's protestations about prices and policy, are flowing strongly. Whatever else may happen in the security markets during the next six months, there will be no deficiency of profits; if the official statisticians reckoned that price increases in 1948 added £400 million to industry's reported (not true) profits, this year's rises will hardly do less. In these circumstances, it becomes a little unreal to urge upon industry "an even more intense concentration than before on the achievement of better results at lower costs." The compelling pressures do not exist; they are hardly likely to come about in the absence of a monetary policy that would regard as odd a relative gain in profits marching together with sustained strength in fixed-interest securities.

* * *

Beating the Gun

Direct effects of rearmament upon industry in general are already, and perhaps inevitably, being exaggerated. In light engineering, for example, certain firms have received about a year's normal orders in the past three months from civilian customers anxious to place orders while they are still being accepted; some others, who are not as busy as they make out, appear to be talking about pressure of work in an attempt to hurry the sub-contracts which may be forthcoming from heavy engineering firms with defence orders. But as yet few sub-contracts have materialised, except for firms manufacturing specialised items such as petrol tanks for aircraft. The industries directly concerned show no hurry to pass out work.

To date, it seems that large defence contracts consist mainly of orders for aircraft, reconditioning of light naval craft, the heavy and light armament and radar that these require, vehicles and service clothing. Most of the firms involved in aircraft and shipbuilding and the Royal Ordnance factories concerned, had recently been less than fully employed; electronics equipment makers, on the other hand, were busy when the programme was announced, but even in this sector the work has so far fallen mainly upon firms already devoting a large proportion of output to defence. Certain sections of heavy engineering receiving direct orders, however, are already fully employed. These include the machine tool industry. Here there is little chance of expanding output; it can only be transferred from home and perhaps export orders, for many of which delivery dates are already very long. The Ministry of Supply has a considerable strategic reserve of machine tools left from the last war (as distinct from the surplus stocks which it has almost finished selling) and the industry's first substantial orders were for reconditioning these. Other large orders appear still to be delayed pending information about the types, volumes and delivery dates of tools that America can supply. The gap in the range of machine tools that Britain produces and those it uses has been greatly narrowed since the war; British firms can now make all but a very few highly-specialised items, though in terms of volume and time—and financial aid—it may pay British users to buy American. Demand has tightened throughout the world since rearmament began, and British prices are still competitive. Apart from its defence preoccupations, the industry should be able to hold its export markets—even including the heavy machine tool market that Germany used to command before the war and is now trying to regain.

* * *

Men and Materials

The machine tool makers, like other heavy engineering firms, are short of skilled labour; they have been for years. But their problem has a somewhat distant connection with the figure of "250,000 extra workers for rearmament" which is being used freely in general discussion. This problem of finding skilled workers cannot be avoided in any defence programme that falls with such direct impact on sections of the engineering industry. But the general labour problem is much less formidable than is commonly assumed. A large proportion of the 250,000 workers who, according to a Ministry of Supply calculation, will eventually be required to fulfil the programme, can be expected to change from civil to defence production inside their present firms; others will be drawn into rearmament by the natural stimulus of higher wages. Housing may impose a brake upon the mobility of labour between industrial centres (Coventry is already full to bursting); but large-scale movement of labour is not in question yet. Such long-range problems will, no doubt, engage the attention of the new committee Mr Gaitskell announced last week.

The "pressure of rearmament" already being reported in industry is inextricably connected with the strengthening of western defence. It is provoking an accumulation of stocks of materials by manufacturers for civilian or for defence production—a movement natural enough in a period of growing material shortages and rapidly rising prices. An example is provided by the mild panic of steel orders since the onset of rearmament. Paper orders have risen by 50 per cent; yet the facts of steel supplies remain unchanged. Sheet steel is short, as it has been and will be until capacity at Margam and Shotton comes into production; in other forms of steel, there is no reason to believe that rearmament will affect demand seriously before the end of the year. Last month's new production record—a yearly rate of 17,040,000 tons—hardly suggests an industry unable to meet its commitments. Customers who are hoarding steel against defence orders they hope to get seem to be guarding against a shortage which is unlikely to materialise save in a hot war.



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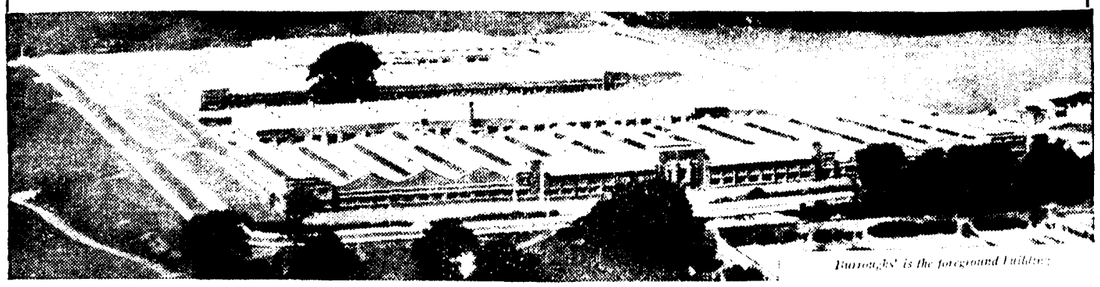
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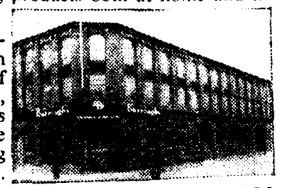


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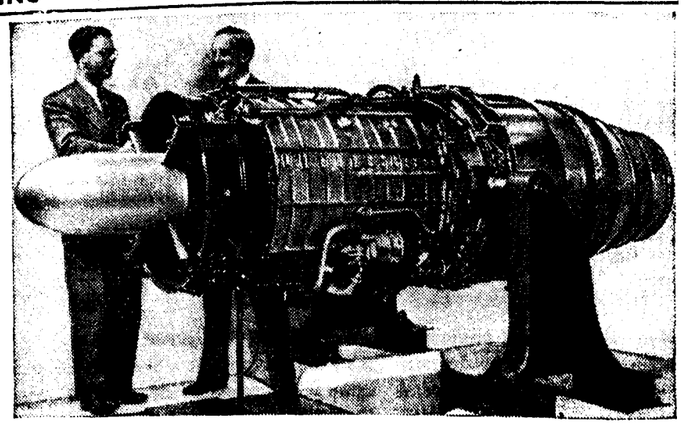
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12/SUP/10

Exporting the Coal Shortage

A cut in coal exports has not built up winter stocks to any of the successively-reduced safety limits which the Ministry of Fuel and Power this autumn deemed "absolutely essential." At the end of October industry started the winter not with stocks of 16.5 million, 16.2 million, or 15.75 million tons; it had 15.4 million tons, a million and a quarter tons less than a year ago. The diversion of coal from exports has not been sufficient to make good the effect of rising consumption upon lagging output; for the third week in succession, output has dropped below that of the corresponding weeks of 1949. The industry is still losing workers: four hundred men, all from the coalface, left in the last week of October, bringing the net wastage since the end of last year to 22,100, of whom 9,700 were face workers.

Britain has thus largely succeeded in exporting its coal shortage. Two months ago, the Coal Committee of the Economic Commission for Europe, reporting that Europe was virtually self-sufficient in coal, decided to discontinue its allocation system from the beginning of October. Almost before that decision took effect, a dramatic change had occurred in European coal supplies. Largely, but not wholly, because of the cuts in British coal exports, Europe is facing a serious shortage. Two other factors have contributed. Poland has recently been exporting more coal to Eastern Europe, at the expense of the West; and Western Germany, in attempting further to increase its lion's share of the European market, appears to have been overselling. Its current export contracts are now in arrear and a Coal Commissioner has been appointed to "direct," if not to ration, domestic German supplies. Reductions of 250,000 tons each in current British contracts for supplying Sweden and Denmark have begun to take effect. Holland, which suspended coal imports from Britain in protest against the Coal Board's dual-pricing, is meeting much difficulty in making up its import requirements from Germany. Italy, unable to collect arrears on British contracts, is one of the countries that is considering whether to spend ECA dollars upon American coal, which Europe has managed without for the last year. France is the only European customer to which British exports have been largely maintained.

In Britain, the level of stocks is probably less threatening than it appears. Industrial consumers have been buying fairly heavily since the summer and probably have appreciable stocks in hand; domestic users, according to the Coal Board's estimate, have something like 300,000 tons more than usual stored in their coal-cellars. Financially, the Coal Board is already suffering; coal exports are not likely to exceed 17½ million tons this year, compared with 19-22 million tons forecast or assumed in the "Economic Survey," and each ton diverted from export to home use brings in about £1 less. But the most serious aspect of the situation is the Coal Board's failure to fulfil hard export contracts in a market which must eventually become competitive again.

Russia Rescues Mr Webb

The new contract for 800,000 tons of Russian grain has certainly relieved Mr Maurice Webb, the Minister of Food, of some of his anxieties, for Britain's supplies of feed grain were beginning to look precarious. Imports this year had been good; in the nine months up to September, Britain received 880,000 tons of maize, 700,000 tons of barley and 85,000 tons of oats—a total import of 1,665,000 tons against 970,000 tons in the same period of 1949. But the prospects of maintaining this rate of purchases during the current season seemed by no means bright. Supplies of Argentine maize were not plentiful, even supposing that Argentina would sell to Britain without first reaching agreement on the price of Argentine meat. Last season's crop was a poor one. Australia could be counted on for about 100,000 tons of barley and a smaller quantity of oats, and Jugoslavia might be willing to sell 100,000 tons of maize.

Since fighting started in Korea, importing countries have been building up stocks and supplies are tight. Without Russian supplies this year, British imports of coarse grains would have been reduced by more than half: Russia supplied 875,000 tons out of the total of 1,665,000 tons in the first nine months. The total Russian contract last year was for 1,000,000 tons of grain comprising 400,000 tons of maize, 500,000 tons of barley and 100,000 tons of oats. This year's contract covers 300,000 tons of maize, 425,000 tons of barley and 75,000 tons of oats.

In August, the Minister of Food was waiting anxiously for an offer from the Soviet Union, but none came. Later, when Russia agreed to attend the Geneva grain conference, it seemed that Russia would only trade at the conference table and force importing countries to bid against each other. Happily for Mr Webb, that did not happen and a contract has now been signed. The official announcement makes no mention of price; that has become traditional in the Russian deals, but the price is almost certain to be higher than last year's.

* * *

Politics and Grain

The new contract, however, raises two interesting issues. Coarse grains cannot be considered a strategic material and therefore Britain is quite free to trade with Russia in them. But it means that Britain will provide Russia with sterling that can be used to buy tin, rubber and wool. Again, although the American Government might take a more broadminded view of the deal, the American farmer, who has been keeping his grain in the hope of a further rise in price, will probably regard the contract without favour. This attitude is not likely to assist the financial discussions between America and Britain.

The second issue concerns Russia's position at the European grain conference. This conference was convened by

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K32 BRANCHES AND AGENTS IN PRINCIPAL CENTRES

the Economic Commission for Europe and is to open in Geneva next week. It is expected that Russia will be the only supplying country to attend; the other delegates will be from the importing countries of Western Europe. The Russian wheat harvest is known to have been none too good and any export surplus that Russia can find will probably go to its satellite countries. It is presumed, therefore, that the conference will be mainly concerned with coarse grains, and Britain at least hopes to conclude a long-term contract with Russia, a more comfortable situation than waiting each year for an offer to come from Moscow. Whether the rest of Western Europe would join Britain in such a venture remains to be seen. But if these other countries are hoping to buy from Russia this year, they are likely to be disappointed. Russia is thought to have 1,000,000 tons of coarse grains available for export, and Britain has now bought 800,000 tons of it.

* * *

Britain's Role at Torquay

The fifth session of the contracting parties of the General Agreement on Tariffs and Trade is now in full swing at Torquay. These discussions are going on concurrently with the tariff negotiations in which fair, though by no means sensational, progress can be reported. On the tariff front one of the main obstacles to progress has been the unwillingness of the French to modify the highly protectionist character of their recently reconstituted tariff schedules. Another difficulty is the complaint raised by the Dutch, and shared by many other countries, about the high level of purchase taxes in Britain and the exemption of domestically produced utility goods. This, it is argued, is protection under a very thin guise. The logic of this argument cannot easily be refuted.

The meeting of the GATT signatories faces a full agenda which is likely to keep the discussions going until well into December. One of the most important items concerns the policy of contracting parties that find it necessary to maintain import restrictions because their balance of payments is unsatisfactory. The specific application of this issue largely concerns the sterling area and it arises in particular from the administrative decision last year to effect a 25 per cent cut in dollar imports. The changes in the sterling area's dollar balance of payments since the devaluations of September, 1949, have been duly noted by countries adversely affected by the cut and their voices are being raised at Torquay, as elsewhere, in urging that this discriminatory application of import controls should now be abandoned. Two other items that were expected to appear on the agenda at Torquay—the question of the granting of most-favoured nation treatment to Japan and that of the creation of the new system of preferences that the Schuman Plan would entail—are not apparently down for immediate discussion. The effect of the preliminary jockeying for position at the conference may be that Britain now, as in the original negotiations for the European Payments Union almost exactly a year ago, will find itself persistently—and perhaps rather unfairly—in the dock. That, however, is one of the inevitable consequences of its status as a major trading nation. If the British Government is sincere in its subscription to the principles of GATT, it should now be exerting every effort to devise means whereby it can take the sting out of these widely propagated complaints.

* * *

EPU's Prescription for Germany

Another periodic compensation under the European Payments Union is being completed at Basle covering payments for October. It was first intended that compensations for the remainder of this year should cover two months, but the rate at which Germany has been gobbling up its credit facilities made it desirable that the clearings should be held monthly in order to keep track of the rapidly developing situation. The cumulative deficit of Germany with EPU is now reported to have substantially exceeded the credit portion of Germany's quota; this portion amounted to $192 million of the quota of $320 million. The point has therefore been reached at which Germany has to pay 100 per cent in gold or dollars for any further deficits incurred with its EPU colleagues—and it has very few dollars (probably only about $20 million) left. The German position has been investigated by a special mission consisting of Mr Per Jacobsson of the Bank for International Settlements and Mr A. Cairncross of the Organisation for European Economic Cooperation. Their recommendations have already been considered by the management committee of EPU but they still need the approval of the OEEC Council which is to meet in Paris next week. There are reports that they will include the grant to Germany of an exceptional short-term loan of $120 million under article 13 of the EPU Agreement; this loan, however, may carry a high rate of interest and be repayable by the end of next year.

It is estimated in any case that $120 million would cover only about 60 per cent of Germany's probable deficit with EPU in the next six months—unless Germany puts its house in order or unless countries with which Germany should normally expect to run a trade surplus agree to ease their import policies. Mr Jacobsson and Mr Cairncross are reported to have recommended a series of drastic reforms in German economic policy; these are said to include heavy increases in direct taxation and in the turnover tax, new measures to restrict speculative purchases of imports, and greater control over investment and over commercial bank credit. The Bonn Government has apparently agreed to take some at least of these steps. The recent sharp rise in the Bank Rate was intended as an instance of its good intentions, but the psychological effect of this has been somewhat marred by its subsequent decision to replace the Bank Deutscher Laender, the present central bank and traditionally austere watchdog against Government generated inflation, by a Bundesbank which would be obliged by its constitution to be much more amenable to Government influence and control.

* * *

New Rubber Duty in Malaya

The Malayan export duty on rubber is to be revised as from January 1st. The present duty is a straightforward 5 per cent *ad valorem* tax. The revised version is much more complicated. Its effect is to produce a sliding scale so that the duty becomes proportionately higher as the price of rubber rises. The duty is to be fixed quarter by quarter and based on the average price in the quarter ended three months before the duty is changed. Thus for the first quarter of 1951 the tax will be 20¼ cents (5¼d.) a lb., a figure based on the average price in the third quarter of 1950 which was 126.7 cents a lb. This means that the new duty will be double the present one at current market prices.

The effect of the new tax is shown in the accompanying table. When rubber is 60 cents a lb. the tax is equivalent to 5 per cent; at 300 cents a lb. the tax rises to 39 per cent. It is certainly an anti-inflationary measure, and one which will bring in considerable revenue for the Malayan Government if high rubber prices continue. The present export tax provided the Government with $M102 million when the price of rubber was 140 Malay cents (3s. 4d.) a lb.; at the same price, the new tax will reap $M364 million. This latter figure is almost equal to total estimated Government revenue from all sources for the current year.

MALAYA RUBBER EXPORT DUTY

Price of Rubber per lb.		Existing Duty	New Duty
Malay cents=	pence	cents per lb.	cents per lb.
60	16¾	3	3
80	22¼	4	7
100	28	5	12
120	33½	6	18
140	40	7	25
160	45	8	33
180	50¼	9	42
200	56	10	52
250	72	12½	81¼
300	84	15	117

It is difficult to estimate what effect the new tax is likely to have on the rubber market. Prices have continued to rise this week, despite the announcement. Indeed on Thursday the London market closed at 5s. 10½d. a lb, the highest since 1911. Although relief will be given to forward contracts already in force, uncertainty about the size of tax will probably discourage forward sales. The tax would seem to work well enough on a rising market, but if prices were to fall sharply the export tax being based on prices ruling three to six months earlier would have a much more serious incidence especially on smallholders.

* * *

What Price Tin?

The price of tin this week has lost all reason. Ten days ago it passed the thousand pound a ton mark and soared upwards, closing on Tuesday at £1,282½ a ton. On the same day, however, "after hours" transactions brought lower prices which were reflected in the official closing price of £1,262½ a ton on Wednesday. Rumours that the US Reconstruction Finance Corporation might again offer tin from its stocks and that the stockpile authorities were unwilling to buy at present high prices caused the market to slump badly on Thursday and the closing price was £110½ lower at £1,152 a ton.

American stockpile purchases are covered by contracts with the Netherlands and Belgium, but the contracts are believed to contain an escape clause allowing the United States to refuse to buy if the price exceeds $1.03 a lb (£824 a ton). This escape clause has not yet been invoked. Earlier this year the Ministry of Supply refused to sign a contract with the United States, for America wanted to fix the price a few cents below the ruling market price. Thus the impact of virtually the whole of American commercial demand and a part of the European demand has fallen on sterling area supplies, and buying earlier this week had been heavy, especially in the East. The Ministry of Supply has announced that it would release no further tin from its stocks after this week, on the ground that British consumers should be able to cover their genuine needs from supplies in the country.

Meanwhile the tin conference in Geneva is continuing, with all the energies of a Don Quixote, to combat a prospective surplus. Very little information has emerged about its deliberations, but it is known that the American delegation last week submitted counter-proposals to the draft agreement. The latter calls for export quotas and buffer stocks. The American proposals followed closely the outline of the official draft, but proposed that the initial buffer stock should be in the region of 30,000 tons, which is much larger than that originally suggested. The United States' main concern is to see that tin production is not restricted until all defence requirements have been covered.

* * *

Concord in Sugar

The stage is now set for the meeting of the international sugar council in December to consider an international commodity agreement. The council should have discussed this subject some months ago, but it was postponed pending a settlement between Britain and the West Indies on the long-term contract starting in 1952. At the beginning of this year Britain offered a seven-year contract to buy 640,000 tons of sugar a year from the West Indies, at agreed prices, and a further 75,000 tons a year on special terms based on world prices.

This offer was at first not accepted. More recently, however, New Zealand has guaranteed to buy 75,000 tons of sugar a year and this extra import has been allotted proportionately to Commonwealth exporters. The West Indies and British Guiana were thus offered a guaranteed market for a further 30,000 tons a year with a corresponding reduction in the supplementary purchases. Their total guaranteed market will now be 670,000 tons a year at agreed prices, with an additional 45,000 tons at world prices. The West Indies have accepted this new offer and the Commonwealth negotiations have been completed.

This Commonwealth sugar contract will be incorporated into any commodity scheme that the international sugar council might decide to adopt. Part of Britain's annual requirements has quite deliberately been left out of the Commonwealth contract so that it could be allocated to such outside exporters as Cuba and San Domingo.

At the moment sugar supplies are acutely short. In March, Cuba was worried about the disposal of its surplus, and Britain, hoping for lower prices, refused to buy. The invasion of Korea brought with it a wave of panic buying by the American public and exporters' stocks of sugar dwindled rapidly. Other countries joined in the rush and spot supplies of raw sugar are now virtually unobtainable. The new crop, however, will be available at the turn of the year and supplies are expected to be adequate to meet even the demand for hoarding. Production in 1950/51 is estimated by Messrs. C. Czarnikow Ltd. to increase by 2,500,000 tons to 34 million tons; it will be the largest crop on record. Even so, no "burdensome surpluses" should appear within the next twelve months, but if the

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Ministry of Food is willing to pay the price, a larger sugar ration in Britain should be in prospect.

* * *

Sterling Arrangements and E.P.U.

The process of tidying up sterling arrangements with countries in the European Payments Union has been going on since July and is nearing completion. Arrangements for the gradual utilisation within EPU of Italian and French sterling balances, and for gradual repayment of Danish and Norwegian debts to Britain, have been in force for some time; it is only in the last three weeks, however, that arrangements with the two latter countries have been finally written into new monetary agreements. Discussions have also reached an advanced stage on the utilisation within EPU of Sweden's sterling balance of £25 million and on the repayment of the Dutch debt of about £10 million to Britain. An agreement with Sweden may be announced within the next few days; it is likely to show that the tangled problem of how far Sweden's balance did, and how far it did not, carry a revaluation guarantee in September, 1949, has been surmounted by mutual goodwill. Other discussions are now in progress in Berne on the utilisation within EPU of Switzerland's small sterling balance (it may, indeed, now be a debit). It is understood that here, too, the problems set by the revaluation guarantee have been finally settled. The tardy entry of Switzerland into EPU (which dates from November 1st) has led to a removal of British discrimination against tourism in Switzerland (represented by the ceiling of between £5,000,000 and £6,000,000 on British tourist expenditure) and to the automatic extension of British trade liberalisation measures to that country. From Berne the Treasury mission is likely to move on to Lisbon, where the whole of Portugal's £80 million sterling balance is still only held back from entering the EPU clearings by informal agreement—and by the fact that the Portuguese are keeping their current external payments in healthy order. For the rest, formal arrangements on sterling payments were concluded some time ago with Western Germany, which was neither a substantial net creditor nor net debtor of the sterling area at the outset of EPU, and similar arrangements are likely to be struck soon with Belgium, whose account with the sterling area by June 30th last was probably already slightly "in the red."

One of the most surprising features of this series of talks is that Denmark alone has so far joined the transferable account system as a result of them; Norway, Sweden, Holland and Italy already belong to the system and Britain has announced that any other member of EPU is at liberty to join it at any time. The continued abstention of such countries as France, Belgium, Switzerland and Western Germany from the transferable account club, however, is more a matter of form than of substance. It should be remembered that each of these countries has a pattern of bilateral agreements with the outside world not very dissimilar from that which the far-flung British missions in Europe are now methodically tidying up. Each of these countries has apparently to plough through a similar series of painstaking conferences with each other until their formal accession to the sterling transferable account system can be announced.

* * *

Inquest on Hot Money

The inflow of foreign funds to London has now died down to a mere trickle—if indeed it has not come to a dead stop. It is quite impossible to make any estimate of the net inflow in October although reports from the Continent, which are of varying authenticity, all suggest that it was large. German traders, for instance, are reported to have bought more than £30 million forward sterling. Belgium's forward sterling contracts are said to have exceeded £50 million. Estimates of American and Swiss purchases of forward sterling are even bigger and may be even more unreliable.

Very little of this inflow of funds has been due to speculation pure and simple. The bulk of it represents forward covering by prospective overseas importers from the sterling area. There has been no converse evidence that sterling area importers have been delaying payments for purchases from abroad; since the bulk of sterling area imports is invoiced in sterling there would be little point in their doing so. Some British exporters, however, who have hitherto been in the habit of invoicing in sterling all goods sent to their foreign sales subsidiaries, have now changed to invoicing in dollars—on the argument that if any capital loss is to be suffered through revaluation, they would rather, for tax purposes, take it here than abroad. Other firms in the same position continue invoicing in sterling but have obtained approval from the authorities to convert inward transfers at the current rate of exchange. Other features of the period of revaluation rumours have been some forward sales of sterling by overseas sellers to Britain (which have reduced the immediate inflow of foreign funds to this country) and a decline in the number of foreign bills in the London market. American importers in the past two years had again come to use the bill on London to finance some of their imports from the sterling area, at times because they wanted to be short of sterling, but primarily because credit is cheaper here than in New York; they are now much more reluctant to owe sterling than heretofore. Yet another feature has been the sharp appreciation of security sterling which is now quoted $2.12 against $1.75 just after the switching regulations were relaxed. The premium on dollar securities had last week fallen to 7½ per cent against more than 15 per cent earlier this year, though in the last two days it has again risen to 10½ per cent.

* * *

Austin's Bumper Profits

A threefold increase in the group profits of Austin Motor for the twelve months ended July 31, 1950, has exceeded the most optimistic estimates. Preliminary figures reveal an expansion from £1,521,360 to £4,509,771, to which a further £473,198 exchange profit on devaluation is added. But if the results are fully up to expectation, the dividend, although higher, has disappointed some optimists. Shareholders' participation in this high prosperity bears every sign of moderation and restraint. They receive by way of ordinary dividend £340,316 against £256,355, equivalent to 52½ per cent on the old capital against a payment last year of 40 per cent. The issued capital was raised by a 50 per cent share bonus last year, and the actual dividend declared is 35 per cent.

The higher profit attracts almost £2,500,000 in United Kingdom taxes against £837,200 last year, but even so the group retains over £1,500,000, excluding the exchange profit and £360,000 surplus taxation provisions no longer needed. The year has been so good that any disappointment about the dividend has been tempered. The 5s. ordinary shares had been very firm in recent months, having risen from 19s. in March to nearly 30s. before the results were announced. A certain amount of profit taking, though it happened to coincide with weaker markets, affected the price but little, and at 29s. xd the shares now yield six per cent.

Last year the Austin group made 157,628 vehicles, one-quarter more than in 1948-49. If a 25 per cent increase in output can raise profits threefold, it is clear that the motor industry could achieve even greater economies if it were in a position to utilise its plant to the limit of capacity. Demands on steel output for defence needs, coupled with the defence demands on the vehicle industry itself, may stand in the way of greater benefits from higher output next year.



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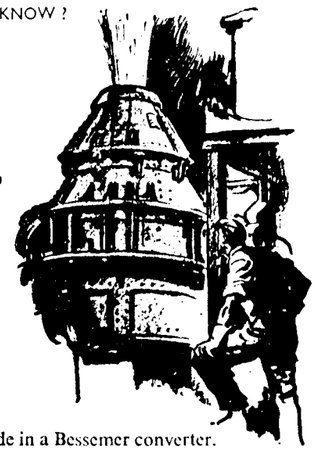
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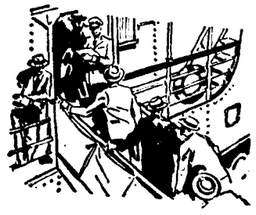
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57

A sensible policy for process steam — No. 22

A place for the Automatic Pump

BY SPIRAX

It may seem almost out of place in the atmosphere of "THE ECONOMIST", and in this series of short notes (which must necessarily take a rather broad sweep of their subject), to talk about a simple pump.

But if we leave out the pump we leave out the answer to a problem which is found at many factories.

It is often the case that the heat in low-pressure condensate is sacrificed because the expected cost of getting the hot water back to the boilers seems to outweigh the economy to be gained.

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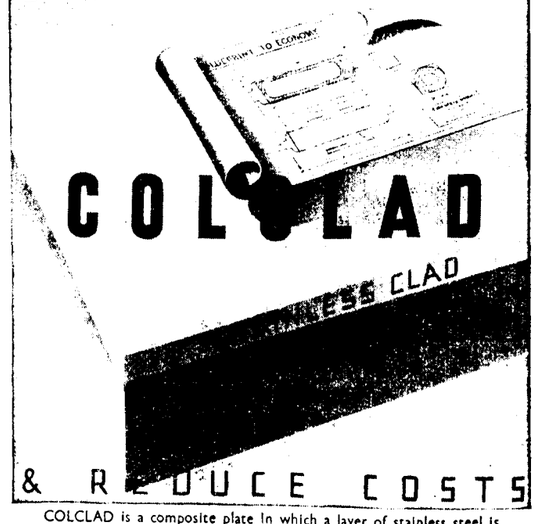
That is why we must mention the existence of a simple pump which is designed to meet such a situation. Because it is so very simple the pump is inexpensive to buy; because it automatically starts when there is pumping to be done and stops when there isn't, and because it needs nothing more than a very small amount of steam or compressed air for its operation, the pump is cheap to run.

The pump is useful for many jobs; but if for nothing else it deserves a place in these notes because it removes the main excuse for sacrificing the heat in low-pressure condensate.

Correspondence to: **Spirax Manufacturing Co. Ltd.**
(Economist Enquiries), Cheltenham, Glos.

NOTES ALREADY APPEARED: *Jan.* 14, "A sensible policy for process steam"; *Jan.* 28, "Who controls your steam stores?"; *Feb.* 11, "Do you get full value from your steam?"; *Feb.* 25, "What steam costing will tell you"; *March* 11, "Meter your steam to get the facts"; *March* 25, "Why have a boilerhouse?"; *April* 8, "Four pillars of process steam wisdom"; *April* 22, "Process heat transfer decides plant earnings"; *May* 6, "Resistant films e. process economy"; *May* 20, "The air film handicap on process output"; *June* 3, "Removing the air film handicap"; *June* 17, "Water film against steam traps chosen?"; *July* 1, "Individual steam separation"; *July* 15, "How are your steam circulation system"; *July* 29, "Better steam trapping, better output economy"; *Aug.* 12, "The steam circulation simplified"; *Aug.* 26, "Steam pressures under control"; *Sept.* 9, "Thermostatic control on the agenda"; *Sept.* 23, "Intelligent use of 'waste' heat from steam"; *Oct.* 7, "Flash steam on the agenda"; *Oct.* 28, "Better condensate return systems." **STILL TO APPEAR:** *Nov.* 18 "Heat transfer summing up"; *Dec.* 2, "The more you know about process steam"; *Dec.* 16, "Two instructional courses for steam executives"; *Dec.* 30, "For advice on process steam problems."

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Molasses Price Rise

The price of molasses to be shipped next year has been fixed by the Cuban Government at 20 cents a gallon, compared with less than 4 cents a gallon for the previous crop. All British industrial alcohol and a large proportion of American is produced by fermenting molasses, and a sharp rise in price of this essential industrial material is now inevitable. An acute shortage of alcohol has developed in the United States, for it is essential for the production of styrene, one of the materials used to make synthetic rubber. Cuba is the only big exporter of molasses and can supply no more until March, after the next cane crop is crushed. American distillers are therefore competing for the limited stocks of molasses held by dealers in the United States. Supplies of ethyl alcohol to the plastics industry have been cut to meet the demands of the rubber plants, and some high cost alcohol has even been imported from Europe.

Industrial consumption of alcohol has also been rising in Britain, but stocks of molasses are large enough to remove any danger that the distilleries might run short of raw materials before next season's deliveries. The Cuban Government, instead of asking for tenders, has allocated the 1951 crop among the chief consumers. Out of an estimated total of 290 million gallons, 120 million gallons is to be kept for Cuban use, 50 million gallons is to be sold to Britain, and the balance will go to the United States. The British allocation meets only half the estimated requirement. Last year Britain bought 60 million gallons and drew heavily on stocks which will be exhausted by next March. Small supplies of molasses might be obtained elsewhere, but distilleries may be driven to use expensive beet molasses. The alternatives of grain and potatoes might also be considered if supplies become desperately scarce.

The output of alcohol from distilleries will soon be supplemented by the output from new petroleum-based plant. By the second quarter of next year, the Grangemouth chemical plant of the British Petroleum Chemicals Company, which is jointly owned by Distillers and Anglo-Iranian, should be in full production. This plant is expected to supply a quarter of the country's alcohol requirements. Consumption last year was about 28 million bulk gallons.

* * *

An Aluminium Shortage?

The Ministry of Supply, the sole importer of virgin aluminium, may have difficulty next year in buying enough metal to keep British fabricating plants working normally. Consumption of virgin aluminium last year was about 178,600 tons. It had been running at a lower figure during the first half of 1950, but several fabricating plants are now reported to be working below capacity for lack of raw materials. One of these is the Northern Aluminium Company's new rolling plant in Wales, which has a sheet producing capacity of 50,000 tons a year. This plant, which is one of the largest of its kind in the world, could quickly be put into full operation, but there is no prospect of finding adequate supplies to feed it. If the company were to run this and other rolling plants to capacity, it could handle 6,000 tons of sheet products a month, 50 per cent more than its present rate of output.

The bulk of British supplies of virgin aluminium come from Canada, where the Ministry of Supply has long-term contracts with the producers. Last year, 159,672 tons were imported from Canada and 5,710 tons from other countries, mainly France and Norway. Domestic production averages 30,000 tons a year. Canadian imports this year will be about 124,000 tons. When the Ministry of Supply negotiated for these in April, it considered British stocks too high and planned to reduce imports while they ran down. The position has altered considerably since then. Recently, American government agencies and American firms have been buying up all available supplies of aluminium in Canada and on the Continent at prices far above those paid by the Ministry. They are also contracting with European producers for future supplies. The Ministry is, therefore, having trouble in finding producers able to accept orders for the early part of next year. To a limited extent supplies are supplemented by the use of secondary aluminium, mostly for castings. Production of secondary ingots during the first half of 1950 was 42,314 tons.

To conserve supplies, exports of virgin and secondary aluminium from this country have been stopped, but as they were largely token exports their retention will make little difference. Exports of fabricated aluminium are still permitted so long as their value is not less than £180 per ton. As American buyers are also anxious to buy fabricated aluminium, exports from this country to the United States rose from an average of 200 tons a month early in the year to 770 tons in July and reached nearly 780 tons in September.

* * *

Pottery Export Difficulties

Alterations in New Zealand's import regulations are worrying some sections of the British pottery industry. After next March, the more expensive china and earthenware may be imported freely, but individual applications will have to be made for licences to import cheaper pottery, mostly white or slightly decorated. If New Zealand producers can show that they could make comparable articles at a cost not more than a third above British prices, the licences will probably not be granted. About 30 firms are exporting the type of goods likely to be affected; they expect that their sales to New Zealand may be halved, and have no easy hopes of finding alternative markets. This pottery is decorated by trainees who are not sufficiently advanced to do more elaborate work. There is an established market for such pottery in Commonwealth countries, but it is the most obvious class of exports to be displaced by local production, as may soon be the case in New Zealand.

Exports for the pottery industry as a whole are still rising. In the first nine months of this year they were valued at £10,410,501 compared with £9,221,730 in the same period last year. Not all sections of the industry find it easy to sell abroad. The highest quality china sells without effort in any country, and the volume of sales is limited only by a shortage of decorators. Pottery below this quality is meeting increasingly strong competition, either from local producers or from other exporting countries. The installation of tunnel ovens, which must be kept in continuous production, has greatly expanded the capacity of the industry but its selling problems are increasing.

There is a case for considering some measure of relief for those producers who are meeting difficulty in exporting their particular goods by allowing them to sell lower-grade decorated pottery on the home market. But producers of high quality china oppose any such scheme, on the ground that their exclusion from the home market should not be to the gain of other manufacturers. The Board of Trade has responded by tightening its control on the sale of export rejects on the home market. Retailers as well as wholesalers now have to keep records of the firm who

British Insurance

Next week's issues of *The Economist* and of the *Records and Statistics* Supplement will include the Annual survey of the British Insurance Industry. This Survey, delayed by the printing dispute, provides a comprehensive study of all aspects of the business of the British offices and will include many new and improved features.

supplied them with the decorated goods, and a committee in the industry scrutinises applications to send such pottery to the home market with a rather greater knowledge of them than the Board of Trade could possess. By this combination of book-keeping, equalised misery and self policing in industry, the needs of the export market are sustained. What would that original of the five towns, the "Card," have made of it all?

* * *

Britain and Rhodesian Tobacco

Southern Rhodesia's programme for increasing its tobacco output is proceeding much more rapidly than British manufacturers thought possible. This year's crop yielded 104.2 million lb., the largest on record and 22 million lb. more than in 1948-49. Next season, Southern Rhodesia hopes to harvest 120 million lb. and in 1952 140 million lb., a crop not originally thought possible until 1954. British manufacturers have estimated that they could use only between 75 and 80 million lb. a year and they have accordingly signed a six-year contract with the Southern Rhodesian Tobacco Board, stipulating the quantities they will buy each year. In 1951 their purchases will amount to 75 million lb., against 67 million lb. this year, and they will rise by 5 million lb. each year until 1954, when they will remain at 85 million lb., falling to 80 million lb. in the following two years. In no one year may total British purchases exceed two-thirds of the crop. On the other hand, if consumption of flue-cured tobacco in Britain should fall by 20 per cent compared with 1948, British purchases may be reduced by 15 per cent. So far British consumption has declined by only 3 per cent.

The quality of the Rhodesian crop has improved in recent years and this year's leaf was considered the best since 1947. This improvement was also reflected in higher prices. The average price for this season's crop was 37.67d. a lb., yielding a total income for growers of £16.5 million. The average price in 1949 was 31.87d. a lb. and in 1948 32.56d.

Britain is by far Rhodesia's largest customer for tobacco, taking approximately two-thirds of the crop. Australia is second and this year took nearly 7 per cent of the total. Other important markets are South Africa, Egypt and Denmark. But until Rhodesia finds other outlets any expansion in its production is likely to be limited by the size of British purchases, and these have now been fixed for a period under the new agreement.

* * *

Supplies of Cortisone

The Ministry of Health is importing limited quantities of the new drug cortisone from the United States for research, and larger quantities may be imported soon for clinical trials. This is welcome news, for apart from a small supply brought in as a gift, no cortisone had previously been used in British hospitals. The Ministry has also placed an order for 200 grammes of adrenocorticotropic hormone (ACTH). Research indicates that these two chemicals might prove important in treating several rheumatic conditions, asthma, and certain eye diseases; cortisone may also reduce the dangers of serious burns. Medical evidence is not yet conclusive, but if these drugs fulfil present expectations they are likely to prove the most important commercial development in the pharmaceutical industry since penicillin. They will increase by two the small number of drugs that can be kept in continuous large-scale production because they are needed in quantity for the treatment of comparatively common conditions.

Both of these new drugs are being produced from natural materials. ACTH is extracted from pig pituitaries and cortisone is obtained by an elaborate 32-stage process using ox bile as its starting material. No alternative raw materials have yet been found. In this country the Ministry of Food has now arranged for the collection of pig pituitaries from the large bacon factories, and most of these are going to Organon Ltd., who hold patents for the extraction process and who have just started production of ACTH on a commercial scale. The cortisone synthesis is not covered by patents, but the process is so difficult and requires so large a plant that in fact the Merck Company of America alone in the world produces cortisone. By raising the extraction rate from less than 1 per cent to 80 per cent and by importing ox bile to supplement domestic supplies, this company expects to be able to meet demand from any part of the world by next year. The increased rate of extraction and the recovery of some of the most expensive reagents used in the process have brought the price down from $250 a gramme to $35 a gramme; the price forecast for next year is $5 a gramme.

No British firm has yet put forward plans for cortisone production by the method used by the Merck company; research in this country has been directed, so far without success, towards making cortisone by a process of total synthesis. The efficiency and output of the method of partial synthesis has improved so rapidly that the commercial problems of a process of total synthesis, should one be discovered, would be very great; but success would mean enhanced business and prestige for the British pharmaceutical industry.

* * *

"Tanks" Deal and Dollars

The American syndicate which took an option on 600,000 Tanganyika Concessions ordinary shares last April (when the Treasury sold its holding of 1,667,961 Tanks shares to an Anglo-Belgian group) has now exercised it. This transaction is of particular interest, for it is the first important purchase since the war by an American investor of quoted sterling securities paid for in sterling at the official rate and not at the depressed security sterling rate. Should the American interests concerned decide to dispose of their shares at some later date, they will have the right to transfer the sterling proceeds into dollars at the official rate, but only up to the limit of the amount originally paid in sterling. But if the sale should yield a sterling profit above the purchase price, that portion will be transferable only at the security sterling rate and not at the official rate. Thus, the capital gain can only be withdrawn at a discount, although the original risk was undertaken at par. This may be taken as evidence of the bargaining strength of the British authorities, but the principle raises at least some doubt about the encouragement of dollar investment to the sterling area.

* * *

Reports on Productivity

Among recent reports from the many British teams that have lately visited the United States in search of the secret of higher industrial productivity are studies of electric motor control gear, grey iron founding and packaging in American distribution. The teams examining electric motor gear and grey iron founding (that is the jobbing foundries specialising on short runs) found that in each industry the average output was higher in America than in Britain; the grey ironfounders put it twice as high. The two reports give similar reasons for the difference; other teams from other industries have already made it abundantly clear that American industry, though in general no more than the equal of British industry in technical advancement, is superior in organisation within the factory. These reports emphasise the skill with which production is planned.

American manufacturers in both industries have to some extent standardised what are usually regarded as non-

RHOKANA CORPORATION LIMITED

The TWENTY-EIGHTH ANNUAL ORDINARY GENERAL MEETING OF THE MEMBERS of RHOKANA CORPORATION LIMITED will be HELD at the CHARTERED INSURANCE INSTITUTE, 20, Aldermanbury, in the City of London, on the 28th day of NOVEMBER, 1950, at 12 noon.

Extracts from the REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30th JUNE, 1950.

Proceeds from the sale of metals during the year were £10,597,893, an increase of £1,108,240.

Production Costs including Development Redemption, Depreciation and Realisation and Outside Refining Charges have increased by £692,428 to £5,723,225; against this the stock of metals at cost has increased during the year by £488,336, whereas the previous year's increase amounted to £284,788. Therefore the net increase in Operating Costs applicable to the year's sales amounted to £488,880, and so the profit from the year's operations has increased by £619,360 to £5,363,004. Added to this figure is an amount of £339,616 which arises mainly from the settlement of the costs claims on the Ministry of Supply relating to the war period as referred to in last year's report and also from the settlement of a claim in respect of the sale of cobalt which has been outstanding since 1939.

The profit carried to Profit and Loss Account amounts to £5,702,620, an increase of £958,976.

Dividends received include a maiden dividend from Nchanga Consolidated Copper Mines Limited of £469,000 and dividends from Mufulira Copper Mines Limited amounting to £552,500. A comparison of the dividends with those received last year is given later in the full Report in the paragraph headed "Mufulira Copper Mines Limited."

The net profit carried to the Appropriation Account is £6,687,165 as compared with £5,425,175 last year, an increase of £1,261,990, and the Directors propose that the profit should be dealt with as follows:—

	£	£
The balance on the Profit and Loss Account for the year ended 30th June, 1950, is		6,687,165
Taxation on these profits, after crediting £23,084 in respect of adjustment on earlier years' assessments, amounts to...		3,590,223
Leaving a net available profit for the year of		3,096,942
The balance brought forward from last year was		560,270
Making a total of		3,657,212
Against this the Directors have made appropriations as follows:—		
Preference Share Redemption Fund	7,500	
General Reserve	1,400,000	
	1,407,500	
Dividends on Preference Shares paid on 31st December, 1949, and 30th June, 1950, after deduction of Income Tax amounted to	43,461	
Interim Dividend of 30% on the Ordinary and "A" Stock paid on 26th May, 1950, in respect of the year ended 30th June, 1950, after deduction of Income Tax amounted to	412,500	
Final Dividend of 90% on the Ordinary and "A" Stock in respect of the year ended 30th June, 1950, is now recommended by the Directors and after deduction of Income Tax will amount to...	1,237,502	
		3,100,963
Leaving a balance to be carried forward of		£556,249

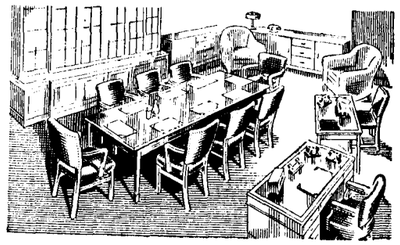
COPPER PRODUCTION

Details are given below of production during the years ended 30th June, 1949, and 30th June, 1950:—

	1948/49 Long Tons	1949/50 Long Tons
Electrolytic Copper	62,720	64,864
Blister Copper	12,262	15,676
Total	74,982	80,540

The year was an exceptional one for production in all departments. Record tonnages were hoisted from the Mine and milled in the Concentrator. The output of molten copper from the Smelter and of electrolytic copper from the Refinery was also a record. In view of the impending completion of the Electrolytic Refinery belonging to Rhodesia Copper Refineries Limited which is referred to elsewhere in the full report almost the entire output of the Corporation during the year ending 30th June, 1951, will be in the form of electrolytic copper.

Inspiration



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standard products. Grey ironfounders have in part met their particular difficulties by specialising in a limited range of castings. Their market is large enough for this, while the British market does not provide the same opportunities. The electric motor manufacturers have been helped by the general acceptance of the squirrel cage motor. Electricity regulations in Britain prevent its universal application here and British manufacturers therefore produce motors in a variety unknown in America. Some of these are sound export lines and should not, the team conclude, be dropped.

Another aspect of American production planning is described by a specialist team sent to report solely on the function of packaging in American distribution. American manufacturers did not, the team found, consider the cost of the package without considering also the cost of filling it; a more costly package might be chosen because it could be handled the more rapidly and therefore the more cheaply. In British factories this is an unusual approach. Many American techniques cannot be recommended to British manufacturers because of the strict allocation of the major packaging materials in Britain. But when allowance has been made in each of these three subjects for the limits of the British manufacturer's market, the challenge to management remains.

Shorter Notes

Negotiations to raise further capital for Petrochemicals Ltd. have been concluded. The Finance Corporation for Industry has agreed to provide up to £2,350,000 in 5 per cent prior lien loan stock, 1953.

★

The Ministry of Food is in difficulties about chartering ships for the Black Sea to carry Russian coarse grains. The first offer of 40s. a ton brought no response from shippers and even 45s. a ton has proved unattractive. Shipowners are thinking rather in terms of 55s. a ton.

★

The Capital Issues Committee has given permission for the British Aluminium Company to raise nearly £3,500,000 of new capital. Two million new ordinary shares are to be offered to ordinary stockholders on the basis of two new shares for every £3 of existing stock held; the issue price of 34s. per share (of which 20s. will be payable on application) compared with a market price of 42s. 3d. for existing £1 stock units at the time of the announcement of the issue.

★

One million ordinary shares of 5s. each of Manfield and Sons, the well-known boot and shoe makers and retailers, are to be offered for sale to the public next Tuesday at 20s. per share. These shares, which represent some 40 per cent of the total share capital of the company, are being marketed in order to meet death duty payments.

★

The cocoa market reopened in London on November 1st, and trade has been quiet. The Ministry of Food is still selling supplies from its stocks at 220s. a cwt, a price substantially below the "world" price of 272s. a cwt. So long as manufacturers can get all they want from the Ministry at the lower price, there is little purpose paying the higher market price.

★

The British cheese ration is to be supplemented by supplies from the United States. The Ministry of Food has purchased a sizeable quantity of surplus American cheddar at 14 cents (1s.) a lb. The cheese is said to be "very ripe" and may challenge the British palate. But the Ministry will have the satisfaction of being able to sell it at the controlled price without the need for any subsidy from the Treasury. The Dutch Government has objected to what it regards as an act of dumping by the United States. Dutch cheese—of milder character—is selling in London at nearer 6s. a lb.

SECURITY PRICES AND YIELDS

A fuller list containing 346 securities appears weekly in the *Records and Statistics* Supplement.

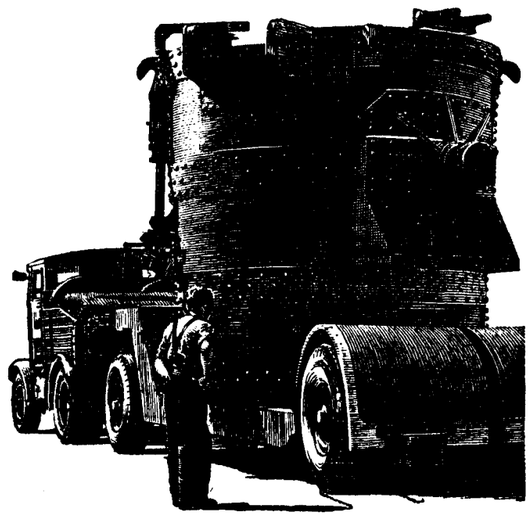
Price, Year 1950 (or Life) for Issues not 4 Years Old: High	Low	Name of Security	Price, Nov. 1, 1950	Price, Nov. 8, 1950	Net Yield, Nov. 8, 1950 (e)	Gross Yield, Nov. 8, 1950 (f)
		British Funds			£ s. d.	£ s. d.
101⅝	100⅞	War Bonds 2½%, Aug. 1, 1951-53	100⅞	100⅞		0 10 6
102	101⅛	War Bonds 2½%, Mar. 1, 1954-56	101⅛	101⅛	0 11 2	1 18 4
102⅜	100⅝	War Bonds 2½%, Mar. 1, 1952-54	102⅜	102⅜		0 14 5
102⅛	100	Exch. Stk. 2½%, Feb. 15, 1955	102⅛	102⅛	0 13 5	1 11 7
103⅛	100⅛	War Bds. 2½%, Aug. 15, 1954-56	103⅛	103⅛	0 11 9	1 15 4
					0 12 1	2 0 2
					0 0 3	1 3 2
103⅛	101⅛	Funding 2½%, June 15, 1952-57	103⅛	102⅛	1 2 8	2 6 9
				xd	0 13 6	2 2 4
104⅛	102	Nat. Def. 3%, July 15, 1954-58.	104⅛	104⅛	1 3 4	2 11 0
104⅛	101⅛	War Loan 3%, Oct. 15, 1955-59.	104⅛	104	0 16 11	2 3 9
					1 3 10	2 10 6
101⅛	96⅛	Sav. Bonds 3%, Aug. 15, 1955-65	101⅛	100⅛	1 11 8	3 0 0
					1 12 6	3 0 0
100⅛	97⅛	Funding 2½%, April 15, 1956-61.	99⅛	99⅛	1 9 1	2 11 11
					1 8 4	2 11 1
100	95	Funding 3%, April 15, 1959-69.	99⅛	99⅛	1 14 9	3 2 1
					1 13 10	3 1 2
100⅛	93⅛	Funding 3%, Aug. 1, 1966-68....	...	100	1 13 1	3 0 1
					1 13 1	3 1 4
109⅛	104⅛	Funding 4%, May 1, 1960-90....	108⅛	107⅛	1 6 8	3 12 8
					1 15 8	3 3 6
99⅛	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	99⅛	99⅛	1 14 5	3 2 0
					1 15 9	3 3 11
96	91⅛	Sav. Bonds 2½% May 1, 1964-67	95⅛	95⅛	1 14 5	3 2 7
110⅛	106⅛	Vict. Bonds 4%, Sept. 1, 1920-76	110⅛	110	1 9 3	3 3 7
					1 16 6	3 4 5
98⅛	91⅛	Sav. Bonds 3% Aug. 15, 1965-75	98⅛	98⅛	1 15 3	3 3 0
105⅛	100	Consols 4% (after Feb. 1, 1957)	104⅛	104⅜	1 12 3	3 9 5
99⅛	91⅛	Conv. 3½% (after Apr. 1, 1961).	99⅛	98⅜	1 19 3	3 11 6
74⅛	66⅞	Treas.Stk.2½%(afterApr.1,1975)	74	73⅛	1 17 7	3 8 6
87⅛	79⅜	Treas.Stk.3%(afterApr.5,1966).	87⅛	86⅛	1 18 2	3 9 6
106⅛	99	Treas.Stk.3½% June15,1977-80.	106	104⅛	1 14 1	3 4 7
				xd	1 14 5	3 4 11
94⅜	86⅛	Redemp. Stk. 3% Oct. 1986-96	94⅛	93⅛	1 17 2	3 5 7
					1 18 0	3 6 4
97⅛	90 *	WarLn. 3½% (after Dec. 1, 1952)	96⅛xd	96⅛xd	1 19 11	3 12 7
74⅛	68⅛	Consols 2½%	74⅜	73⅛	1 17 7	3 8 4
98⅛	92⅛	Brit. El. 3% Gtd. Apr. 1, 1968-73	98⅛	98⅛	1 15 9	3 3 4
					1 15 3	3 2 9
98⅛	91⅜	Brit. El. 3% Gtd. Mar. 15, 1974-77	97⅛	97⅜	1 15 10	3 3 7
					1 15 7	3 3 3
105⅛	99	Brit. El. 3½% Gtd. Nov. 15, 1976-79	104⅛xd	104⅜	1 14 2	3 4 9
				xd	1 14 6	3 5 1
95⅜	86⅛	Brit. Tpt. 3% Gtd. July 1, 1978-88	95⅛	94⅜	1 18 8	3 7 3
					1 17 6	3 6 1
98⅜	92⅛	Brit. Tpt. 3% Gtd. Apr. 1, 1968-73	98⅛	98	1 15 11	3 3 6
					1 15 4	3 2 11
94⅜	85⅛	Brit. Gas Gtd. 3%, May 1, 1990-95	94	93⅜	1 17 8	3 5 11
					1 17 4	3 5 7

(*e*) To earliest date. (*l*) To latest date. (*f*) Flat yield. (*g*) Assuming redemption in 1957. (*h*) Flat yield given above. If redeemed, in 1952 net redemption yield £3 15 8, gross £5 7 0. * Assumed average life 14 years 4 months.

Prices, Year 1950 Jan. 1 to Nov. 8: High	Low	Last Two Dividends: (*a*)	(*b*)	(*c*)	Name of Security	Price, Nov. 1, 1950	Price, Nov. 8, 1950	Yield, Nov. 8, 1950
		%		%	**Other Securities**			£ s. d.
101⅛	95⅛	(*d*)		(*d*)	Australia 3½% 1965-69.....	101	100	3 5 0
102⅛	99⅜	(*d*)		(*d*)	Birmingham 2½%, 1955-57..	101⅛	102	2 8 10
8⅜	6⅜	60	*c*	20	*a* Anglo-American Corp., 10/-	7⅛	7⅜	4 1 4
7⅜	5⅜	5	*a*	25	*b* Anglo-Iranian Oil, £1.....	6½xd	6½xd	4 18 0
78/3	67/9	10	*b*	5	*a* Assoc. Electrical, Ord. £1...	76/6	76/6	3 18 5
87/-	71/6	15	*b*	7½	*a* Assoc. Port. Cem., Ord. Stk. £1	83/ xd	83/ xd	5 8 6
29/10½	17/0‡	40	*c*	35	*c* Austin Motor, Ord. Stk. 5/-..	29/6	28/6	6 2 10
74/-	66/-	7	*b*	7	*a* Barclays Bank, Ord. 'B' £1..	73/-	71/6	3 18 4
145/-	129/-	†19	*b*	†5	*a* Bass Ratcliff, Ord. £1.....	141/3	140.7½	3 8 3
98/-	87/4½	12	*b*	8	*a* British Oxygen, Ord. £1.....	91/-	91/-	4 7 11
41/3	32/1½	5	*b*	2½	*a* Courtaulds, Ord. £1.....	39/9xd	40/ xd	3 15 0
19/11½	16/6	5	*a*	15	*b* Distillers Co., Ord. 4/-.....	19/6	19/6	4 2 1
32/9½	28/9	8	*c*	8	*c* Dorman Long, Ord. £1.....	31/9	32/-	5 0 0
67/-	59/-	15	*c*	15	*c* Dunlop Rubber, Ord. £1.....	64/3	64/-	4 13 9
44/3	39/6	7	*b*	3	*a* Imp. Chem. Ind., Ord. Stk. £1	42/6	42/9	4 13 7
111/3	95/-	18½	*b*	13½	*a* Imperial Tobacco, £1.....	108/9	106/10½	5 19 9
41/6	29/7½	10	*c*	5	*a* Lancs. Cotton, Ord. Stk. £1.	40/6	40/-	5 0 0
44/6	38/1½	10	*c*	10	*c* Lever & Unilever, Ord. £1...	43/9	43/9	4 11 5
63/-	51/9	15	*c*	15	*c* London Brick, Ord. Stk. £1.	58/9	58/9	5 2 4
82/9	69/6	15	*a*	45	*b* Marks & Spencer ("A") 5/-..	80/6	80/6	3 14 6
44/-	33/3	7½	*a*	17½	*b* P'chin J'son, Ord. Stk. 10/-	42/-	41/-	6 1 11
51/6	41/-	4	*b*	8	*a* P. & O., Def. Stk. £1.....	49/6	50/6	4 15 1
33⅜	27⅜	†77½	*c*	†77½	*c* Prudential, 'A' £1.....	30	30	2 11 8
70/2½	59/3	†2½	*a*	†5	*b* "Shell" Transpt., Ord. Stk. £1	62/6	65/-	2 6 2
56/7½	50/-	12½	*c*	12½	*c* Stewarts & Lloyds, Def. £1.	54/6	54/6	4 11 9
128/-	108/9	12½	*a*		Tube Invst., Ord. Stk. £1....	128/-	127/6	3 18 6
86/3	73/3	3½	*a*	11½	*b* Turner & Newall, Ord. Stk. £1	85/6	85/-	3 10 7
34/11½	27/-	8	*c*	8	*c* Union Castle Ord. Stk. £1....	34/-	34/6	4 12 9
48/4½	41/9	27½	*b*	15	*a* Woolworth (F. W.), Ord. 5/-.	43/6	42/6	4 2 4*m*

(*a*) Interim. (*b*) Final. (*c*) Whole year. (*d*) Int. paid half-yearly. (*l*) To latest redemption date † Free of tax. (*m*) Yield basis 35%.

It took 157 years



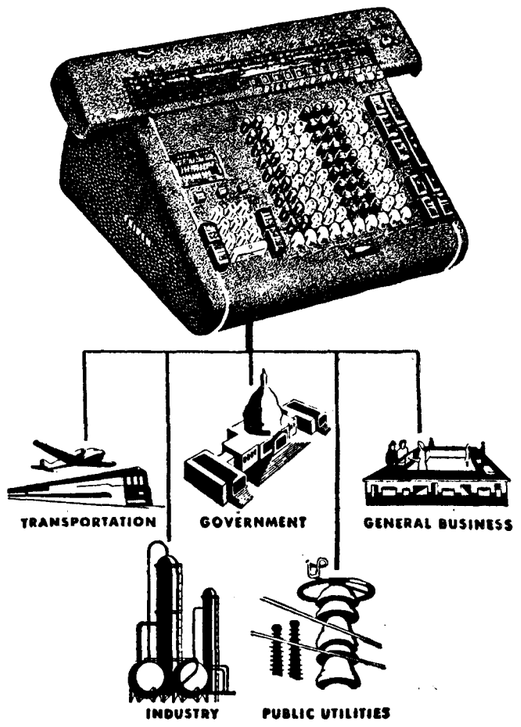
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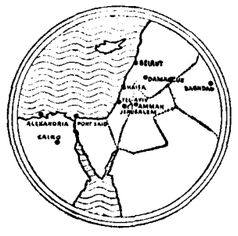
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COMPANY MEETINGS

RONEO LIMITED

DEMAND FOR PRODUCTS CONTINUES TO GROW

RECORD SALES FIGURES

EXPORTS MAINTAINED IN FACE OF SEVERE COMPETITION

SIR GREVILLE S. MAGINNESS ON NEED FOR GOVERNMENT ECONOMY

The forty-third annual general meeting of Roneo Limited was held on October 31, 1950, at the Holborn Restaurant, London, W.C.1.

Sir Greville S. Maginness, chairman of the company, who presided, said:—Once again we meet to render an account of our stewardship and to place before stockholders the results of our operations for the past year. The accounts have been in your hands for the requisite statutory period and I assume, therefore, that you will agree to take them as read. (Agreed.)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The net profit after providing £352,793 for taxation and £112,382 for depreciation and amounts written-off was £182,405, out of which it is proposed to transfer to Plant Replacement Reserve the sum of £80,000—bringing the total reserve under this heading to £200,000—and to general reserve £30,000, raising this figure in the balance-sheet to £250,000.

Dividends on the 6 per cent. and 10 per cent. preference stocks, less tax, amounting to £11,781 for the year ended June 30, 1950, and an interim dividend of 5 per cent., less tax, on the ordinary stock amounting to £11,303 have been paid. It is now recommended that a final dividend of 10 per cent., less tax, be paid on the ordinary stock, which will absorb £22,607, making a total dividend on the ordinary stock of 15 per cent., less tax.

After payment of these dividends the amount to be carried forward to next year will be £213,487, compared with £186,773 brought in from the previous year.

DIVIDEND POLICY

Your board have given very careful consideration to the question of the rate of dividend recommended for the year.

The trading results coupled with the strong financial position of your business might well have justified the payment of something more on the ordinary stock than 15 per cent., less tax, for the year, but the company has aligned itself with others in pursuing a policy of restraint whilst the wage-freeze continued.

If conditions should change your board will review the position in the light of all the circumstances ruling at the time the matter is under consideration.

LIQUID ASSETS

The net liquid assets as at June 30th last amounted to £1,385,302, compared with £1,174,751 on the same date last year—an increase of £210,551.

RESERVES

Excluding taxation the company's reserves and balance carried forward on profit and loss account amount to £673,487, or slightly more than the total issued capital. The inherent strength of the company requires no emphasis.

TRADING

I am pleased to report that the demand for the products of the company continues to grow. In fact, our sales both in value and in volume during the year under review reached a record in the history of the company to date. This is just as well, as costs have risen and continue to rise. The slight improvement in net profit is due to larger turnover, greater efficiency in our manufacturing operations, and improved sales methods.

STEEL OFFICE EQUIPMENT

More people are becoming conscious of the advantage of installing modern and efficient equipment, although there is still a very big field to be covered in this direction. It is one of our jobs to develop new lines which will appeal to the progressive user who is convinced that both works and office equipment must be really up to date and the best available if modern standards of comfort and efficiency are to be attained. Following the introduction of the high quality unit style desks and tables known as "U" series, we have added to this range cupboards, wardrobes, book-cases, telephone tables, etc., all of which are constructed on the unit principle and built upon the same artistic lines. Unfortunately, however, our sales of these and other lines of steel equipment continue to be limited by the scarcity of steel sheets, which still persists.

MACHINES AND SUPPLIES

This section of our business continues to develop satisfactorily. Since we last met we have added to our range of duplicating machines a policy model which has the same basic principles as the Roneo "500" and it has already met with a most encouraging reception owing to its outstanding advantages. We have also introduced to the business world our electronic stencil system, which has created widespread interest. By enabling stencils to be prepared at a reasonable charge and without the additional expense of positives and negatives, both the scope and the potential use of our duplicators are considerably increased. Another exclusive Roneo achievement is the supply of teleroll stencils for use on the teleprinter.

The review of the machine side of our business would not be complete without reference to the new improved insurance machine introduced last year by Roneo-Neopost Limited—one of our subsidiary companies. This machine eliminates completely any loss in the handling of sums of money and negotiable stamps, and ensures a much speedier operation of stamping cards thereby releasing labour for other duties. In short, the use of this machine provides security, convenience and saving of time.

All these new lines are the result of intensive and unceasing efforts in development work, the cost of which is considerable but which is, of course, inevitable if the company is to maintain and improve its position in the manufacture and sale of its wide range of office equipment.

EXPORTS

I drew attention in my speech last year to the growth of competition in export markets. Events have certainly justified my note of warning. Even with the advantage of devaluation of the pound we were only just able to maintain the same level of exports compared with the previous twelve months. It must, however, be borne in mind that in addition to the growth of local manufacture in many countries we have to meet prohibitions, restrictions, or quotas in no less than 25 of our established foreign markets, but as we had continuously increased our export business to a substantial extent each year since 1946 it is, in all the circumstances, no small achievement to have maintained our position last year. I would, however, again point out that competition is likely to become more severe, especially from countries whose wage standards and living conditions are much lower than those which exist in this country. On the other hand, there is a due appreciation on the part of foreign buyers of the very high standards of design, quality and finish of Roneo products, and provided that our costs of manufacture are not unduly raised—due to circumstances beyond our control—these assets should be of considerable help to us once the trade barriers to which I have referred have been removed.

NATIONAL SITUATION

In presenting this report I may perhaps be permitted to express my view about the general situation in the country for it is upon its welfare that not only our own industry, but every industry, and, indeed, every citizen depends.

The fundamental fact in the national situation is that, through our having had to realise our overseas investments to help to pay for the war before the U.S.A. entered it, our net income from these investments, which used to pay for some 20 per cent. of our imports, is now hardly sufficient to pay for 3 per cent.

It is, therefore, only by our producing more goods and services at competitive prices and by finding markets for them overseas that we can fill the gap and so enable us to pay for the food and raw materials which are vital to our existence as a nation.

When we met last November the new feature in our industrial situation was the devaluation of the £ sterling which had taken place in September of that year and which had increased the necessity for our expanding our exports and finding markets for them in hard currency countries. At that time I expressed the view that there was an urgent need for a substantial reduction in the heavy burden of taxation if the people of this country were to be given the necessary incentive to secure the increased production for the expansion of our export trade.

On the present occasion the outstanding new feature in the national situation is that the Government, with the full approval of all thinking sections of the community, has decided on an armaments programme which over the next three years will bring our Defence expenditure up to an average of £1,100 million a year, representing an average annual increase of some £300 million. Whatever help the U.S.A. may provide towards meeting that £300 million a year, it is only prudent to assume that the larger portion of it will have to be met from our own resources, and in view of the present high rate of taxation, the financing of that additional expenditure presents a national problem of the first magnitude. Here the fundamental fact is that taxation, which before the last war used to absorb 25 per cent. of our entire national income, now amounts to some £4,000 million a year and absorbs 40 per cent. of our entire national income.

An examination of the two major items from which that £4,000 million come shows that some £1,500 million (37½ per cent.) come from income tax and surtax, and that £1,000 million (25 per cent.) from the duties on drink and tobacco—some £600 million come from tobacco and £400 million from drink. There is clearly a point when any increase in these duties will defeat its own

object and, indeed, one is tempted to wonder what would happen to our National Budget if everyone decided to stop smoking and drinking!

As far as income tax and surtax are concerned there are many who think that it is possible to meet increased Defence expenditure by raising the tax of those who pay on the higher income brackets. It is not, I think, generally recognised that the number of those who have a gross income of £2,000 a year or over is only some 1 per cent. of the income tax paying public and that the rate of tax they already pay is so high that if the Exchequer were to take all that is left to them after they have paid their tax and left them with no income at all—an unthinkable proposition—all that the Exchequer would get would be some £450 million. We have long since passed the days when it was possible to accumulate large fortunes in this country and it is easy to foresee a time coming when there will be no large estates from which the Exchequer can secure death duties and upon which it at present so largely depends for some £200 million of its total revenue. The facts are that since the war we have been carrying on with a rate of taxation almost as high as during the war. It has left us with no margin for eventualities, and, in my view, the only way of meeting the additional Defence expenditure without serious detriment to the economic life of the country is for the Government to reduce public expenditure on items other than Defence. I know how unpopular that process is, but the fact remains that our present position arises from our having compressed into a few years since the war far-reaching reforms, each of which it might be possible to justify on its own but which all taken together have placed on the country a heavier burden than it can bear.

In addition to the Exchequer expenditure of £4,000 million there is also the Local Authorities' expenditure of some £300 million and the present position is that subsidies and social services in all their various forms absorb some £1,800 million, which represents more than 40 per cent. of our total national and local expenditure.

The result has been that with subsidies and social service benefits on the one hand and heavy taxation on the other to pay for them, there has been brought about a distorted sense of the value of money and it is little wonder if our wage problems have become more than ever complicated.

If I am asked where Government expenditure should be reduced I can only say, as I did last year, that that expenditure is the result of national policy laid down by Parliament and that it is Parliament which is charged with that responsibility. Our duty as industrialists is to do everything possible within our power to produce and sell our goods at competitive prices in the world's markets, and equally in my view it is the duty of our political leaders to create the conditions in which the natural energy and resourcefulness of our people can have the freest and fullest scope.

We must also remember that Marshall Aid, which is due to end in 1952, provides us today in dollars with some £300 million a year and it seems clear to me that little progress will be made in bringing this country to a position when it can again stand on its own feet until the Government has authoritatively confronted the nation with the facts which will demonstrate to everyone the necessity for sacrifices and until they have also set on foot a serious review of all items of public expenditure.

In conclusion, I should like once more to pay tribute to all those members of the Roneo Organisation who—by their loyal and devoted services to the company—have made their contribution to the successful results of the past year.

The report and accounts were unanimously adopted.

FRAS. HINDE AND SONS, LIMITED

(Silk and Textile Manufacturers, Dyers and Finishers)

EXPORT DEMAND INCREASING

CAPT. W. M. H. POLLEN'S STATEMENT

The twenty-sixth annual general meeting of Fras. Hinde and Sons, Limited, was held on November 8th at St. Mary's Silk Mills, Norwich, the chairman of the company, Capt. W. M. Hungerford Pollen, M.C., J.P., presiding.

The following is the statement by the chairman which was issued with the report and accounts for the year to June 30, 1950:

During the past year, our turnover has increased by 15 per cent.; though part of this increase is due to the greater number of looms now working, much of it must be credited to greater efficiency. The demand from our export customers, especially for pure silk, continues to increase, and some sections of our home trade call for greater production, which more than balances the the decrease in others. Orders on our books will keep us in full production for many months ahead, and the increase in plant already referred to has been fully justified.

Such results could not be obtained without the good will and co-operation of all those who work for the company, whether in offices, on the floor of the weaving sheds, or in the repair shops; and it would be wrong, in allotting credit, to make any difference between them. I think it can be said truthfully that all those employed by the company have its interests at heart, and are happy to be associated with one of the oldest names in Norwich.

LARGER TRADING PROFIT

The trading profit has exceeded that of last year owing to our increased production and sales. Provisions for income tax and profits tax amount to £46,000 after allowing for an overprovision in previous years, and we have transferred to our reserve for future taxation £19,500, being the net benefits of initial allowances since their inception; these allowances we regard merely as a deferment of taxation. Bearing in mind the restrictions on dividend payments, which we have accepted, we recommend the payment of 25 per cent. on the ordinary shares as previously. During the past few years we have been able to place various amounts to reserve which have established the company in its present strong financial position. We consider it prudent to continue this policy by transferring £30,000 to general reserve from the current year's trading surplus. We fully realise that a larger distribution could be made to the shareholders, and hope that a time may soon come when some form of increased distribution will be possible.

In the balance sheet you will have noticed the increased value of our fixed assets. This represents the extensions at our Mile Cross factory and the new plant and machinery installed at St. Mary's. When we reach a settlement with the War Damage Commissioners, which we hope will not be delayed too long, we shall know how much of the costs of reconstruction will have to be borne by the company in excess of the amount received from the Commissioners. Since the end of the year we have had a settlement of our claim in respect of the plant and machinery destroyed in 1942. The increased value of our stock is due to the necessity of clothing the larger number of looms recently installed.

ALLOCATION OF INCOME

As a matter of general interest, the following figures based on the year's trading are given: Of each 20s. received by the company on account of sales, manufacturing expenses take 14s. selling expenses 11d., administration 1s. 1d., making a total of 16s. From the remaining 4s. taxation takes 1s. 11d., depreciation 7d., net dividends 6d., leaving 1s. to put to reserve.

With regard to the future, it is foolish to prophesy. The outlook changes from day to day as the shadow of war becomes darker or lighter. The disturbance in the Far East has already caused a sharp rise in the price of raw silk. The nature of the goods on our order books shows some important changes, and many more are expected. Thanks to the policy of spreading our risks, it is probable that we shall continue production at our maximum rate, and we are fortunate in being able to take a very important part in the rearmament programme.

During the year Mr J. M. H. Pollen was appointed to the board, and we shall be asking you for your confirmation of this appointment at the annual general meeting.

The report and accounts were unanimously adopted and the proposed dividend was approved.

The retiring directors, Capt. W. M. Hungerford Pollen and Mr J. M. H. Pollen, were re-elected and the remuneration of the auditors, Messrs. Price Waterhouse and Co., was fixed.

The proceedings terminated with a cordial vote of thanks to the chairman, directors and staff.

At an extra-ordinary general meeting following the annual general meeting a special resolution was passed adopting new articles of association in substitution for the company's existing articles.

ANGLO-DUTCH PLANTATIONS OF JAVA, LIMITED

RUBBER POSITION SATISFACTORY

The 40th annual meeting of this Company was held on October 31st in London.

Mr G. C. Denham, C.I.E., C.B.E. (deputy chairman), presided in the absence in Java of Mr W. H. Daukes, the chairman.

The following is an extract from the chairman's circulated statement:—

The estates gross profit amounted to F.7,892,824. The chief contributors to this total were tea—with a profit of F.3,500,000; and rubber—with rather more than F.2,500,000. Tapioca, with a profit of over F.1,250,000, gave also substantial help, but, on the other hand, sisal showed a loss of F.882,000, so that the profit from Sukamandi as a whole was only a small one.

The total tea crop, 4,842,499 lb., was produced at a cost of 1s. 11d. per pound and sold at 3s. per pound. The crop was a disappointing one; there is no doubt that the severe cutting back after such prolonged neglect caused a greater shock to the bushes than had been anticipated, and in consequence a longer time was required for them to recover their productivity. For 1950 the estimated crop is 6,500,000 lb.

The total rubber crop amounted to 18,466,168 lb.; the "all-in" cost price was 9d. and the net selling price 11d. per pound. The output for 1950 is estimated at 21,000,000 lb. and in June last the crop amounted to 2,116,000 lb., the first time in the history of the company that the two-millionth mark has been reached in a single month. It can safely be said that the rubber position is a satisfactory one.

The report was adopted.

THE STANDARD MOTOR COMPANY, LIMITED

RECORD RESULTS

MR. C. J. BAND'S SPEECH

The forty-seventh annual general meeting of the Standard Motor Company, Limited, was held on October 31st at Coventry, Mr C. J. Band (chairman of the company) presiding.

The chairman, in the course of his speech, said: The turnover, trading profit and net profit have exceeded anything achieved before in the history of the company and I think you will agree that, when the many difficulties facing all manufacturers are taken into consideration, the results achieved reflect the greatest credit upon all concerned in the management of the company's affairs.

The balance from trading account has increased by more than a quarter million pounds. The depreciation and amortisation charges together amount to nearly 1½ million pounds. In passing, I may say that the tooling charges incurred to date for the Vanguard car have now mainly been written off against profits.

Taxation, after making the necessary adjustment on the taxation equalisation (initial allowances) reserve, about which I have spoken at previous meetings, shows a charge of £780,000, representing no less than 57½ per cent. of the company's profit before taxation. This figure of taxation is more than three times the net sum proposed to be distributed to stockholders. I might also mention that no less a sum than £519,000 was paid by the company to the revenue during the year under review, in respect of income tax which we are required to deduct from our employees' wages and salaries. Taxation of this nature, whether direct or otherwise, ultimately represents a part of the cost of national production, and is reflected in the prices which must be charged to overseas markets, irrespective of the products.

The directors see no reason why stockholders should be prevented from sharing in the company's increased expansion and prosperity. Stockholders have provided almost 4 million pounds of extra capital since the war, without which the company's expansion could not have taken place. They are entitled to a fair return upon the money they have invested, and the recommendation of the directors is that the dividend be increased from 25 per cent. to 30 per cent., representing about 5½ per cent. on the value of the net assets as shown in the balance-sheet now before you. I should like to remind stockholders that a 35 per cent. dividend was paid by the company in 1946.

I am aware that certain stockholders hoped that the dividend recommended would be somewhat higher, and I gather that there may have been some wishful thinking on the Stock Exchange. In arriving at their decision, the directors had many matters to consider and perhaps the predominating factor was that so long as they have the confidence of the overwhelming majority of stockholders, they consider it is their duty to safeguard the future of the company and to go on building up its resources so that its future is assured.

I have purposely not spoken of the future prospects of the company. I am going to ask Sir John Black to second my proposition. He is much more competent to speak about these matters than I am, and I feel sure that he will have something to say not only about the progress during the last year, but his plans for the future. Sir John's initiative and foresight have been proved and are still unbounded. With his energy and drive I am convinced that still greater achievements will be made by the company.

SIR JOHN BLACK'S SPEECH

REVIEW OF PRODUCTION

Sir John Black (Deputy Chairman and Managing Director) in the course of his speech, said: I wish to review our production over the past year, and also give you an indication of our plans for the future. Since we last met, over 1½ million pounds have been spent on additional capital equipment, bringing our total postwar expenditure on capital assets to well over 8 million pounds. This policy of capital expenditure has been amply justified. Through it, we have been able to counter the ever-increasing cost of materials and wages. By increasing our car production we have, during the year, once again created a record overall turnover in spite of the setback we experienced in the early part of the year on tractor production. Output of tractors then dropped to as low as 85 a day, but it is now back to 270 and we are not stopping at that figure, for we plan to be at 300 a day by the end of November. This position, you will agree, is very satisfactory, and is due to the wider appreciation of the qualities of the tractor and of the whole Ferguson system, and also to the very extensive education of farmers and distributors, undertaken by Harry Ferguson, Limited, all over the world.

OVERSEAS COMPANIES

In the directors' report, reference is made to the recently formed subsidiary, or associated companies. These have been established in Australia, India, South Africa, Canada and New Zealand. I particularly wish to give you some details about Australia, India and South Africa.

The new companies are being operated jointly with our distributors in those countries, and we have a considerable financial interest in them. They have been formed to meet local conditions, and to increase our sales in their markets. With our ever-increasing volume, it is now often more economical to ship cars unassembled in order to take advantage of preferential tariffs, and also the considerable saving in freight and other charges. There seems no doubt that these conditions will lead progressively to the local manufacture of more and more components. These three companies are, therefore, operating plants for the assembly of the Standard "Vanguard" and "Triumph" cars, to which has been added the Triumph "Mayflower." and they will be in a position to assemble the Ferguson tractor when local conditions require it. The Indian company, which is situated near Madras, is actually assembling tractors now, in addition to cars. Last year 7,867 vehicles were assembled in Australia—mainly by our distributors. Arrangements have now been made for our new company at Melbourne to centralise a large proportion of this assembly work, and for it to co-ordinate the whole Australian market. In South Africa our company has already assembled nearly 1,000 cars since it started to operate early in 1950 at East London. In Canada our turnover last year was four times that of the previous year, and here the company is ready to assemble if that course becomes desirable. New Zealand presents a different problem, because of the heavy restrictions on the importation of cars, but we are ready to take immediate advantage of any relaxations.

Car assembly plants have also been established in Eire, Belgium, Switzerland, Sweden and Denmark, and they are being operated by our distributors in those countries. To give you some indication of the magnitude of our shipments to overseas car assembly plants, this month's figures are 1,734 sets of chassis parts and body panels, representing a rate of 10 motor-cars per hour, or 34 per cent. of our total car output. Our five biggest markets at the present time are Australia, Canada, Sweden, Belgium and Brazil, in that order.

EXPORT ORDERS

At this very moment the company is achieving a daily output of 574 units of both cars and tractors, and by the New Year this figure will be in excess of 600. During the month of October we have established a record production and turnover in the history of the company. We have a positively embarrassing number of orders for deliveries from all over the world for the new Triumph "Mayflower," and production is increasing week by week. The company's other well-established models—the Standard "Vanguard" and the Triumph "Renown"—continue to give a good account of themselves in all overseas countries as well as at home. Just over 80 per cent. of our total production of cars is being exported. With the tens of thousands of orders for the home market, it is to be hoped that the present Government will allow a greater proportion of cars to be released for this market, for I am sure that you will agree there are far too many dangerous old cars on the roads of Britain today, and it is high time that the country which produces the cars should get a fair share.

INCREASING TRACTOR PRODUCTION

As I said before, tractor output is now approaching 300 a day. This output comprises three types of tractor—run on petrol, on vaporising oil, and on lamp burning oil. In addition to these types, a new Ferguson tractor with a Diesel engine is being developed.

Harry Ferguson, Limited, continue with their development of constantly improving tractors and implements, and it is satisfying to us, as I am sure it must be to them, that there are 157,000 Ferguson tractors somewhere in the world, all of these produced from this factory.

FUTURE PLANS

Now with regard to the future, provided no unforeseen circumstances arise, particularly an actual disturbance of world peace, and provided there is no cut in sheet steel for the manufacture of cars and tractors, we have planned a manufacturing programme of no less than 144,000 units for this year, which compares very favourably with our production of nearly 100,000 last year. We know we are capable of accomplishing this under ordinary circumstances and our present rate of production, if maintained, will give us this planned programme.

We, in this company, are fortunate in having the full co-operation of the trade union officials, who, I am glad to say, still retain an active influence on their members who are employed in our factories. I say we are fortunate because this does not appear to be the case in so many of the nationalised industries, where a minority bunch of extremists continually try to upset the economy of the whole country by acting in a manner contrary to the purposes for which trade unions were created.

There is no doubt that our country must now embark upon a considerable rearmament programme which will tax the country's resources of materials and manpower, and it may be necessary for certain production to be curtailed, but it is my belief that tractor output will have not only to be maintained, but actually increased, if the necessary food is to be produced to alleviate poverty and hunger—the breeding ground of discontent and trouble.

The report was adopted.

TRONOH MINES LIMITED

MR J. H. RICH ON TIN CONTROL

The forty-eighth annual general meeting of Tronoh Mines Limited was held on November 7th in London, Mr J. H. Rich, the chairman, presiding.

The following is an extract from the chairman's review which had been circulated to shareholders:—

Although there were no outrages committed by the bandits on the property during the year, yet the district was not free from their activities. Since the end of the year six coolies and one forest guard have been killed on or near our areas.

Labour.—Our own experience seems to show that where Malayan workers are fairly and considerately treated and no third party intervenes relations between employees and employers will be harmonious and mutually satisfactory. In such circumstances the Government's policy of forcing trade unionism on the country would hardly seem a wise move.

Tin Control.—The Tin Study Group in March, by a majority vote, resolved to request the Secretary-General of the United Nations to convene, in accordance with the provisions of the Havana Charter, a United Nations Conference to which all members of the United Nations would be invited to discuss a draft agreement for the control of tin. It is incomprehensible how anyone having the interests of Malaya at heart can support any commodity agreement which, inaugurated under the auspices of the Havana Charter, would in effect mean the handing over the control of one of the two most important basic industries of Malaya, and in fact of the Commonwealth, to an unknown international authority. The present seems to be hardly an opportune time to even consider any international arrangement with the object of restricting or cutting down the production of tin.

LABOUR AND CAPITAL

One reason put forward to justify an output restriction agreement is the political argument that without such an agreement a burdensome surplus of tin would be produced and that that would bring about unemployment. The 1938 annual report of the Chief Inspector of Mines, F.M.S., said: "Many mines were closed down as the result of the low quota releases, and although mines retained their men as far as possible, some 30,000 coolies were discharged from the mines during the year." Who can deny that, if a new restriction agreement were now introduced, many thousands of Malayan workers would not again, in due course, be forced out of employment?

It is an open secret that one of the means by which the Secretary of State has suggested that Malayan revenue might be increased was by doubling the existing 20 per cent. rate of income tax upon company profits. The Secretary of State for Economic Affairs has declared that one of the greatest needs was for new capital investment. There are two main requisites to the investment of capital. One is confidence in the future of the country in which investment is made; the other is the necessary profit incentive.

As regards what I called the second requisite to the investment of capital—the profit expectation incentive—the realisation of this incentive must depend largely on the future incidence of taxation. We do not decry social services, but it is obvious that if they are to be of a kind that can be permanently maintained, the financing of them must not involve rates of taxation so crushing that investors will have no motive for investing in the country the new capital on which its economy must ultimately depend.

The report was adopted

PETER BROTHERHOOD LIMITED

INCREASED SALES

The forty-third ordinary general meeting of Peter Brotherhood Limited was held on November 7th in London.

Mr A. M. Neal, J.P., A.C.G.I., A.M.I.C.E., the chairman, presiding, in the course of his speech, said:—

The total of current liabilities amounts to £342,778, against a total of current assets on the other side of £1,091,849, a surplus of current assets over current liabilities of £749,071, which, I think you will agree, gentlemen, reveals a very satisfactory position.

The value of our sales for the year was approximately 5 per cent. greater than last year's figure, and if you will refer to the profit and loss account you will observe that the net trading profit for the year before providing for taxation amounts to £246,040, against £227,527 in 1949.

This, I think, is a matter on which the shareholders may quite properly congratulate themselves, especially in view of the expected deterioration in the sellers' market to which reference was made at our meeting last year.

Of this trading profit of £246,040, provision for taxation absorbs £133,500—a further reminder of the constant drain on the cash resources of industry—leaving us with a net profit, after taxation, of £112,540. Provisions made last year but found to be not required amount to the net figure of £7,895, bringing the available surplus for the year to £120,435.

The question of a final dividend has been before the board, who have felt it their duty on this further occasion to remain in line with the wish of the Government that dividends should not be increased at this time. The members of the board have in mind, however, that if, during the current year, the conditions, including that concerned with the freezing of wages, under which the wish of the Government has in the past been complied with, should cease to have effect, they will be freed from the obligation entered into some three years ago and will feel entitled to recommend a dividend more in consonance with the trading results achieved from year to year.

Accordingly, we recommend the payment of a final dividend of 12 per cent., less tax, on the ordinary shares, making with the 8 per cent., less tax, already paid, a total dividend of 20 per cent., less tax, for the year.

REPLACEMENT OF FIXED ASSETS

After the payment of this final dividend and allowing for the preference and interim dividends already paid, a balance of £96,194 remains to be dealt with. Bearing in mind the increase of the general reserve to £127,000 last year, we recommend that the whole of this balance of £96,194 be allocated to reserve for replacement of fixed assets, increasing that most necessary reserve to the figure of £171,194.

The balances referred to above under general reserve and under reserve for replacement of fixed assets, and to the credit of profit and loss account totalling £465,171, are in daily use in the business as extra capital without which it would have been difficult to finance our enlarged and varied output.

As to the future, I am pleased to report that business is being well maintained and that we have an excellent order book, which at our present rate of output will provide work for at least two years; we see no reason, therefore, why, in the absence of unforeseen circumstances, we should not look forward to a continuance of prosperity for some time.

The report was adopted.

ANGLO-CEYLON AND GENERAL ESTATES COMPANY, LIMITED

A BONUS ISSUE

The sixty-fourth annual ordinary general meeting of this company was held on October 26th in London, Mr Francis W. Douse, chairman and managing director, presiding.

The following is an extract from his circulated statement:—

The results of the company's operations for the past year have been satisfactory. In Ceylon in May of last year Nilloomally Estate was sold and contributed only one month's production to the season's record crop. Despite that sale a crop of 5,388,683 lb. of tea was obtained. This is the largest crop ever harvested from the company's properties.

Production and maintenance costs continue to rise, but were offset by the larger crop obtained. A substantial portion of our production for the calendar year 1949 was delivered under contract to the Ministry of Food, while the remainder of the season's teas was sold on the Colombo market and under contract to destinations outside the United Kingdom. The average price of all sales was 2s. 8.88d., as compared with 2s. 4.98d. for the previous year, an increase of 3.9d. per lb.

Politically the past year has been one of quiet progress for Ceylon. Last year I referred to the inequity of the double taxation to which sterling companies operating in Ceylon were subject. I am very glad to be able to record now that relief has been granted; first, by an amendment to the Finance Bill, which granted relief from Ceylon taxation up to 75 per cent. of the United Kingdom tax, and more recently by an agreement between the Governments of Ceylon and the United Kingdom providing for full reciprocal relief.

RECORD SUGAR CROP

Another record crop was reaped in Mauritius during the year, some 416,000 tons of sugar being produced as against 395,000 tons for the previous year. The net price realised was approximately £25 per ton. Costs have again risen but were offset by the increased crop.

The trading profit of the company and its subsidiaries amounted to £747,774 for the year, including £10,525 surplus realised on the crop for the previous year. This compares with a trading profit of £560,933 for 1949. After providing for all expenses, depreciation, and taxation, there is a net surplus of £316,737, as against £227,277 last year.

The directors have pleasure in recommending that a final dividend of 20 per cent. be paid, making 30 per cent. for the year.

The book cost of our interests both in Ceylon and Mauritius is obviously far below the present value due to the conservative policy adopted for many years, coupled with the general increase in values brought about by present-day conditions. It follows, therefore, that the issued capital of the company bears little relation to the actual value of the undertaking.

Accordingly the directors recommend that £50,000 of the share premium account should be capitalised and applied in paying up in full 200,000 new ordinary shares of 5s. each to be issued to the ordinary stockholders on the basis of one new ordinary share for each £3 of ordinary stock now held.

For the current year the prospects are favourable. Again a further record crop in Mauritius is predicted.

The report was adopted and at a subsequent extraordinary general meeting the bonus issue, as recommended, was approved.

WILLIAM DOXFORD AND SONS, LIMITED

SATISFACTORY POSITION

The fifty-eighth annual general meeting of William Doxford and Sons, Limited, was held on October 27th in London.

Dr E. P. Andreae, the chairman, in the course of his speech, said: After charging to profit and loss account £35,759 in respect of exceptional research expenditure, and providing for taxation based on the profits for the year, the net profit, before transferring £42,000 to income tax equalisation account, amounts to £276,433, as compared with £237,163 for the previous year.

We are recommending the capitalisation of another £50,000 from undivided profits for your consideration at this meeting. If approved by you, it will mean that the issued capital of the company will be £850,000, divided into 250,000 Cumulative participating preference shares of £1 each and 600,000 ordinary shares of £1 each—still a modest figure in relation to the capital actually employed in the business.

SHIPYARD MODERNISATION

Two years ago I told you that we had in hand an extensive programme for the further equipment and improvement of our shipyard, primarily designed to enable us to make use of the latest methods of "pre-assembly" and the welding of hull structures. It has been a very lengthy and costly undertaking, but I am happy to say that during last year excellent progress was made with the new installations.

We have enjoyed conditions of full employment during the year under review, and completed and delivered to their owners eight cargo ships and one oil tanker, all fitted, of course, with Doxford engines. In addition, we built in our own engine shops six sets of Doxford engines, and installed them at our Palmers Hill fitting-out quay in hulls built by other shipbuilders.

The Doxford Engine has maintained its popularity with shipowners all over the world, as instanced by the fact that at present engines totalling over one million horse-power in capacity are under construction or on order.

One important line on which our research engineers are working is concerned with the use of heavier oils in the place of so-called "Diesel Oil." There seems to be no inherent difficulty. Two vessels with Doxford engines have already had more than 18 months' successful experience with heavy fuel in service, and a number of new vessels are having the necessary equipment installed.

THE OUTLOOK

When I spoke to you last year I said that few enquiries for new ships were circulating, and that the indications were that when orders then on the books were completed, it would be difficult for the industry to keep its yards fully employed. Fortunately, however, the situation soon changed, chiefly owing to a large demand for tankers, and the outlook is now much brighter.

Our company participated fully in the flow of new business, with the result that we now have orders covering seven large tankers, several of which will be the largest we have ever built, in addition to two tankers already launched but not yet completed.

Our present commitments enable us to forecast full employment for nearly three years ahead, and with our up-to-date shipyard and engine works, and our strong financial background, we ought, even in less busy times, to be in a position to obtain our full share of any orders that may be available.

The report was adopted and the proposed bonus issue approved.

FERRANTI LIMITED

RECORD ORDER BOOK

SIR VINCENT DE FERRANTI'S REVIEW

The forty-fifth annual general meeting of Ferranti Limited was held in London on October 26th, Sir Vincent Z. de Ferranti, M.C., M.I.E.E., chairman and managing director, presiding.

The following is an extract from his circulated statement:—

The accounts show further progress in the expansion of the company's activities and the extension of our manufacturing facilities to keep pace with the increase and development of the output of electricity.

The consolidated profit for the year, together with dividends on investments, amounts to £550,995, as compared with £321,004 for the year ended June 30, 1949. After provision for tax the net profit is £248,100, against £133,027.

The output of the company, which is employing over 7,000 people, has increased by 20 per cent., brought about by a large increase in the output of transformers and Government work. There has been a slight decrease in the total orders received during the year, but we are left with a record order book of over £10 million, which will necessitate a further extension of our manufacturing facilities; 32 per cent. of our output has been exported.

TRANSFORMERS

The erection of transformers has been moved to the new factory, which is equipped with a lifting capacity of 240 tons, and part of the Hollinwood works has been converted to a greatly enlarged tank shop. These changes have made possible the increase in output of 40 per cent. We had in course of construction at June 30th, eighteen 230 kilovolt transformers of sizes up to 64 M.V.A. and installed weights of 250 tons for export, and since that date have received orders for an additional thirteen.

At home we have recently secured a large bulk order from the British Electricity Authority for grid transformers which is commensurate with our greatly enhanced production facilities. This order covers transformers up to the end of 1953 and is in addition to a large volume of business placed with us by the electricity Boards, which, together with the export business, maintains our input at the high level of the last few years.

METERS AND INSTRUMENTS

Our meter department has successfully launched a new single-phase meter which has met with very wide approval. This meter has been designed to cope with both home and export trade.

The instrument department has a design team of considerable strength working in conjunction with Manchester University on the development of an electronic digital computer. The future applications of this machine in science and accounting are very numerous.

Electronics.—As the result of the increase of the television business, orders for the manufacture of 12-inch cathode ray tubes have necessitated considerable plant expansion, which will be kept in full production during the next twelve months.

In Canada, to keep pace with the steadily increasing demand for electric power, the utilities have, this year, brought into operation a number of large hydro-electric generation stations, adding several hundred thousand kilowatts to available capacity. To utilise this additional power, transformers are needed for transmission and distribution, and I am glad to say our Canadian subsidiary is obtaining an increasing share of this important business.

The report was adopted.

COVENT GARDEN PROPERTIES COMPANY, LIMITED

ORDINARY DIVIDEND PAYMENT RESUMED

The twenty-sixth annual general meeting of this Company was held on November 2nd in London, Mr Louis Nicholas, J.P., F.C.A. (the chairman), presiding.

The following is an extract from his circulated statement:—

The profits of your company and its two subsidiaries—English Property Corporation, Limited, and Sanctuary Buildings, Limited—for the year ended June 30, 1950, have not only been maintained but show a slight increase.

The total of such profits, including income from investments before providing for amortisation of leasehold properties, and before deducting debenture and mortgage interest, taxation, etc., amounted to the sum of £415,108 as compared with £409,695 for the previous year. The rents and tolls from the Covent Garden markets show an increase of some £10,000, but this increase has been barely sufficient to cover the increased cost of salaries, wages, rates, repairs and other expenses. The net income received by the company from properties owned by it, surrounding the markets, and its other properties, has been well maintained.

The Company has continued to reinstate war damaged properties and to effect the repairs deferred owing to war conditions. Some £20,000, including £3,000 incurred by one of its subsidiary companies in respect of repairs overtaken during the year, has been charged against the provision for deferred repairs, and in addition the amounts charged for repairs against this year's income have been more than maintained.

THE SUBSIDIARIES

The dividends received from the company's two subsidiaries are the same as those received in previous years, although the net revenue of these companies is in each case slightly in excess of that of last year. The sum that has had to be provided for taxation is some £7,000 in excess of that charged last year, thus reducing the profit for the year of your company, notwithstanding its increased income to £106,801 as compared with £109,176 for last year. Your directors have pleasure in recommending a dividend on the ordinary shares at the rate of 4 per cent., less income tax.

The capital reserves of the companies have been increased by some £32,665, this being the surplus over cost arising on the realisation of certain fixed assets while the general reserve has been increased by £20,000. It will be noticed that the provision for deferred repairs has been reduced by some £20,000.

Freehold and leasehold properties show an increase of some £71,036 (reflecting the purchase of one long leasehold and various freehold properties during the year under review after making adjustment consequent upon the sale of two of its properties.

Certain of the Stock Exchange investments held by the company have been realised during the year at a slight excess over cost, which surplus has been used to write down the value of the remaining investments. The lease to the Government of the Royal Opera House has now been completed.

In view of the present international situation it would not be wise to attempt to give any forecast, but I am pleased to say that up to the present the profits of the company are satisfactory and, in the absence of restriction of imports and any other unforeseen contingency, I see no reason why the profits for the current year should not be maintained.

The report was adopted.

TRINIDAD PETROLEUM DEVELOPMENT COMPANY, LIMITED

EMINENTLY SATISFACTORY RESULTS

CONTRIBUTION TO THE WELL-BEING OF TRINIDAD

MR KENNETH MOORE'S REVIEW

The annual ordinary general meeting of Trinidad Petroleum Development Company, Limited, was held on October 31st at River Plate House, Finsbury Circus, London, E.C.

Mr Kenneth A. E. Moore, F.C.A., the chairman, who presided, said:—

Gentlemen,—If figures were all that mattered there would be little for me to say today, because the accounts, which speak for themselves are eminently satisfactory and reflect the most successful year in the history of the company. Not only has production been well maintained but devaluation as foreshadowed in my speech to you last year, has had the effect of increasing substantially the effective price received for our oil.

Before I leave the accounts, however, I should perhaps mention that they are, of course, drawn up in the conventional form in accordance with the Companies Act, 1948. In that form it is not altogether easy to grasp certain of the essential aspects of our affairs and it may be of interest to you if I summarise the results in a more intelligible form.

THE YEAR'S RESULTS

Before charging payments to Government, the surplus remaining on the year's working after deducting from our gross revenue from oil sales the cost of salaries, wages, materials, and depreciation and administration, was approximately £919,000. Our partners in this enterprise are primarily the Governments of Trinidad and of the United Kingdom. The share for the past year, of the Trinidad Government, which it takes in the form of oil rents, royalties, duties, and income tax, was about £520,000 and of the United Kingdom for taxation £100,000—£620,000—leaving as the company's share available for dividends and reserves £299,000. Of this £299,000 if our recommendations are approved, there will be distributed by way of dividends £187,000 leaving to be ploughed in to help to finance future development £112,000.

The Governments of Trinidad and the United Kingdom are, of course, sleeping partners. They provide none of the capital and take none of the risks but they take an imposing percentage of our revenue. On the other hand, it is only fair to acknowledge that the role of Government is an expensive one these days and covers a multitude of services beyond the primary duties of defence and the maintenance of law and order. In this connection, as you are no doubt aware, elections have recently been held in Trinidad for the first time on the basis of universal adult suffrage and a new and liberalised constitution. It will be the wish and hope of everyone, I am sure, that this experiment will be a success and that, for the sake of Trinidad and all who live and work there, stable and orderly Government will continue to maintain the underlying conditions and the confidence essential to progress.

PROGRESS OF THE UNDERTAKING

It is interesting to look back over the years and to recall that the company was formed early in 1918—some 32 years ago—and that for the first half of its life, its search for oil in commercial quantities was, in the main, a costly failure and disappointment. It was not until 1935 that the company really turned the corner and began earning regular profits, and you will remember that, in 1937, it was reconstituted, hived-off from the British Controlled Oilfields, and additional capital was raised by public issue of ordinary shares.

It will also be within your recollection that, since 1937, the company has never looked back. During the war production was successfully raised to about 10,000 barrels a day by concentration in accordance with official requirements on proved areas. Since the war production has been maintained at a more rational level and exploratory drilling has, once again, been able to proceed in an orderly manner.

The early experience of T.P.D. was by no means unusual in the very difficult geological conditions found in Trinidad. It is a matter of history that 157 companies have been formed from time to time to search for oil in Trinidad; 84 of these have actually operated; 12 remain active, but only five of these pay dividends, the remainder having gone into liquidation or been absorbed by others.

SUCCESS OF PRIVATE ENTERPRISE

I have thought it desirable to mention these matters because it will, I hope, give perspective to shareholders, and to a wider audience whose perception is at risk of being blurred by insistent propaganda against private enterprise and profits. Private enterprise in Trinidad, as exemplified by the oil companies, has done, and is continuing to do, a magnificent job and, instead of criticism of profits, there should be congratulation that some, at least, of the pioneers have been successful, after years of struggle, and have managed to establish their undertakings on a profitable basis.

In connection with the mention of pioneers, it is our sad duty to place on record today the passing of Mr R. R. Tweed early this year. He and Mr Dalley, who died in 1944, joined the company in 1927 when its fortunes were at a low ebb, and it was very largely due to their faith and tenacity of purpose as managing directors that the whole undertaking was not abandoned in the early 1930s. Both, I am glad to say, lived to see their faith justified and their work for the company crowned with success. We honour their memory.

CONTRIBUTION TO THE WELFARE OF TRINIDAD

From the figures I have given earlier in this speech you will have noted that the amount accruing to the two Governments is more than double the amount of profit available for dividends and reserves. It is, of course, not only the exchequers that benefit but also the general community in Trinidad, to whom a large measure of useful employment is afforded directly and indirectly by the company's activities. Indeed, as is becoming more generally realised, it is only on the sure foundation of the successful commercial development of natural resources that the standard and amenities of life in colonial territories can be raised.

Apart from our contribution in the shape of royalties, taxation, etc., we are, as a company, playing our part in improving life in Trinidad. For example, we provide free medical attention to all employees and their immediate families; we have a fully equipped medical centre with modern X-ray apparatus and dispensary; in housing we have built and are now extending a model village—Dollet Village—with a community centre for the use of residents and their children; in recreation the company has provided a sporting club with cricket and football grounds, etc.; in education we have recently decided to grant university scholarships, either to a university in the United Kingdom or to the Jamaica University, to local students who have shown aptitude in a branch of science, and to keep two such scholarships continuously in existence.

A boarding scholarship will also be granted to the San Fernando Technical School when that school has been built. In addition, we are establishing a trade school on the company's land at Palo Seco for training apprentices as skilled artisans. It is intended to carry a total of 50 apprentices on the pay-roll.

In one way or another, therefore, we are making an important contribution to the well-being of Trinidad and to all who live there, and we are providing opportunities for local young men of promise to equip themselves for posts of responsibility.

OPERATIONAL MATTERS

To return to operational matters, it is becoming increasingly clear that the long-term prosperity of the oil industry in Trinidad will depend, in no small measure, on the results of our own and other companies' efforts to find new reserves of oil at great depths.

Our drilling programme during the past year included five exploratory or semi-exploratory wells. Three of these turned out to be normal commercial producers, but our first well in the Moruga district encountered structural difficulties, exceptional even for Trinidad, when a depth of about 1¼ miles was approached, and it was not possible to proceed with it. Further tests are in progress in the hope that we may get some oil from higher levels.

The fifth exploratory well, Coora 188, which is planned to go down over 2½ miles, produced extremely interesting symptoms at rather more than half that depth but, as drilling is proceeding in the hope of reaching the designed depth, it may be some months before we know the exact significance of the conditions encountered higher up.

You will, I am sure, appreciate the enormous difficulties of drilling to great depths. It is really quite remarkable that they can be surmounted more often than not by the ingenuity of mechanical equipment and technique and by human skill, but as you will have inferred from my earlier remarks, one must not expect early and easy success in deep exploratory drilling. It is a long and expensive job but, having put our hand to it, we shall not lightly be deterred from pursuing it.

ADDITIONAL ACQUISITION

With regard to our reserves, you will have seen from the report that we have acquired oil rights over an additional 11,799 acres during the past year, making a total of 67,579 acres on the mainland. As we have so far explored by the drill only about one-third of this total area, it is clear that the scope for exploratory drilling in the years to come remains very considerable. The rate at which it can be pursued must inevitably be influenced by a variety of factors, including

the cost and availability of equipment, the level of crude oil prices and general economic and political circumstances.

In the meantime, our "proved" reserves at more easily attainable depths remain very substantial and, if oil prices remain at about the present level and costs do not get out of hand, we need not be unduly fearful of the future.

I say this with the more confidence because we have a very capable managerial team in Trinidad under our general manager, Mr Bennett, and in London we have the benefit of the long experience of our managing director, Commander Lavington, who, for many years, and through some of the difficult as well as the successful years, was in charge of our affairs in Trinidad.

We also have available to us the wealth of experience in geological matters of Mr Halse, who, I am glad to say, on his return to this country, is continuing in an advisory capacity. He and Mr C. C. Wilson, our resident geologist in Trinidad, have between them made an immense contribution to geological knowledge of conditions in Trinidad generally, which has been of very great benefit not only to this company but to others. To them, and to all who work on our affairs in whatever capacity, either in Trinidad or London, we extend our thanks, in which I am sure you will wish to join.

The report and accounts were adopted.

FISHER AND LUDLOW LIMITED

GREAT INCREASE IN PRODUCTION

MR ARTHUR KEATS' REVIEW

The thirtieth Annual General Meeting of Fisher and Ludlow Limited was held on November 3, 1950, at the Queen's Hotel, Birmingham, Mr Arthur Keats, O.B.E. (chairman of the company), presiding.

The following is his statement which was circulated with the report and accounts for the year ended March 31, 1950:—

Production, of which over 70 per cent. was for export, greatly exceeded any previous achievements and this has contributed materially to the considerable increase in the group net profit, which has risen from £172,617 for the previous year to £427,853 after providing no less than £535,455 for taxation and £221,789 for depreciation. Of this, £22,265 is attributable to shareholders outside the group and £1,192 to pre-acquisition profits on shares acquired in a subsidiary company during the year, leaving £404,396 attributable to our interests.

The company, as already intimated in my statement of last year, purchased during the year the majority shareholding in Bendix Home Appliances Limited, and for the first time the trading results of this company are included in the consolidated accounts, thereby affecting comparisons between the figures for the two years. Since the end of the financial year your board has acquired the remainder of the ordinary share capital of this company, which was previously held by American interests. The profits of the Bendix Company have been well up to expectations and have made a valuable contribution to the improved results now before you. The sales of its automatic washing machines, undoubtedly the foremost of its kind, are at present only limited by the amount of raw materials, principally steel, made available to us. A large proportion of this output is being exported to all parts of the world and provided prices can be maintained at a reasonable level the outlook for this company looks distinctly promising.

ADDITIONAL EQUIPMENT

The demands upon our productive capacity are still increasing and although £263,297 was spent on acquiring new plant during the year the company is committed to a further £250,000 to provide additional equipment and to ensure that our plant is maintained and modernised to the fullest degree. Some indication of our progress in this direction can be gathered from the fact that over the last four years we have expended £1,206,747 on new machinery and equipment.

The most recent extensions to our facilities and now in production include a further area of 200,000 sq. ft. principally equipped with the latest type of plant for the painting and trimming of automobile bodies and also giving additional capacity for general purposes.

STRONG FINANCIAL POSITION

In these days of expansion of trading and constantly rising prices when many companies are finding difficulty in obtaining working capital your company is in a strong financial position to meet all demands likely to be made upon its resources in the foreseeable future. The liquid position has, in fact, improved during the year with current assets at £4,895,531 and current liabilities £1,716,015.

We are continuing to employ all possible mechanical aid to production and material handling, and whilst the complete palletisation of our factory for the mechanical handling of raw materials, component parts and finished goods is not yet in its final state, sufficient progress has been made to enable the immense advantages of this system over previous methods to be appreciated and the economies effected have convinced us that our decision to install was correct.

PENSION SCHEME

You will be aware from the brochure enclosed with your copy of the accounts that we are celebrating our centenary year and to mark this event your board, after much thought and consideration, decided that it would be most appropriate to institute a comprehensive contributory pension and life assurance scheme. For this purpose £162,872 has been appropriated to provide for past service pensions in recognition of the long and valued service of so many of our employees. I am sure you will be pleased to learn of this decision to provide a measure of security to all our employees when reaching retiring age.

ASSESSMENT OF FUTURE PROFITS

Whilst fully appreciative of the excellent results before you I feel that I must add a note of caution in any assessment of future profits. It should be borne in mind that the motor industry with which we are so closely associated has been exceedingly busy during the past year, despite difficult steel supplies. We have not been faced this year with any major changes of models involving, as this does, expensive retooling, alterations to layouts, initial development and interruption in the rhythm of production, but such can be expected to occur periodically in our class of business. In addition to this within recent months, in common with other manufacturers, we have been confronted with considerable increases in the costs of many of our raw materials. In many instances, in face of world competition, it has not been possible to recover these increases in our selling prices and contracts are tending to become less profitable.

CENTENARY BONUS

Bearing in mind the Government request for restraint the directors are recommending the maintenance of the dividend of 20 per cent., less tax, on the ordinary stock, but in addition, in view of the celebration of the centenary year of the company, feel justified in recommending a special bonus of 5 per cent., less tax, to mark the occasion.

The order books of the parent and subsidiary companies remain full and during the current financial year production has been fully maintained. It seems, therefore, that should there be no great deterioration in the international situation, we can look to the future with confidence.

In conclusion, I feel sure you would wish to be associated with the board in tendering thanks to the executive staff, and all personnel, to whose efforts the eminently satisfactory results are so largely due.

The report was adopted.

GESTETNER, LIMITED

(Manufacturers of Duplicators, Accessories and Supplies)

RECORD TRADING PROFIT
MR S. GESTETNER'S SPEECH

The annual general meeting of Gestetner, Limited, was held on November 2nd at Aldwych House, Aldwych, London, W.C., Mr S. Gestetner (chairman and managing director) presiding.

The following is an extract from his speech.

Profits on trading of Gestetner, Limited, and of Gestetner, Limited, and subsidiaries were the highest in history. Manufacturing and selling expenses both showed increases, which were in part offset by increased turnover and economies in manufacture resulting therefrom and from improved methods.

From almost every one of our overseas subsidiaries and concessionaires come reports of a steadily increasing demand for Gestetner machines and equipment; the existing demand is higher than it has been at any other time in the history of your company.

UNITED STATES

A few days ago I returned from a visit to the United States of America. I am pleased to be able to report that the progress of our young subsidiary there is indeed satisfactory and gratifying. Progress in the organisation of distributing and servicing arrangements is ahead of the time-table originally set. Sales somewhat exceed anticipations. Everywhere I found that our products were meeting with a favourable reception in that highly developed market. General trading conditions in the United States are at record level and there is no doubt that they are a favourable factor in our operations. Substantial orders should result from our being on the Bureau of Federal Supply list and will still further swell the amount of business we expect from that market.

FINANCIAL POSITION

The ratio of current assets to current liabilities still continues to show a healthy picture.

Shareholdings in subsidiary companies have increased by £127,000, which is substantially attributable to the new American subsidiary. This will in turn increase the amount of stocks and debtors to be financed from our own resources.

Your directors have taken all steps to keep abreast with modern methods of production and have continued the policy of installing the latest and most efficient equipment; this was the more essential in view of the substantial and increasing demand for your company's products in the world's markets.

This policy, which embraces both factory extensions and re-equipment, will extend over

a number of years and has during the year covered by these accounts cost £187,000. Commitments for these purposes at August 31, 1950, were £212,000.

The consent of the Capital Issues Committee of H.M. Treasury has recently been obtained to an issue of preferens capital. Members will be informed of the details as soon as the arrangements have been completed.

THE FUTURE

In 1951 we celebrate our seventieth anniversary. We look forward to this anniversary year with complete confidence in our ability to establish even greater turnover records during the current trading year. The excellence of our products and the efficiency of the world's sales forces together make an excellent augury for the future of the company.

Your company's financial year started on September 1st and sales for the months of September and October exceed those of the same months last year by a considerable margin.

Our thanks are due to the employees of Gestetner, Limited, for their loyalty and keenness, and I am sure you will join with me and the directors in expressing appreciation of their work. They are a happy band and I know that you approve of the expenditure of just on £40,000 for staff endowment assurance and provident funds which was incurred for their benefit during the last financial year.

The report was adopted.

TANGANYIKA CONCESSIONS

TRANSFER TO SOUTHERN RHODESIA

The annual general meeting of Tanganyika Concessions Limited was held on November 2nd in London

Mr Maurice Hely-Hutchinson, M.C. (the chairman), in the course of his speech, said:—In 1946 your board reached the conclusion that a reorganisation of the capital was desirable to simplify the capital structure. At the same time, the board directed its attention to the possibilities of expanding the business of the company and spreading its risks.

In 1948 it became apparent that emigration was necessary in order to bring the seat of management and control nearer to the properties in which the company has substantial investments and also, so far as possible, to relieve the company of the crushing burden of taxation.

With the approval of the Courts granted on Monday last, October 30th, to the proposal for reorganisation of capital, and the alterations of the Articles necessary for emigration, it seems that we are in a fair way to regard the first two steps as accomplished. At the same time, we are in the fortunate position of finding associated with the company the very interests in America and Africa whose co-operation we had sought and shall value, while at the same time our Belgian associates have increased their interest in the company, and we are also able to look forward to the co-operation of new interests in London.

From now on the work of the company lies in Africa, to which the principal seat of management and control is being transferred. We hope that this will take place on or about November 17th.

The report was adopted.

NOTICES

UNIVERSITY OF LONDON

The Stamp Memorial Lecture, entitled "Treasury Control," will be given by Sir Edward Bridges at the University of London, Senate House (entrance from Russell Square or Malet Street, W.C.1), on Tuesday, November 21st, at 5.30 p.m. The chair will be taken by the Rt. Hon. The Viscount Simon. Admission free, without ticket.

JAMES HENDERSON, Academic Registrar.

THE CIVIL SERVICE COMMISSIONERS invite applications from men and women for the following permanent appointments: (a) one Agricultural Economist in the Ministry of Agriculture and Fisheries, and (b) six Assistant Agricultural Economists, three in the Ministry of Agriculture and Fisheries and three in the Department of Agriculture for Scotland. For post (a) candidates must have attained the age of 28 on June 1, 1950; for posts (b) candidates must be at least 23 and under 30 on June 1, 1950, with extension for regular service in H.M. Forces. Inclusive salary scale for post (a) is £750–25–£1,000 (men) and £650–25–£850 (women); inclusive salary scale for posts (b) is £375 (age 23)–25–£750 (men) and £375 (age 23)–30–£650 (women), with higher starting pay for candidates over 23 on appointment. These scales apply to London posts and are subject to deductions ranging from about £10 to £15 for posts (b) in Edinburgh. Superannuation arrangements will be made under the Federated Superannuation System for Universities.

All candidates must have a University Degree with First- or Second-Class Honours in Agriculture or Economics, or in a related subject (e.g., Geography, Mathematics, Statistics); or, in cases where Honours are not awarded, must satisfy the Commissioners that their Degree is of Second-Class Honours standard. Those qualified in subjects other than agriculture must have specialised in agricultural applications of their subjects, and those who have qualified in agriculture must have specialised in the economic aspect of the subject. Candidates should preferably have undertaken some original research work in agricultural economics. For some of the posts it is desirable, but not essential, that candidates should have some experience of field work in farm accounting investigations.

Full particulars and application forms from Secretary, Civil Service Commission, Burlington Gardens, London, W.1, quoting No. 3326; completed application forms must reach him by November 24, 1950.

MANAGEMENT AND INDUSTRIAL CONSULTING.—Production-Engineering, Ltd., invite applications from qualified Engineers and Chartered Accountants, preferably with University Degrees and with a real interest in the problems facing management today. There are exceptional openings for first-class men with initiative requiring permanent posts in this type of work. Engineers should have served an apprenticeship and should also have had good practical experience and an executive position in industry. Accountants should have experience of modern developments in financial control and its application in industrial management. After training, there is a four-figure starting salary as well as Life Assurance and Superannuation Schemes. Applicants should be between 27 and 35.—Write, giving age and full details of education, qualifications and experience, to Production-Engineering, Ltd., 28, Bruton Street, London, W.1.

A LARGE FIRM of Chemical Manufacturers require the services of a young man, aged 21-25, as trainee in the Sales Department in London. Applicants should have had a good general education, preferably with scientific background, and should also have completed military service. Previous commercial experience would be an advantage, but is not essential. The post is permanent and progressive, and salary will be commensurate with age and experience.—Apply, giving details of age, education and experience, to Box 534.

PRIVATE SECRETARY.—Young lady, Canadian, University graduate, good typing and shorthand speeds, seven years' experience, wishes permanent position, preferably involving travel, where capability and industry are suitably rewarded. Best references.—Box 505.

DESIGN for Study: "Economic Planning and the Co-operative Movement," by A Bonner. Copies available from the Publications Department, Co-operative Union, Ltd., Holyoake House, Hanover Street, Manchester, 4. Price 1s. per copy (1s. 1d. post free). 12s. 6d. per dozen copies, carriage paid.

ECONOMISTS, June, 1949, to June, 1950, indexed.—Offers, Box 502.

CITY OF BLOEMFONTEIN
4 PER CENT INSCRIBED STOCK, 1954

CITY OF JOHANNESBURG
3½ PER CENT INSCRIBED STOCK, 1958-63

CITY OF PRETORIA
3½ PER CENT INSCRIBED STOCK, 1953-58

NOTICE is hereby given that in order to prepare the Warrants for Interest due January 1, 1951, the Balances of the several Accounts in the above-mentioned stocks will be struck on the night of December 1st next, and that on and after December 2nd the stocks will be transferable ex-dividend.

For Barclays Bank (Dominion, Colonial and Overseas),
(London Registrars of the above stock.)
G. A. D. HARRISON, Acting Manager.
Circus Place, London Wall, E.C.2. November 6, 1950.

CITY OF BLOEMFONTEIN
FIVE PER CENT INSCRIBED STOCK, 1969

NOTICE is hereby given that in order to prepare the Warrants for Interest due December 31, 1950, the Balances of the several Accounts in the above-mentioned Stock will be struck on the night of November 30th, and that on and after December 1st the stock will be transferable ex-dividend.

For Barclays Bank (Dominion, Colonial and Overseas),
(London Registrars of the above stock.)
G. A. D. HARRISON, Acting Manager.
Circus Place, London Wall, E.C.2. November 6, 1950.

DR JAMES A. BOWIE MEMORIAL FUND

A Fund has now been opened for the purpose of commemorating the work of the late Dr. James A. Bowie M.A., D. Litt., First Principal of the School of Economics, Dundee.

Dr Bowie, during nearly 20 years' work in the City, gave much of his time and thought to young men and women who came under his charge, but in many ways contributed greatly to a variety of organisations not only in Dundee but throughout the country. Those interested are invited to add their names to the list of Subscribers.

Subscriptions should be addressed to the Hon. Treasurer, Mr James R. Nicoll, Clydesdale and North of Scotland Bank Ltd., High Street, Dundee.—On behalf of the Committee,

Sir Garnet Wilson, Chairman; William Patterson, Hon. Secy.

YOUNG GERMAN MERCHANT, 21 years, interpreter (Engl.), who wants to get commercial experience abroad, seeks position in British trade or industry. Sales and administrative experience. Employers, willing to apply at the Ministry of Labour for a permit for my stay in Britain are asked to write to Box 507.

NO matter what product you have to offer, you will achieve a profitable enlargement of your market, through effective advertising. Why not discuss the matter with Samson Clark and Co., Ltd., 57/61, Mortimer Street?—Museum 5050.

FOR SALE.—Sets "Economist," 1947-1950.—Offers, Box 495.

EXTERNAL Student, just failed B.Com. Gp. E., wishes borrow successful student's notes. Copyright will be observed.—Box 510.

THE EASTERN BANK LTD., LONDON, has a few vacancies for young men of good education who are interested in an Exchange Banking career, in which opportunities arise from time to time for suitably qualified men to transfer to the Eastern Executive Staff.

Preference will be given to those who have passed any of the Institute of Bankers' Examinations, or who have had practical Banking experience.

For particulars of service, apply to:
The Secretary,
The Eastern Bank Ltd.,
2 and 3 Crosby Square, London, E.C.3.

JOAN,

We are planning a Christmas holiday in Jersey, Britain's carefree continental resort within the sterling area, where the Christmas season is kept up gaily. Why not make up a party?

Statistical Summary

EXCHEQUER RETURNS

For the week ended November 4, 1950, total ordinary revenue was £88,440,000, against ordinary expenditure of £57,128,000 and issues to sinking funds £620,000. Thus, including sinking fund allocations of £10,701,000 the surplus accrued since April 1st is £89,629,000 compared with £905,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	Receipts into the Exchequer (£ thousand) April 1, 1949 to Nov. 5, 1949	April 1, 1950 to Nov. 4, 1950	Week Ended Nov. 5, 1949	Week Ended Nov. 4, 1950
	£'000				
ORDINARY REVENUE					
Income Tax	1388000	451,030	442,502	11,776	12,854
Sur-tax	120,000	39,300	39,800	800	800
Estate, etc., Duties	195,000	114,000	108,650	3,300	3,300
Stamps	50,000	30,300	30,300	1,200	1,500
Profits Tax	270,000	161,560	158,170	5,100	6,400
E.P.T.		25,900	8,750	600	...
Other Inland Rev.	500	80	60	...	...
Special Contributn.	4,500	15,100	3,300	300	100
Total Inland Rev.	2028000	837,270	791,532	23,076	24,954
Customs	870,650	477,602	523,165	22,589	17,727
Excise	713,150	442,700	440,331	36,700	41,815
Total Customs and Excise	1583800	920,302	963,496	59,289	59,542
Motor Duties	56,000	12,128	12,964	1,305	1,449
Surplus War Stores	35,000	64,737	25,131	770	810
Surplus Receipts from Trading	85,000	14,045	30,974	...	...
P.O. (Net Receipts)	...	...	1,100	...	200
Wireless Licences	13,000	5,940	6,000	...	...
Sundry Receipts	27,000	...	...	...	...
Miscell. Receipts (in. Crown Lands)	70,000	47,139	55,418	288	463
Total Ord. Rev.	3897800	1913258	1905786	85,960	88,440
SELF-BALANCING					
Post Office	172,150	93,700	98,900	4,500	4,300
Income Tax on E.P.T. Refunds	5,700	6,821	5,790	350	142
Total	4075650	2013779	2010476	90,810	92,882

Expenditure	Estimate, 1950-51	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1949 to Nov. 5, 1949	April 1, 1950 to Nov. 4, 1950	Week Ended Nov. 5, 1949	Week Ended Nov. 4, 1950
	£'000				
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	490,000	299,475	309,852	18,782	18,896
Payments to N. Ireland	36,000	21,621	21,414	1,153	1,282
Other Cons. Fund Services	11,000	6,076	4,882	107	50
Total	537,000	327,172	336,148	20,042	20,228
Supply Services	2918068	1575284	1469307	37,400	36,900
Total Ord. Expd.	3455068	1902356	1805455	57,442	57,128
Sinking Funds	...	9,997	10,701	230	620
Total (excl. Self-Bal. Expd.)	3455068	1912353	1816156	57,672	57,748
SELF-BALANCING					
Post Office	172,150	93,700	98,900	4,500	4,300
Income Tax on E.P.T. Refunds	5,700	6,821	5,790	350	142
Total	3632918	2012874	1920846	62,522	62,190

After increasing Treasury balances by £209,247 to £3,811,606, the other accounts for the week decreased the gross National Debt by £71,149,746 to £26,581 million.

NET RECEIPTS (£ thousand)	
...the Act, 1936, s. 36	550
NET ISSUES (£ thousand)	
...issues outside Permanent Debt Charge	343
...P.O. and Telegraphs (Money) Act, 1948	360
...E.P.T. Refunds	173
...Export Guarantees Act, 1949, s. 3(2)	75
...Local Authorities Loans Act, 1945, s. 3(1)	8,000
...Overseas Resources Development Act, 1948, s. 17(1)	
Overseas Fund	300
...finance Acts, 1946 and 1947; Postwar Credits	292
	9,543

CHANGES IN DEBT £ thousand
Week ended November 4, 1950

RECEIPTS		PAYMENTS	
3% Funding Stock, 1966-68	249,000	Treasury Bills	145,434
Tax Reserve Certs.	10,296	Nat. Savings Certs.	400
		2½% Def. Bonds	95
		3% Def. Bonds	420
		3% Ter. Annuities	1,369
		Other Debt:—	
		Internal	2,508
		External	44
		Ways & Means Advances	118,015
		Treasury Deposits	12,500
	259,296		280,785

FLOATING DEBT
(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
Nov. 5	2870·0	2122·9	375·7	3·5	755·5	6127·6
1950						
Aug. 5	3140·0	1934·9	374·4	...	405·0	5854·3
„ 12	3140·0	1936·0	373·7	...	405·0	5854·7
„ 19	3140·0	1921·2	410·8	...	430·0	5902·0
„ 26	3130·0	1920·6	401·2	...	450·0	5901·8
Sept. 2	3120·0	1897·8	423·1	8·8	450·0	5899·7
„ 9	3120·0	1898·1	417·3	...	475·0	5910·4
„ 16	3120·0	1889·8	408·2	...	505·0	5923·0
„ 23	3130·0	1869·6	401·3	...	505·0	5905·9
„ 30	4,975·9		451·0	...	505·0	5931·9
Oct. 7	3130·0	1820·0	467·6	2·7	530·0	5950·3
„ 14	3140·0	1789·4	469·9	...	555·0	5954·3
„ 21	3160·0	2077·8	490·2	...	574·0	6302·0
„ 28	3170·0	2041·1	471·3	...	585·5	6268·0
Nov. 4	3180·0	1885·7	353·3	...	573·0	5992·0

TREASURY BILLS
(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
Nov. 4	230·0	307·0	230·0	10 5·48	63
1950					
Aug. 4	250·0	335·7	250·0	10 2·81	64
„ 11	240·0	304·8	240·0	10 3·32	73
„ 18	240·0	312·8	240·0	10 3·23	70
„ 25	230·0	294·9	230·0	10 3·48	73
Sept. 1	240·0	333·5	240·0	10 2·90	62
„ 8	240·0	313·4	240·0	10 3·22	70
„ 15	250·0	294·4	250·0	10 3·45	81
„ 22	240·0	310·2	240·0	10 5·21	34
„ 29	240·0	307·0	240·0	10 3·23	72
Oct. 6	250·0	312·3	250·0	10 3·23	74
„ 13	260·0	319·4	260·0	10 3·25	76
„ 20	250·0	332·3	250·0	10 2·94	66
„ 27	250·0	335·8	250·0	10 2·98	65
Nov. 3	250·0	347·7	250·0	10 2·70	60

On November 3rd applications for 91 day bills to be paid from November 6th to 11th were accepted dated Monday to Saturday as to about 60 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million are being offered for November 10th. For the week ending November 11th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS
(£ thousand)

	Week Ended Oct. 29, 1949	Week Ended Oct. 28, 1950	Total, Apr. 1 to Oct. 28, 1950
Savings Certificates:—			
Receipts	2,100	2,200	51,100
Repayments	2,450	2,400	76,700
Net Savings	*Dr 350*	*Dr 200*	*Dr25,600*
Defence Bonds:—			
Receipts	395	325	10,025
Repayments	794	830	29,439
Net Savings	*Dr 399*	*Dr 505*	*Dr19,414*
P.O. and Trustee Savings Banks:—			
Receipts	11,157	11,986	373,856
Repayments	12,104	12,052	400,115
Net Savings	*Dr 947*	*Dr 66*	*Dr26,259*
Total Net Savings	*Dr1,696*	*Dr 771*	*Dr71,273*
Interest on certificates repaid	500	540	16,809
Interest accrued	2,366	2,414	72,292
Change in total remaining invested	+ 170	+1,103	*−15,790*

BANK OF ENGLAND RETURNS

ISSUE DEPARTMENT
NOVEMBER 8, 1950.

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1278,349,968	Other Govt. Securities	1334,229,420
In Bankg. Department	72,006,855	Other Secs.	741,334
		Coin (other than gold)	4,014,146
		Amt. of Fid. Issue	1350,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1350,356,823		1350,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	558,141,441
Rest	3,307,895	Other Secs.:—	62,131,736
Public Deps.:—	281,691,518	*Discounts and Advances*	*30,576,005*
*Public Accts.**	*15,277,396*	*Securities*	*31,555,731*
H.M. Treas. Special Acct.	*266,414,122*		
Other Deps.:—	395,075,492		
Bankers	*308,350,034*	Notes	72,006,855
Other Accts.	*86,725,458*	Coin	2,347,873
	694,627,905		694,627,905

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS
(£ million)

	1949 Nov. 9	1950 Oct. 25	1950 Nov. 1	1950 Nov. 8
Issue Dept.:—				
Notes in circulation	1260·4	1272·6	1275·5	1278·3
Notes in banking department	70·0	77·7	74·9	72·0
Government debt and securities*	1299·5	1345·2	1345·2	1345·2
Other securities	0·7	0·8	0·8	0·7
Gold and Coin	0·4	4·4	4·4	4·4
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	8·9	13·0	13·1	15·3
Treasury Special Account	54·7	266·4	266·4	266·4
Bankers	299·7	316·0	304·9	308·4
Others	115·1	89·3	90·2	86·7
Total	478·4	684·7	674·6	676·8
Securities:—				
Government	406·5	555·3	555·3	558·1
Discounts, etc.	15·9	40·3	32·2	30·6
Other	78·2	26·5	27·7	31·6
Total	450·6	622·1	615·2	620·3
Banking dept. res.	45·7	80·3	77·2	74·3
	%	%	%	%
"Proportion"	9·5	11·7	11·4	10·9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,300 million to £1,350 million on June 27, 1950.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Oct. 3, 1949	Oct. 17, 1950	Oct. 31, 1950
Cereals and meat	151·7	153·5	154·6
Other foods	162·5	162·5	162·5
Textiles	269·2	278·8	282·5
Minerals	305·8	307·8	310·8
Miscellaneous	177·9	180·5	181·7
Complete Index	**203·1**	**205·9**	**207·4**
1913=100	*279·4*	*283·3*	*285·4*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 173s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Nov. 1	70	80	176 14	105 4
„ 2	70	80	176 10	105 5
„ 3	70	80	177 6	105 12
„ 4	Markets	Closed	176 11	106 7
„ 6	70	80	176 11	106 7
„ 7	70	Closed	175 14	107 4
„ 8	70	80	176 10	107 15

But the methods of campaigning pursued by the Republicans this year—actively pursued only by a minority but silently acquiesced in and turned to account by virtually the whole party—have cast upon every Republican gain in this year's election a light that, in European eyes, is inevitably sinister. For months the Republicans have been conducting against the Secretary of State, Mr Dean Acheson, a campaign that, from this distance, has seemed to be as scurrilous as it has been irresponsible. Mr Acheson is regarded in the outside world not merely as a good Secretary of State, but as one of the best that the United States has had in modern times—and this not because he has shown any undue partiality to his country's allies, but because, together with his predecessor and former chief, General Marshall, he has given to American policy a consistency of purpose and an intellectual foundation which have brought new hope to the free world. It may be that distance makes it impossible to see his defects of bearing when under Congressional inquiry; but distance also makes it impossible to see why such superficial niceties should weigh for anything in the balance against the world stature of a real statesman. Do not the Republicans see, in hurling their charges of incompetence and misfeasance, on grounds that carry utterly no conviction abroad, that they are undermining the very foundations of that confidence in the consistency and trustworthiness of American policy on which rests the hope of defeating Communism without war? That such a campaign, not merely of dragging foreign policy into party politics but of spattering it with mud, should be tolerated by the leaders of a great party, must seem to many of America's most affectionate friends to be bad enough. But that it should be rewarded by the electors is found by many of them to be downright alarming.

*

The spectacle has certainly not been an edifying one. And yet the alarm can easily be overdone. The American constitutional system is so devised that it puts a positive premium upon irresponsibility and wildness of language. A man can spend a whole lifetime in politics without ever having to carry the responsibility for any policy of the government. Yet, for all that, as the record of the last few years abundantly shows, the system does work. For all the clamour and the nonsense, the right things are done, possibly not much later and certainly no less generously than they would be done under other systems.

There is no good reason to believe that the result will be any different this time. The extent to which the American people recorded their votes against the foreign policy of the Truman Administration has been vastly exaggerated. There were some surprising Republican victories, but some unexpected Democratic victories too. Nor need it be assumed that every Republican gain is a step back to isolationism. Senator Taft has said that "we can't be isolationist under present circumstances" and several of the newly elected or re-elected Republican Senators, such as Mr Duff of Pennsylvania and Mr Morse of Oregon, are convinced internationalists.

It may be that, as a result of last week's election, there will be some shifts in emphasis in American foreign policy. Economic aid to other countries may be scrutinised more carefully and the Far East may compete rather more strongly for attention with Europe. Some of these shifts in emphasis may seem, on this side of the Atlantic, to be unfortunate. But they do not seem likely to go, very [illegible] the monume[illegible] built up [illegible] judgm[illegible] measures [illegible] far less c[illegible] are the[illegible] they are far mo[illegible] moving under the pressur[illegible] winds that blow upon them [illegible] elected always have the most powe[illegible] and immediate effect upon Congressional opinions. [illegible] nowadays one means Russian actions. Hitherto the Kremlin has been infinitely the most effective assistant that the policy of closer collaboration among the free nations could desire; the timing of Russian strokes to this end has been miraculously good. If the Russian course were now to be altered, any previous judgment about American policy would have to be revised.

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The other gale that blows daily in full force upon American politicians and policy-makers is that of public opinion. In America, public opinion is a prime mover on its own account; it is the effective means of resolving conflicts between the executive and legislative branches of the government—and of doing so, not simply at election time but every day. It is in this that the significance of Mr Gordon Gray's report lies. His recommendations (of which a summary is printed on page 815) are most unlikely to be accepted as they stand by Congress; they are not even a considered policy of the Administration. But it is important that a political leader, assigned to the study of the problem, should find himself drawn to such well-rounded and liberal opinions. And it is very important that the Administration should think it wise to launch such a report upon public opinion in the obvious hope that it will serve as a text for the formulation of views on policy.

It is difficult to pick any quarrel with Mr Gray's analysis or conclusions. Indeed, if American opinion in general were to follow the lead he has given, the rest of the free world would get all that it has a right to hope for from American economic policy. The countries of Western Europe would have continued dollar aid to help them rearm, aid not tied to military equipment, and perhaps not even to purchases in the United States, but general aid to help them carry the overall burden of increased military production. They would also have an assurance that the United States, through its commercial and domestic policies, would make it easier for them to earn dollars.

This is not, of course, the first time that an authoritative American voice has expounded the need for a liberal economic policy towards the rest of the world; on the contrary, that has been the steady theme of academic thought in the United States for a decade or more. But there are several specific reasons for paying particular attention to this document. The first is precisely that it is not academic; this is the report of an active politician who knows what it is to deal with Congress, drawn up in consultation with government departments who know the limits of the possible. The second is that Mr Gray carries the familiar argument into unfamiliar regions. He is not afraid to attack the discriminatory shipping policy of the United States or—more daring—even the sacred cow of agricultural policy itself. He sees the point that if the United States, in the name of "stockpiling," lays its hands on most of the scarce materials needed for the defence programme at the expense of its partners, western defence as a whole must suffer. Thirdly, the report shows a very real and sympathetic understanding of the difficulties of other countries, particularly of Britain's. It is rather a novelty in any American writings, official or private, to find the sterling area treated favourably or the acknowledgement made that the countries of Western Europe have ideas of value about the methods of assisting underdeveloped countries. Mr Gray realises, as few other Americans have done, that there must be an order of priority in the demands that are made on other countries, and specifically on Great Britain. Britain can be asked to do without free dollars, or to increase its dollar purchases, or to restore the convertibility of sterling, but it cannot reasonably be asked to do all at once.

In short, the nearer that American policy, under the pressure of public opinion, approximates to the views of the Gray report, the better for all of us. The obvious next question is whether there is anything that can done on this side of the Atlantic to bring about such a consummation. And to that the answer is equally clear. What may now be offered, more fully than ever before, is a living partnership, with all the essential points that British representatives in Washington have struggled for years to put, at last recognised and accepted. But partnership implies contributions from both sides, and there is no doubt whatever about the contribution that would be acceptable from our side. It is to be willing to take some risks, in the economic field as in the strategic, to make the free world work. The impression has grown up that to ask this of present-day Britain is to ask a great deal, but there is no reason why it should be so, even when it is asked of members of the Labour party, whose socialism has never hitherto been meant to exclude freedom. But even if the price were heavy, would it be too large for the immense boon that is offered in return?

Empire into Union?

THE Sultan of Morocco last week left Paris amidst a wealth of gun salutes and handshakes, but with nothing settled about the future relationship of the Moroccan protectorate to metropolitan France or to the French Union. Only a month previously the three Indo-Chinese states of Viet Nam, Cambodia and Laos had disbanded from a four-month conference at Pau during which they had reached little agreement either with their French partner, or, indeed, among themselves, as to mutual economic relations. The two events combined are a serious setback for the French Union, though the nature of the setback is largely escaping the notice of Frenchmen. It is passing unnoticed—except among a very few—partly because of preoccupation with what has become a war with Mao Tse-tung in Indo-China, but partly also because the average Frenchman gives little thought to France overseas. The home country—*la métropole*—absorbs all his attention. When he uses the word empire he means the regime that ended with Waterloo or with Sedan.

To understand the gravity of the setback it is necessary to know the shape of the Union into which the Fourth French Republic has been working to convert the former French Empire—an untried shape which it has written, possibly prematurely, into Chapter VIII of its Constitution. By the terms of this Chapter, upwards of 69 million non-Europeans, living mainly in Indo-China (25 million), West and Central Africa (over 24 million) and North Africa (over 18 million) now "rank as citizens equally with French nationals." They have thus acquired rights which are to almost all of them brand new. The territories in which they exercise these rights fall into four classes: first, metropolitan France, and the assimilated overseas departments which are run as if they were part of France; secondly, the overseas territories, which are the former colonies; thirdly, the associated territories, which are former mandates; and lastly, the important group of the "associated states," which comprises the dependencies having international status and governments of their own—Viet Nam, Laos, Cambodia, Tunisia, Morocco. To enable all these to enjoy their new rights, the 1946 Constitution provided them with a hierarchy of three representative bodies. At the apex of the pyramid it set up a Higher Council (*Haut Conseil*) which was to consist of representatives of the home government sitting at a round table with representatives of the associated states. This body has functions of liaison, not of decision. Beneath or alongside it was created an Assembly of the French Union, consisting half of representatives of metropolitan France and half of elected representatives of the overseas departments, territories and associated territories. This plays an advisory role, advising the French Parliament on both legislation and administration in the overseas territories. The third rank of the hierarchy consist of a series of elected local assemblies—one in each of the overseas territories.

The second and third bodies are functioning. The first—the Higher Council—has never been set up because the dependencies that were to join it do not all of them see eye to eye with Paris on the form that their link with France is to take. Three out of the five have joined the Union as it stands. In 1949 the three rulers of Viet Nam, Cambodia and Laos, feeling the breeze from the north, decided that French support was necessary for keeping order and holding on to office, and signed the relevant treaties. But Tunisia and Morocco have not followed suit. Though attached to France, and aware that they need a link with a friendly great Power, neither feels tempted by the form of relationship at present conceived by Frenchmen. Moroccan feelings on the subject are described in a note on page 796.

Three Indo-Chinese states plus metropolitan France do not make an all-union Higher Council. The whole neatly knit structure is therefore threatened from the top; a body and legs lack an important headpiece. For, given the rate at which news and thought travel nowadays, what an associated state thinks today an overseas territory may well think tomorrow. If Morocco is unattracted by the idea of unity, Madagascar may become so. The French dilemma, to which point is lent by the abortive Pau Conference and the yet more abortive visit of the Sultan to

Paris, is as follows: must the structure of the Union be changed or can Frenchmen, in order to maintain it, take a more elastic view of their relationship with the developed and developing peoples of Asia and Africa?

That the latter process would be a painful one is clear from the history of the last few years. The Union, which is an admirable conception, sprang from feelings evoked during the war. Prewar France had managed its empire on a basis of assimilating its members to Frenchmen yet at the same time running them, in a paternal way, on a purely centralised basis—straight from Paris, and not worrying too much about the growing number of quasi-Frenchmen who were beginning to chafe at getting too little responsibility. In 1940-44 the assimilationist side of the policy paid a handsome dividend. Despite the fact that France was divided, the educated élites of its Asian and African dependencies felt bound to it. Except for the mandated territories of Syria and the Lebanon, which were in any case on tiptoe for independence, no overseas dependency attempted to sever its link with the home country. A coloured governor-general—M. Eboué in French Equatorial Africa—was one of the first Frenchmen to declare for General de Gaulle. At the end of the war the French were ready to recognise this loyalty.

They first started to give overseas France its due at a conference of governors and officials convened at Brazzaville in 1944. These produced a draft that was coloured by their long-standing habit of centralisation and by their knowledge that large parts of their handiwork would fall to pieces if they loosened their grip too quickly. It laid down that secession was unthinkable. A second draft, produced by the broader-minded but less experienced First Constituent Assembly of 1946, bore the stamp of the French home politics of its period and laid down that the Union would be "freely entered into" and that its peoples could cut the link with France at will. The final text as adopted by the Second Constituent Assembly was the result of a series of compromises, and has endowed the proverbially logical French nation with some fine legal anomalies. But the chief point about it, for purposes of the present argument, is that it dropped the phrase about "free agreement" to co-ordinate, and proclaimed that "France, faithful to her age-long mission, will lead the peoples in her charge towards freedom to administer their own affairs." In a word, France remains the leader, and has set no time-limit to this state of affairs.

The extent to which the more advanced of the overseas peoples concerned are failing to fall in with this plan is by no means all due to its design. It is being applied at an awkward moment; all over the world, the peoples now courteously called "underdeveloped" are in a difficult mood. Some of the greatest weaknesses of the plan arise from faults in applying the machinery. For reasons that have been described, the Higher Council is a dead letter. Because some of the wheels of the Union have not been installed and others are not working properly, the men in charge overseas have tended to fall back—some of them not—unthankfully—upon old methods in order to keep the administration going from day to day. The Assembly of the Union, when it meets at Versailles, is an impressive sight with its wealth of races meeting on an equal footing, but it too is having its growing pains. For lack of concrete responsibilities such as the framing of legislation, it is apt to become a mere collection of debaters from areas whose problems are often enough unrelated. A second drawback is that too many of its home members are chosen for their services to party, too few for their knowledge of overseas France. Thirdly, membership of the national legislative bodies as well as of this central advisory body is, at present, apt to overtax overseas resources in educated manpower. Lastly, the virtue of the experiment in Union is gravely weakened by instability in postwar home politics. Minister after minister—and there are no less than four in every cabinet with direct responsibility for running one part or another of the Union—seems uncertain what to do for the best. The result is that each concession to the rising tide of overseas nationalism is given under outside pressure, and usually too late to earn metropolitan France the gratitude it deserves.

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It would be wholly unfair to write off the new system as a total failure. It presents the dependencies—and the French—with some immense advantages. In all colonies and trust territories, elected local assemblies now handle local matters; some governors freely consult these. Simultaneously with its inception, old and autocratic practices such as the exaction of forced labour and the application of a special penal code to indigenous peoples have been abolished. The Assembly of the French Union, when it gathers at Versailles, affords an excellent meeting ground for civilisations and ideas.

But just as a meeting of Frenchmen and Indo-Chinese does not make a *Haut Conseil*, so a school for debaters does not make an Assembly of the Union. To come to fruition, both bodies need an infusion of new thought springing from the minds of Frenchmen. Otherwise the Assembly will, in rising degree, develop the lack of enthusiasm for unity which is already apparent in the story of the *Haut Conseil*. A revision of the pattern laid down in the 1946 constitution is not essential. It is the thought behind it that has grown out of joint with the times.

Why are Frenchmen so nervous of forming a looser federation? Is it because they are ridden by a postwar neurosis—the fear that someone will secede and by seceding expose the fact that France is weaker than it used to be? Or is it because those who grasp the mood of Africans and Asians are too few in number to overthrow the powerful vested interests that are tugging in the other direction—notably the overseas administrator (who weeps to think of his handiwork crumbling at the hands of backward peoples) and the overseas French settler (who is forever pulling strings in Paris because he fears dominance by an indigenous majority)? Or it is because Frenchmen are congenitally incapable of thinking except in a pattern centred exclusively upon Paris? It seems to an outside eye that France's century-old policy of assimilation would, given a little more elasticity, cause most of the peoples with whom it is linked to pay to it, in the 1950s, the same tribute of esteem that they paid by not seceding during the lean forties. At present, only in Tunisia—the most adult of the associated territories—are there signs that Frenchmen are capable of responding to local gestures and going half way to meet up-to-date aspirations. Elsewhere, they are pushing at a door that Asians and Africans are slowly but inexorably closing against all Europeans with a prewar mentality. In such conditions, surely an experiment in federalism would be worth a try.

The Controls—II

What Must be Kept?

THE first article in this series ended with the argument that any attempt to provide a permanent legal basis for what are generically known as "the controls" must be based on a careful discrimination between the bad and the good, between the necessary and the unnecessary, among the Government's present powers. These are a legacy inherited by the present Government from its predecessors, and the inheritance had the characteristics of such windfalls. Some were found to be, at any rate in the opinion of Labour ministers, effective practical implements against which there was little political feeling. In such cases, the defence regulations have already given place to improved models having the same purposes. Of this, the Exchange Control Act and the Borrowing (Control and Guarantees) Act are important examples.

Many of the powers that have been retained in force by the Supplies and Services Acts and the Emergency Laws Acts are of different character. Some are clearly stored away in the junk room, saved from jettisoning by the thought that "they may come in useful one day." Others are saved from rather a different motive. They correspond to the kind of article that the cautious housewife keeps under lock and key and of which she is apt to say, in confidence, "They don't make that kind of thing nowadays." That is certainly true of the defence regulations that confer the power to requisition houses and that give a minister power to declare a strike to be officially an illegal one. In these cases the Government is keeping for peacetime purposes powers that would never have been given to it outside wartime conditions and would probably never be extended today if they were asked for separately and specifically. It is powers of this kind that have to be looked at most suspiciously.

There is one general feature of the Supplies and Services Acts which should certainly not be repeated in the permanent legislation replacing them. When Parliament has given the executive a permanent right to amplify a statute by decree, it has customarily been only for the specific purposes of that statute. It had never before given the executive a general right to use a heterogeneous collection of emergency decrees for such purposes as the Government might afterwards find them suitable. It is beside the point to argue that no British Government at present conceivable would misuse this general power to change legislation by decree. It is not sufficient for a parliamentary democracy to act like a democracy; it must also look like a democracy, and with that anything like the Supplies and Services Acts is, in normal conditions, incompatible.

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Any legislation permanently conferring upon the executive the right to issue orders having the force of law should therefore be restricted to the delegation of defined powers; the rights given to the Government to make orders and regulations under it should relate solely to purposes defined in the Act, and should not be left to be covered by the wider constructions that a future Government may choose to put on such vague phrases as "generally for ensuring that the whole resources of the community are available for use and are used in a manner best calculated to serve the best interests of the country." The Bill now being drafted will, no doubt, give the Government power to ration consumer goods. But it should define the type of ration scheme which the Government is thereby entitled by order to apply to any suitable commodity. It should not give the Government the right to introduce such form of rationing as it may at any time choose.

One other general point is of fundamental importance. If powers of this sort are to be permanent, then they should be made quite specific. If, over and above these specific and permanent powers, there is any need for wider, more general and vaguer powers, then they should be granted only for a year at a time. In other words, there cannot be unlimited powers, and every power delegated must have a close limit either of definition or of duration. The precedents for annual renewal are firmly established. Even during the last war the Government's emergency powers, from which the present Supplies and Services legislation was derived, were renewed annually. But the most important precedent of all is the Army Act. The annual nature of the Army Act is now so old and so unnoticed that it is easy to forget the concern for individual liberty that led to its establishment. Parliament was then struggling to assert its own and the individual's rights against the executive. It was determined to erect enough barriers to prevent the tide of executive power from rising again. In fact, the tide has now risen, and, indeed, it is Parliament itself that has contributed most to the advancing claims of the executive. The old principles have become important again. In the early days of the modern state it was felt that liberty was made more secure if the King could not keep his standing army together for more than a year at a time without the express consent of Parliament. Today, equally, liberty will be more secure if the executive must each year obtain Parliament's approval for any general reserve powers of control that are given to it. It is true that nowadays the executive is dependent on the popular will and that its abuses of power can be punished at the polls. But because the executive enjoys popular approval—in the sense of being preferred to the alternative—it does not in the least follow that it is never subject to the temptation to assume arbitrary power. On the contrary, it is only the grossest abuses of power that can be made issues at a general election; over the whole wide range of a modern government's activity the only safeguard is constant publicity and discussion. To confer unlimited powers without imposing on the executive the obligation to submit its powers for frequent confirmation is to take a bigger risk with liberty than need or should be taken.

There are only two possible arguments for taking the risk and neither is convincing. It may be said that there is not enough Parliamentary time to debate a renewal Bill thoroughly each year. It is true that the purpose of

general powers is precisely to save parliamentary time; it is this that, in abnormal conditions, makes them essential. But to this saving of time, when it is most important, there should be an offset when time is less precious. After all, what is here being suggested is not that every delegated power should be annually reviewed, but only that general residuum of powers that the government is not prepared to define in purpose and method. This surely, in ordinary circumstances, is not an unreasonable demand to make upon the time of Parliament. If Ministers are working it too hard for that, then they are not to be trusted with any sweeping delegation at all.

It is impossible to give more weight to the other argument against annual review which Dr Dalton used in the Commons last week. It was simply that annual review left the Government's powers of control at the mercy of the House of Lords. The one certain thing about the present or any future second chamber in British politics is that it will never stand against the Government unless it has clear evidence that public opinion is with it. In any case, why should the argument be confined to controls? Is it really the position of the Labour Government that it will not permit discussion in the Commons because it is afraid of discussion in the Lords?

It is on such general principles as these that both Government and Opposition must work if the perpetuation of controls is to take a satisfactory form. It will then be necessary to go through the existing emergency powers of government and decide, on the merits of each individual case, what powers should be kept in what forms and what should be dropped altogether. Public opinion should strongly resist any attempt at blanket perpetuation of powers that are not fully disclosed and individually justified. But the obverse is equally true: where the case can be made, the powers should be granted.

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There are, first, some defence regulations that have done no more than make minor administrative changes in prewar laws or practices. Time has shown many of these changes to be convenient and non-controversial. Some were made permanent in 1945 and others in 1947. There are still others that can now safely be put into the same category. Thus the Aliens Restrictions (Amendment) Act of 1919 laid it down that every competent officer on a British merchant ship should be a British subject. This requirement was relaxed in 1940, in the first place to cover the case of Denmark, by Defence Regulation 47c. This relaxation has so far been maintained only under the emergency legislation, but unless one believes in a national closed shop there is plainly every reason why it should now be put on a permanent basis. There are a few other regulations of the same kind. The right course would be to sort them out from the controls and put them all into a separate permanent statute or possibly a separate part of the contemplated Bill.

There are other regulations of which it is equally clear that they should be suspended entirely. The Government has already said that it will not take permanent powers to direct labour. It is equally unlikely to ask Parliament to allow it to go on declaring strikes illegal. It is hard to imagine many situations in which this power can be used for such prosecutions as were brought against the London gas strikers; the main effect of the regulations, creating a criminal offence where the offenders will very rarely be prosecuted, is therefore to bring the whole law into contempt. The merits of such prosecutions in any circumstances at all are highly doubtful. The regulation has been kept chiefly because it gives the Minister of Labour twenty-one days during which he can fend off awkward questions in Parliament, while he conducts flurried negotiations with resentful trade union leaders and militant unofficial strike leaders. This may be convenient for the Ministry, but that is not an end sufficient to justify the means.

The difficult questions concern the powers of economic control. Dr Dalton, in his vague outline of the Government's intentions, dealt only with the easier cases. Any Government would at present retain in some form powers to control prices, to ration consumer goods, to allocate raw materials, and to limit imports. That the use made of such powers should generally be very slight indeed is the best indication of a sound economic policy. But if that is true in most circumstances it is certainly not true always. As reserve powers to deal with particular situations these controls have to be taken as permanent additions to the armoury of the state. What is important is to ensure that Parliament has an adequate opportunity of studying, and if need be debating, the orders through which such powers are exercised in specific cases. The case would be met if, within defined limits, there were a permanent power to make orders, but if the orders themselves had a definite limit in time, after which they would have to come up for review.

The more debatable economic controls are those by which the Government interferes not with the distribution of goods, but directly with the industrial policies of private firms. Of these, the most important cases are the utility schemes, which still depend on defence regulations and which Dr Dalton did not mention. By their nature such powers give more discrimination to the executive than do, for example, rationing schemes; their principles cannot be closely defined, and therefore they cannot be left to be applied to individual cases simply by order in the way that rationing reasonably can be. Things like utility schemes should therefore not be included in any general legislation for economic controls. If it wants to keep them, the Government should be made to introduce a separate Utility Clothing Bill, a Utility Furniture Bill, and the like.

A similar argument applies to the Government's present power, under a defence regulation, to limit the number of houses built for private ownership. That this number should be restricted to a fixed proportion of the number of houses built by local authorities is not a generally agreed method of dealing with a shortage. It is a particular political policy. As such, the power of licensing private building should be embodied in a separate Housing Act.

It is impossible in articles such as these to do more than suggest the different ways in which the various types of emergency powers should be dealt with. A more detailed examination will be necessary when the Government comes to put forward its own proposals. In the meantime, there are important principles to be established not only about the powers the Government should have but also about the ways in which these powers should be exercised. This will be the subject of a final article.

(To be concluded)

NOTES OF THE WEEK

The Sheffield Affair

It would be a misstatement of fact to say that public opinion is profoundly disquieted by the handling of the Sheffield "peace" congress. To judge by all the signs, public opinion is fairly solidly behind the Home Secretary. But whether public opinion is right to be so complacent is another matter—and to have the most serious doubts about that is not in the least to sympathise with the medley of saboteurs, stooges, and doubleplusgood duckspeakers (to quote the invaluable George Orwell) who found themselves inconvenienced and frustrated thereby. Considering the treatment meted out to would-be visitors to Communist countries, Communist protests reach new depths of hypocrisy.

The only people with a right to protest are non-Communist British subjects. And it is disturbing how few of them feel moved to protest. It is not, indeed, a matter of black and white. There are presumably individuals who should not, on grounds of national safety in what is essentially a war situation, be allowed into the country at all, conference or no conference. Presumably, too, Mr Ede's security officers are at least better placed to identify such individuals than are the general public. (It can also be argued that the Kremlin should not be given the propaganda value of such a conference in such a place at such a time—but that is an argument for refusing to allow any delegates in, not for accepting some and turning others away).

These arguments have validity. It is when they result in so many of the delegates being refused admission that doubts begin. Mr Chuter Ede says he personally examined each case. But in doing so, was the right bias in his mind? Did he remember, as he looked at each dossier, that every exclusion, however necessary, is an evil, a piece of illiberality, a denial of the great tradition to which he himself lately paid parliamentary tribute? Did he draw the distinction between the holding of opinions, which ought to be free for all in this country, and the intention to commit hostile acts, which is a proper ground for penalising the native and excluding the alien? Did he stop to ask himself what is likely to happen to democracy as a way of life if it once admits to being frightened of the expression, in public meeting, of any opinions whatever?

The numbers make it very difficult to give those questions the answer they ought to have. To Victor Hugo, in the last century, it was inconceivable that the day should come

> *Quand même l'Angleterre et même l'Amérique*
> *Diront à l'exilé 'Va-t-en, nous avons peur.'*

It looks very much as if Mr Ede, in playing safe for the moment, was willing to run unjustified risks with the eternal.

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Dollar Imports

The suspension of Marshall aid to Britain makes it more important than ever that both the British Government and its critics should clear their minds on trading policy. How far can Britain now go in relaxing import and exchange restrictions? And, since few people seriously suppose that everything can be done at once, which changes in policy should be made first?

The Chancellor of the Exchequer has now admitted that some changes are inevitable or desirable. The present restrictions on dollar imports into the sterling area were designed to reduce them in July, 1949, by 25 per cent. Since a memorandum by the International Monetary Fund, critical of the restrictions, leaked out at Torquay, Mr Gaitskell has explained that all the Commonwealth countries decided as long ago as September that the 25 per cent formula was out of date. But even then were they doing more than recognise that devaluation had made it out of date twelve months before? The sterling area's dollar imports have been cut not by a quarter but by a third, and they were cut more by the 40 per cent increase in their cost after devaluation than by administrative regulation. Mr Gaitskell insisted roundly on the sovereign right of governments to restrict other countries' trade as they choose—in the light, of course, of their international obligations; the British Government would act on its own assessment of the dollar position and not on the views of the International Monetary Fund.

This high-handed attitude seems unnecessary at a time when the sterling area is earning a dollar surplus. Would many more dollar imports in fact now be bought if the quantitative restrictions on them were considerably relaxed? The Government's concern to go on building up the sterling area's dollar reserve even without Marshall aid is entirely right, but there seems some danger of forgetting the purpose for which it is right; that is, eventually to enable the pound to stand again in a world of multilateral trade and convertible currencies. It now requires a considerable extra increase in the dollar reserve to justify a large continued departure from the rules of good trading conduct that we want other countries to practise.

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One Law for the Government . . .

It will be interesting to see what is the fate of the Festival of Britain (Sunday Opening) Bill, which Mr Morrison presented last week. The Bill proposes not only that the exhibition areas and the "Festival Pleasure Gardens" should be open on Sundays from 12.30 p.m.—to which the Christian Churches' Advisory Committee for the Festival agrees—but also that the "amusement area" (to the Government, "fun fair" to the general) should be open as well. Stage plays, variety shows, circus turns, boxing, wrestling and public dancing on Sundays are prohibited by the Bill, but the other attractions of the amusement area will be allowed.

Anyone who remembers the controversy over the proposed opening of theatres on Sunday during the war will expect much the same fight over the present proposal for the Festival's merry-go-rounds. Then, as now, the proposal was left to a free vote of the House, and it was defeated by a majority of eight. It remains to be seen, when the new Bill reaches the committee stage and the free vote on this particular clause is taken, whether the disappearance of the Conservative majority in the meantime will affect the issue.

It is possible to support this proposal for Sunday opening and yet be indignant at the circumstances surrounding it. If the Government, which according to Mr Morrison has no collective view on the opening of the amusement area, really wanted to do something constructive, it ought to have tackled the whole question of Sunday observance by repealing, or at least modernising, the contradictory and often hypocritical laws governing it. Many of the more stringent provisions owe less to the Puritans of the seventeenth century than to the panic that followed the Gordon riots of the eighteenth, and it is time the laws were considered afresh. As it is, the Government is giving the impression that it wants to repeal an archaic law only in so far as is necessary for its own particular interests. Together with the grant of dollars for the purchase of fun fair equipment, the Bill is one more example of the Government's habit of considering itself above the law.

Stalemate in Korea

The Chinese are now bent on getting the greatest possible diplomatic advantage out of their intervention in Korea. In refusing to accept the Security Council's invitation to discuss General MacArthur's dispatch dealing with the movement of Peking's troops across the Manchurian frontier into Korea, Mr Chou En-lai, the Chinese Prime Minister, has made a provocative counter proposal. He claims that, since the two questions of Formosa and Korea are closely related by virtue of American aggression in each case, they should be discussed together on the basis of China's accusations. A delegation, headed by Mr Wu Hsiu-chuan, was due to leave Peking by air for Lake Success on Tuesday, travelling by way of Europe; it was appointed to take up the Security Council's earlier invitation to come and talk about Formosa. Mr Chou En-lai, however, is barking up the wrong tree if he thinks that, having spent so much blood and treasure in fighting aggression in Korea, Washington is now going to be put on the spot itself.

There have been two other important developments during the week in Korea, where, as with the Berlin blockade last year, world peace depends on neither side letting events run away with premeditated policy. First, the Chinese have stuck to their story that their troops on Korean territory are no more than volunteers, organised, moreover, not by the Government but by the Chinese Communist Party; this leaves the Government room for manoeuvre without too much loss of face. Secondly, the United Nations forces, which last week were withdrawing before the reinforced North Koreans in order to consolidate their over-extended lines of communication, have now begun probing forward again. In doing so they have so far met with only a patchy opposition, though they know well that considerable and growing enemy strength now lies between them and their final objective, the Manchurian border.

General MacArthur is faced with a peculiarly exasperating and disappointing dilemma. On the one hand, enemy aircraft, as well as army reinforcements, are using inviolable Manchurian bases where they cannot be attacked by superior air power, one of the American's strongest weapons; the UN troops face a bitter and disheartening winter campaign when victory once seemed near; and guerilla activity behind the lines is growing. On the other hand, the campaign cannot be wound up until the Manchurian border is reached, while to do this runs the constant risk that the Chinese may not only increase their reinforcement of the enemy very substantially, but that the flames of war may spread. The General Assembly decided on the unification of all Korea and the incident will not be closed until this has been accomplished. But it is worth recalling that the original purpose of UN intervention was to stop the North Korean aggression against the South and to prove to Russia that aggression does not pay. This has already been achieved, and it would be a pity to jeopardise the major aim for the sake of the minor. In that case the United Nations could do worse than to consolidate temporarily on a front line across the narrow neck of the peninsula from Anju to Hamhung. This would also have the military advantage of turning the North Korean mountains into a buffer region where air power could continue to be used against enemy preparations for attack.

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Mr Bevin on the Soviet Offer

In the House of Commons on Monday Mr Bevin, the Foreign Secretary, stated that, in consultation with Washington and Paris, London is considering its reply to the Soviet Note of November 3rd, proposing another meeting of the Council of Foreign Ministers on Germany. The Soviet Note had also drawn attention to the communique issued by the foreign ministers of the Cominform countries at Prague on October 21st, in which they glibly proposed a joint declaration against German remilitarisation, the hastening of a German peace treaty and the formation of a constituent council for uniting Germany—as if none of these issues had ever been bedevilled at all by the Russians' own tactics. Mr Bevin rightly put himself on record alongside other western statesmen—including President Truman, recently at San Francisco—with the view that if the Russians want to get round a table to bring peace to the world they must first offer some proof at least of good will. In addition, he reaffirmed the British attitude that a discussion of this kind must also cover subjects other than Germany.

As the Foreign Secretary pointed out, at the last meeting of the Council of Foreign Ministers—which was held in Paris eighteen months ago—a considerable measure of agreement was reached on the essential points for an Austrian peace treaty. But since that time Moscow has repeatedly and consistently dragged in new and extraneous issues which have made it impossible to complete the treaty. If the Russians mean business on Germany, or indeed on any other fundamental topic, they have no one but themselves to blame if more is asked of them than mere words. In Austria the means to give proof of a change of attitude lies permanently available.

Challenged by Mr Harold Davies, a Labour member, with the old plea for the wisdom of making yet one more attempt to reach agreement with Russia, if necessary over the heads of the Americans and French, Mr Bevin made a tart reply which found approval throughout the House. He could not, he said, bring himself to discard his friends in such a risky proceeding; the organisation of the western powers had reached a point at which it would be disastrous for the world as well as Britain if he threw them over in such a way. It is certainly true enough that even now, after all that has happened in the last three years, a doubt must sometimes creep into the mind whether everything possible has been done to try to get along with Russia—or (a slightly different point) whether some good might not come of trying again. It is true that some day (we must all hope) the Russians will be ready for a genuine settlement. When that time comes, their first approach will doubtless be as truculent as ever, and it would be a tragedy if it were turned down on that account alone. It is therefore a matter of judgment whether or not the time has yet come. Lord Salisbury, in the Lords on Wednesday, seemed to hint that he thought it might have—and he deserves to be listened to with respect. But most people's judgment is in the contrary sense—M. Schuman's and Dr Adenauer's as well as Mr Bevin's and Mr Acheson's. And to treat as genuine an offer that is really only a tactical diversion would be to play into the Kremlin's hands. The overwhelming balance of the argument is still on the side of making no concessions—even if it looks like rigidity.

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Morocco and Paris

The nature of the tightrope that is perennially walked by the Sultan of Morocco was never more obvious than during his recent visit to Paris. On the one hand, he must keep in with the French mentors without whose support he could not be sure of maintaining public order; on the other, he must curry favour with the local Istiqlal (independence) movement of Arabs and Berbers who are by no means all of them his personal supporters. Upon arrival in France he lodged a memorandum and made a speech. While the speech struck, at points, a note of discontent, the memorandum was all readiness to negotiate. There followed, therefore, harmonious talks on such problems as the transfer to him of power to appoint local authorities; the suppression of the present censorship; the formation of trade unions under Moroccan control; an increase in the powers of the Moroccan element in each ministry. On the eve of the Sultan's departure, however, he lodged a second document, and one much more to the Istiqlal's palate. In this he asked for revision

of the treaty of 1912, which is the basis of French Morocco's present status. The French think the 1912 treaty sufficiently elastic to meet all current needs. The meeting therefore adjourned without result. Conversations will be continued in Rabat.

The Moroccan argument against the French technique of protection would be simple if all Moroccans wanted the same thing. It would be the cry—long familiar in the Middle East and Asia—for speedier education in self-government as a preparation for complete independence. But the issue is complicated by increasing evidence that the Sultan's idea of progress towards this goal is different from that of the French or of the Istiqlal. Both the latter want the transfer of power from Paris to entail the creation of a democracy of classic type with a figurehead monarch. The Sultan's idea is that any power transferred shall pass into the hands of a benevolent palace autocracy.

The French therefore have good excuse for not moving too fast. But Frenchmen have no excuse—and the Sultan and Istiqlal are here both highly critical of their practices—for publicly planning as if Morocco were eternally their property. Great umbrage has recently been taken by the Istiqlal at some proprietary plans for armament industries on Moroccan territory. The Moroccans therefore have their excuses and grievances also. The triangle is one in which each of three partners is in a position to put the screw on the other two. A country in this situation tends to jog along without major change until some world cataclysm affords the chance for a crisis. But it jogs unhappily.

* * *

Two Views on the Planning Act

It is now generally accepted that the financial provisions of the Town and Country Planning Act (1947) will not work satisfactorily. The compensation provisions are regarded as unfair by landowners and are not even satisfactory to the Government, which must shortly add to inflationary pressure by making a lump payment of £300 million. The development charge is a definite and depressive tax on most forms of private development. It is assessed, moreover, by a new and apparently arbitrary method of valuation against which there is no appeal.

The real choice is now between the repeal of the relevant parts of the Act and their drastic amendment. Both courses have been urged in recent proposals. The Federation of British Industries supports the suggestion, made earlier this year by the Royal Institution of Chartered Surveyors, for paying compensation not out of a global sum but by way of "deferred payment certificates," issued for each individual piece of land which had development value when the Act came into force. The certificate could be encashed only when development was authorised (when it would be set off against development charge), or when planning permission was definitely refused. In this way compensation would be fairer, and the immediate (and perhaps the eventual) cost to the Exchequer reduced. The Federation also urges that the rate of development charge should be something less than 100 per cent.

The case for complete repeal has been made in recent memoranda by the Chartered Auctioneers' and Estate Agents' Institute and (more contentiously) by the Association of British Chambers of Commerce. The institute argues that planning needs could be met by giving local authorities wider powers of control without liability to compensation, and by increasing Exchequer aid. On these conditions, the whole compensation and development charge scheme could be swept away.

There is force in both sets of arguments. The basic defect of the Town and Country Planning Act is that it sacrifices all other considerations to that of making public planning powers effective. In pursuit of this aim it has instituted a thoroughly bad form of taxation which would never be tolerated on its own merits. As a planning Act it is mainly good, as a taxing Act it is wholly bad. To amend or to repeal its offending sections in the ways suggested would probably reduce somewhat its effectiveness as a planning measure; but this would be at least a lesser evil than the stranglehold on development which the Act now threatens to impose.

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Rents in Scotland

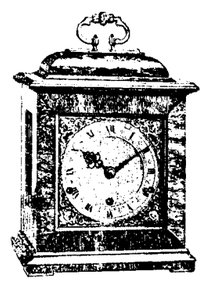
For the first time for eleven years, the Scottish Department of Health has published a white paper giving the rents of houses owned by local authorities in 1949. The corresponding figures for England and Wales have not yet been published. The Scottish figures show that average rents rose from £18 17s. 7d. in 1938 to £22 8s. 7d. in 1949, an increase of barely 20 per cent; the rent of houses built since 1945 averaged £28 6s. 3d.—an increase of about 50 per cent over the prewar figure. For this the tenants of the new houses get a bigger and better house than they would have done twelve years ago.

The white paper is not concerned with the costs of house-building nor with the difference between economic rents and actual rents. There is therefore no indication of the rate deficits incurred in keeping rents at these levels. Some comparisons can, however, be drawn from a paper read by the City Chamberlain of Dundee to the annual conference of the Scottish Institute of Housing earlier this year. Mr A. L. Imrie then said that, according to figures supplied to the Secretary of State by local authorities, the average cost of a four-roomed house in 1948 was £1,730. The annual outgoings on such a house to cover interest, repairs and administration were about £80 a year. On this basis, with

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at annual Exchequer cost of £70 a year and a rent payment by the tenant of £28, the resident is left with a net gain of £42 a year. This is almost four times the size of rate subsidy which was anticipated when the Exchequer subsidies were calculated in 1956.

The argument must not be pressed too far, for 15 per cent of the dwellings built in Scotland since 1945 have 3 apartments or less, compared with 71 per cent in 1938. But a system whereby the distribution of cost between local authority, Exchequer and tenant is so crippling like the present one of 29 to 23 to 28 plainly needs revision.

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Staffing the Hospitals

The Minister of Health's circular to hospital authorities on the number of senior registrars and registrars that they ought to employ has come as a shock to those concerned. But it was not altogether unexpected, for a survey of the medical staffs of Scottish hospitals, published some months ago, had shown that there were far too many registrars in relation to the likely number of vacancies for consultants. The registrar grade is, as the Minister's circular says, accepted as a training grade for consultants, and it is consequently "not justifiable . . . to multiply training posts regardless of the probable needs for the recruitment of trained men."

Drastic reductions are therefore laid down. In England and Wales the number of senior registrars should not exceed 600, and the number of registrars 1,100, whereas at present there are about 1,400 in each grade. But however logical this reduction is, when viewed against the 150 vacancies a year open to the senior registrars at the end of their third year in that grade, there is another side to the question which the Ministry of Health hardly seems to have considered. In practice, a great many, if not most, of the 2,800 registrars, particularly the senior registrars, are not being trained for their specialties so much as practising them—and thereby shouldering a large part of their hospital's responsibilities. If their numbers are to be drastically reduced, who is going to do their work? Who, in particular, is going to teach the medical students—which is one of the registrars' tasks in the teaching hospitals? The Ministry's suggestion that suitably experienced general practitioners could be appointed on a part-time basis is no answer because, for the most part, it is full-time service that is needed if the work of the hospitals is not to be reduced.

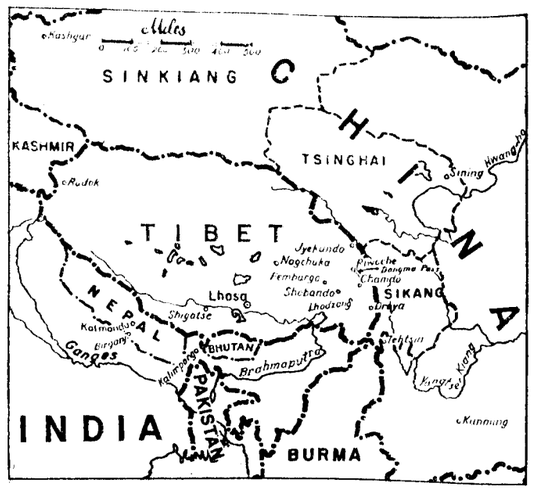
There could hardly be a better example of unplanning in the health service. The present inflation of registrars is, after all, largely the result of the Ministry's encouragement to demobilised doctors to undergo training for a specialty because of the expected needs of the health service, and they were given Government grants to do so. The hospitals had been surveyed, and the number of consultant staff wanted should therefore have been known. Now, without even waiting for the results of its own general review of hospital establishments, the Ministry is in effect telling the registrars whom it encouraged to specialise that they ought to have chosen general practice instead, while at the same time it is telling the hospital authorities that the registrars' place can be filled by general practitioners.

* * *

Trouble in Nepal

Since the British Raj in India came to an end three years ago, both India and Pakistan have gone far in the administrative absorption of the numerous princely states formerly subject to British "paramountcy." Two states, however, Nepal and Bhutan, were in a special position. Secluded in the valleys and foothills of the Himalayas, these kingdoms were reckoned outside the paramountcy system, and their relations with India had not hitherto provided for any supervision of their internal affairs. Bhutan has now acceded to the Indian Union, but Nepal remains an independent state. It has a social and political order which is decidedly archaic and "feudal" as compared with present-day India; this resembles the Japan of a century ago in that the titular monarch is virtually without power, while an autocratic government is carried on by a hereditary prime minister. In such a situation there is a tendency for the king to ally himself with a party of reform against the vested interests represented by the "Shogun," and it appears that this has happened in Nepal.

The sympathy shown by the king and members of the royal family for the forces of discontent organised by the Nepal National Congress caused the prime minister to take action against them. The king sought safety in the Indian Legation and has now arrived in Delhi, while his grandson, a child, has been proclaimed king in his place. The sequel has been civil war in Nepal. There is no proof that such an outbreak of disorder south of the Himalayas at a moment



when a Communist army is advancing into Tibet to the north, is more than coincidence. But a dangerously significant pointer is that the phraseology of the Nepalese Congress programme reads not unlike that which the Communists themselves habitually use. Nepal, moreover, has sometimes been referred to by the Soviet radio as a British and American base. The infiltration now going on from India would provide ready scope for Calcutta agents to take a hand.

The Indian Government has not officially taken up any definite attitude towards the conflict in Nepal, but the sympathies of some members of the Indian Congress Party are certainly with the Nepal National Congress and its demands for constitutional government. Apart from the ideological disapproval for the old-fashioned princely regimes of India in a movement based on democratic republican principles, there is an obvious Indian interest in the stability of Nepal, particularly at a time when Chinese Communist troops may be expected at any time to establish themselves on the Tibetan frontiers of both Nepal and India. At first sight this interest might appear to imply a policy of propping up the existing regime in Nepal. But this regime is so narrowly based that Delhi may take the view that a more popular form of government would make Nepal in the long run more resistant to Communist infiltration, even at the cost of temporary disorder. Delhi may have to beware, however, of supporting a movement which might ultimately play into Communist hands.

Tibet—the Legal Aspect

Tibet has now made a direct appeal to the United Nations against the Chinese invasion of its territory. The appeal was cabled from Kalimpong, just over the Indian frontier, to Mr Trygve Lie, the Secretary-General, and it is understood that it will have the support of India for inclusion on the agenda either of the Security Council or of the Assembly. The legal position, however, is still somewhat obscure. No nation has hitherto recognised Tibet as a sovereign state, and China claims that its military operations there are a purely domestic affair. On the other hand, Tibet has in fact enjoyed complete independence from China for 38 years, that is to say, since the Chinese garrisons were driven out by a Tibetan revolt in 1912. Normally in international law so long a period of effective independent existence as a national state carries with it *de jure* recognition. In this case, however, the question of Tibet's international status was left wrapped in a cloud of ambiguity owing to the policy of the British Government—which was inherited by India with the transfer of power in 1947.

Desiring to maintain the actual independence of Tibet as a buffer state between India and China, without giving offence to the Chinese Republic, which claimed all the territories of the former Manchu empire, Britain invented the formula of Tibetan autonomy combined with Chinese "suzerainty"—not sovereignty—over the country. Since no countries except China, India and Nepal had common frontiers with Tibet, no other powers were concerned with the matter. The formula worked well enough as long as China was too weak or apathetic to enforce its claims on Tibet by military means. But now that China has both the strength and the will to do so, the formula is useless as a diplomatic instrument. "Suzerainty" is a concept outmoded in modern international law, which nowadays requires that a state either has or has not sovereign rights over a given territory. The Chinese Communists themselves repudiate the concession of "suzerainty," rightly classifying it as a feudal conception; they declare that Tibet is simply a part of China, and that it is for China to decide what degree of local autonomy it may be permitted to have.

If the United Nations regards Tibet simply as a part of China, it must decide that it has no jurisdiction over Chinese "police action" there. If on the other hand, it follows the precedent of its action over Indonesia, it will assert jurisdiction. The Security Council refused to accept the Dutch contention that their conflict with the Indonesian Republic was merely a domestic affair of the Netherlands, in spite of the fact that none of the nations represented on the Security Council had then recognised the Republic as an independent state, or had formally repudiated Dutch sovereignty in the Netherlands East Indies. It was held that the Indonesian Republic existed *de facto* and that the war in Java was a disturbance of international peace. If two years of effective independence were enough to gain recognition for Soekarno's Indonesia, surely thirty-eight years of freedom should obtain it for Tibet.

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Italy and Germany

The forthcoming visit to Rome of Herr Adenauer, the West German Chancellor, marks a new step in Europe since the war. It will not only be the first formal trip abroad by the head of the German Government, but the choice of Italy for the occasion suggests the re-emergence in postwar European politics of an old alignment. Memories of the Berlin-Rome Axis inevitably spring to mind at the mention of German and Italian association; it is after all only five and a half years since the Axis was broken. The new ties between these two countries, however, are based on a very different philosophy of life; both Rome and Bonn are trying to get through a gruelling period of political, economic and psychological convalescence by resort to the salutary forces of Catholicism and democracy. Like other political associates, Christian Democrats may now gain confidence in themselves by shaking hands across the shrinking frontiers of Europe. And it is good that the Germans and Italians should be doing so in their present moods; it is certainly far better that men like Herr Adenauer and Signor De Gasperi, the Italian Prime Minister, should give the lead than that it should be left to former Nazis and Fascists—whose link has never been entirely broken.

This rapprochement has, in fact, made considerable progress during the summer and autumn. The West German Minister for Economic Affairs and the Bavarian Prime Minister both visited Rome last month, while Signor Gonella, Italy's influential Minister of Education, recently attended the German Christian Democrat congress at Goslar. The two countries, moreover, have a considerable range of common interests and problems, including the Schuman Plan. Their economic links, indeed, are increasingly valuable to them, as is shown by a new £100 million trade pact just signed in Rome. Italy has lately regained some of its former importance as a market for German machinery, chemicals and an annual 3½ million tons of coal, while a significant part of the flow of Italian agricultural exports is shifting to Germany instead of Britain; one sign of the times in Milan, for instance, is the increasing number of jobs advertised for which German speakers are required.

There has been a natural tendency since the war to think and speak of a Western Europe in which France, Britain, Benelux and the Scandinavian countries set the pace. But Italy and the Federal German Republic between them contain all but 100 million people. It would be blind as well as futile to expect Europe's centre of political gravity to remain exactly where it is, once these two countries have completely regained their rightful status among the nations. In spite of the Atlantic Pact, Italy's rearmament is still limited by the peace treaty. Apart from anything else, Rome and Bonn have it in common that they share the front line of Western Europe without even normal forces of their own.

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The Future of GATT

The current discussions at Torquay (a full account is given on page 832 have again brought to the fore the anomalous position of GATT, the General Agreement on Tariffs and Trade. This organisation was established at Geneva in 1947, its purpose being to provide a temporary framework for negotiations and discussions until such a time as the Charter of the permanent body—the International Trade Organisation (ITO)—was ratified by the major trading nations. So far the world's largest trader, the United States, has failed to ratify the ITO; there is little prospect that the American Congress will do so and with this defection it is unlikely that the ITO will ever be launched.

How far GATT can carry out the tasks intended for the ITO depends primarily on two things: first, the readiness of Congress to renew the Reciprocal Trade Agreements Act which enables the American Administration to negotiate further reductions in the American tariff and second, to what extent the other member countries find it expedient to co-operate in lowering world tariff barriers. At the moment it is the second of these two limitations which is occupying the attention of the Torquay delegates.

Although each conference of GATT sees the arrival of more participants, some of the founder members are showing little inclination to further the object of the work. The restrictionist behaviour of France, if persisted in, threatens not only to block additional gains but even to put in motion a series of retaliatory measures which will wipe out some of the hard-won advances of the past three years. In an attempt to shake French recalcitrance, it has been suggested

that at least within the Marshall Plan area, no more automatic benefits should accrue to France by virtue of the most-favoured-nation clause; wherever a new market is opened to French goods, France should be compelled to provide its partners with a suitable *quid pro quo*.

If GATT succeeds, it will be a lonely but encouraging tribute to the possibilities of voluntary association. GATT is not a United Nations body, it has no richly endowed and numerous secretariat and it has no more chance than ITO of becoming a ratified institution. Those nations who farther its good work take part as sovereign bodies motivated by enlightened self-interest.

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The Technologists' Riddle

The game of "when is a technologist not a technician . . ." has been played with varying results by nine committees since 1945—four of them governmental. A tenth—the National Advisory Council on Education for Industry and Commerce—has now produced yet another answer by proposing* the establishment of a Royal College of Technologists. If technological education does not improve it will not be for lack of suggestions. The college would be neither a teaching nor an examining body, but would have power to inspect the staffing and teaching arrangements at technical colleges, to control the syllabuses, and to approve the conditions for examinations. If a course at a particular college was satisfactory to the Royal College in all these respects successful students could win awards. These would be of two standards—comparable, it is hoped, to ordinary and post-graduate degrees at the universities.

There is much to be said for a new Royal College and its awards. The present arrangements for National Certificates and the external degrees of London University are far from satisfactory. In some branches of technology no degree is available. But the report is obscure about the differences in content and purpose between degree courses in technological subjects at universities and advanced courses in the technical colleges. If some technical colleges really can recruit staff capable of teaching fundamental science and of doing research, and if they can also obtain suitable equipment and accommodation, then they will come very near to being technical universities. But if, as is more likely, they fall short of this goal, the Royal College's awards would not in fact have the value of university degrees. This is not an argument against trying. The technical colleges are at present so far from the universities that any carrot that can be hung before this very reluctant donkey is welcome. What must not be expected is that the donkey will turn into a thoroughbred, or indeed that the technician will be made a technologist by tying a new pedigree round his neck.

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Industrial Design and the Festival

The fifth Annual Report of the Council of Industrial Design continues its predecessors' story of unsensational but lively, ingenious and at the same time solid work. Broadly, that work follows three lines: the improvement of design by the direct encouragement of designers and by advice to manufacturers, retailers, publishers, and so on; the education of the public in the appreciation of good design, by exhibitions, publications, and co-operation with schools and universities; and the raising of British industrial prestige abroad by publicity for the achievements of contemporary industrial (or handicraft) designers.

This year all three lines have to a great extent merged in the work which the Council, and particularly its Industrial Division, are doing for the Festival of Britain, which accounts for a considerable increase in its staff and its budget. There could hardly be a more important contribution. While it is true enough that good design is much more than skin deep, that it concerns function as well as appearance and indeed before appearance, it is nevertheless generally at first impact that the difference between good and bad design is most apparent. For visitors to the Festival the first impact, the shop-window impression, will in general be the only one; a badly or indifferently designed exhibit, whatever its sterling qualities of material and workmanship, will get little credit for them. The reputation of British design, for a long time regrettably but understandably low, is on the upgrade—a development for which the Council deserves a good share of the credit. It could easily suffer a setback were there a preponderance, at the South Bank Exhibition, of the kind of uninspired, bogus or actively hideous products which the normal consumer still finds it so difficult to avoid. No such preponderance, fortunately, is probable; and it is a relief to hear that the Council has appointed a committee to examine the design of Festival souvenirs offered for sale in the South Bank exhibition. In no field is there more room for improvement; and a souvenir remains when the impression of a display has faded. As usual, the Council's report has eight pages of pleasant illustrations and itself demonstrates that good design, like charity, begins at home.

* The Future Development of Technological Education. HMSO, 1s.

Mayhew's London

In general the public mind is too well aware of the amount of individual wretchedness that must prevail among a dense, artificial, and highly-vitalised population like that of England, not to receive with ready belief the assertion and the description of this wretchedness. Where there is great inequality of wealth, there will be startling contrasts of comfort and condition; where masses are crowded together in the lanes and courts of great cities, there must be much squalid misery, which for the most part lives and dies unseen, but occasionally forces itself upon public notice in a manner not to be forgotten or put by. . . But when the *Morning Chronicle* put forth its graphic delineations of the 30,000 needlewomen, and 23,000 journeymen tailors of the metropolis, such a vast proportion of whom were said to be starving on 2½d. a day, and enduring the strangest varieties and the deepest extremities of human wretchedness—the tailors imprisoned by the sweaters, working for nothing, and starved on a scanty allowance of tea and bread and butter—the needlewomen, driven by hundreds to eke out the earnings of the needle with the wages of prostitution—the public stood utterly aghast, unwilling to believe, yet unable to disprove, statements promulgated by a journal of high repute, and attributed to a gentleman whose zeal, diligence, and capacity it was impossible to question. By degrees, however, a few facts peeped out, and a few considerations presented themselves to men's minds which gave reason to hope that much of this misery may have been exaggerated. If we have hitherto entertained a doubt as to the value of the reports which, it appears, were contributed by Mr. Mayhew to the *Morning Chronicle* . . . we now cannot hesitate entirely to refuse . . . to accept any large or startling body of facts on the testimony of so wild a speaker and so illogical a thinker.

The Economist

November 16, 1850

More Czech Goods for Russia

A new five-year Czech-Soviet trade agreement was signed in Moscow on November 3rd in what the official communiqué called "an atmosphere of mutual friendship and understanding." It provides for a striking increase in the volume of Czechoslovakia's trade with the Soviet Union, which, together with trade with the "people's democracies" already accounts for 53 per cent of its imports and 55 per cent of its exports. The general effect of the agreement will be to accelerate the already rapid development of Czech heavy industry at the expense of the traditionally important consumer industries and to harness them still more firmly to the fulfilment of Soviet demands. It is clear that the strain on the Czech economy—already suffering from a too rapid and drastic orientation towards the east—will be great.

The production goals for the second half of this year (the first year of the five-year plan) were considerably stepped up in the summer, and they are not all being reached. Heavy engineering, in particular, has, as President Gottwald euphemistically put it, "failed to uncover hidden reserves." Coal production fell in September and October and absenteeism in the mines has risen in spite of special bonuses and the urgent exhortations of the Czech leaders. Throughout industry there are signs that the drive to secure greater productivity is meeting with little response from workers who have had their production "norms" raised too many times already. The Government has, indeed, felt it necessary to promise that after one last revision, norms will remain stable until the end of 1951. Party members are now busy overcoming what *Rude Pravo* calls the workers' "initial mistrust" of this final revision. Czech leaders have never attempted to disguise their anxiety over the acute manpower shortage which they are trying to overcome largely by an intensive campaign to recruit women into industry. Mr. Erban, Minister of Social Welfare, referring to the fulfilment of the five-year plan, admitted recently "that without the assistance of our women we would remain stuck half-way."

On his return from Moscow last week, Dr Gregor, the Minister of Foreign Trade, is reported to have claimed that the greatly increased Soviet orders would guarantee full employment in large sectors of the economy and would necessitate an expansion of production. These are curious grounds on which to recommend the new agreement to a country which is already suffering from an acute labour shortage and which is having a hard struggle to achieve the production targets already set. It seems doubtful whether the Soviet plan to secure a higher output from Czech heavy industry by pumping in greatly increased quantities of iron ore, copper and other raw materials will be very successful so long as industrial conditions in Czechoslovakia continue as at present.

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Thorez goes to Moscow

The weird flight to Moscow in a special Soviet plane of Maurice Thorez, leader of the French Communists for the last twenty years, is a reminder of the way in which Mr Dimitrov, the former Bulgarian Premier, was whisked off the scene in 1949. M. Thorez has been seriously ill for some weeks reportedly suffering from a partial paralysis of the right side of his body. So far as is known, he has received first-class medical attention in France and could certainly have expected to go on obtaining the best available treatment to promote his recovery—which, the world has been happy to learn, had already begun before he left France. The aircraft in which M. Thorez, lying on a stretcher, took off from Orly airport near Paris last Saturday was Mr Vyshinsky's personal plane, for which special landing permission had been requested and obtained from the Quai d'Orsay. M. Thorez headed east for a clinic and a rest cure in the Soviet Union—accompanied by his wife, unexpectedly by M. Lecoeur, his possible successor as Secretary-General of the Party, and by a Russian neurologist.

No proper announcement has been made of the reason for this carefully prepared demonstration of the long arm of Soviet power. Presumably we are left to draw the conclusion that the West either cannot or will not provide a prominent Communist with proper medical care, while the Soviet Union, on the other hand, is not only better equipped than the West, but will see that its faithful followers have the benefit of these advantages wherever they may be. Yet, this, of course, is by no means the whole story. M. Thorez has had to go to Russia because the Kremlin does not like to leave him on the loose in France. Two possible explanations have been advanced. Either the French Communist Party expects to act in the near future in such a way that it will be driven underground, and so could not cope with a sick leader; or—more likely—the Kremlin fears that, in his weakened state, M. Thorez may lend his valuable support to the recalcitrant "Titoist" and dangerously nationalist section of the party.

The Kremlin's fears are a reflection of the decline which has lately taken place in the prestige of Communism in France. The party is now reported to number only 700,000 members compared with over a million soon after the war, and to be seriously divided into pro and anti-Soviet factions. Indeed, there are fortunately now grounds for hoping that, if French recovery continues, the Kremlin may possibly be justified in fearing a decline in the Communists' voting strength of five million—and 180 seats—at the elections next year.

Shorter Notes

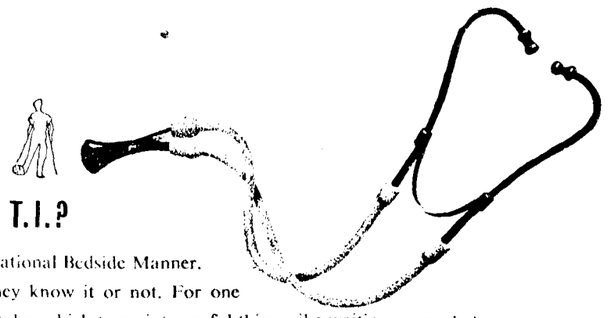
The House of Commons debated on November 8th an adjournment motion concerned with the employment of Communist teachers in schools. The kernel of the argument turned on the question of evidence—evidence that Communist teachers abuse their trust. Mr Hardman in replying to the debate was less than fair to those who are concerned with this issue in its wider implications. He claimed that the Ministry of Education had no evidence of abuse, and that in the absence of evidence his Ministry remained unmoved. It may well be that the Ministry of Education should take no action itself. That does not debar a Minister from expressing some understanding of the problems of local authorities responsible for appointing teachers, and more particularly headmasters, who are known to be Communists.

*

It is regretted that the note on "Liberal Voters" in *The Economist* of November 11th was based on an inaccurate report in a daily newspaper of the voting at Oxford. The Conservative poll at the by-election was in fact bigger than at the general election by 75 votes, not by 1,875. This greatly weakens the conclusion that the Conservatives this month gained considerable support from the Liberal voters of February.

*

An article in *The Economist* last week on Persia's new trade agreement with Russia mentioned that the Persians had succeeded in arranging that trading should take place through five government agencies. It now transpires that, though the Russians were ready to agree verbally to the establishment of these agencies, they insisted that no mention thereof should appear in the text of the agreement. Some Persians are beginning to feel that so loose an arrangement bodes trouble for the future.



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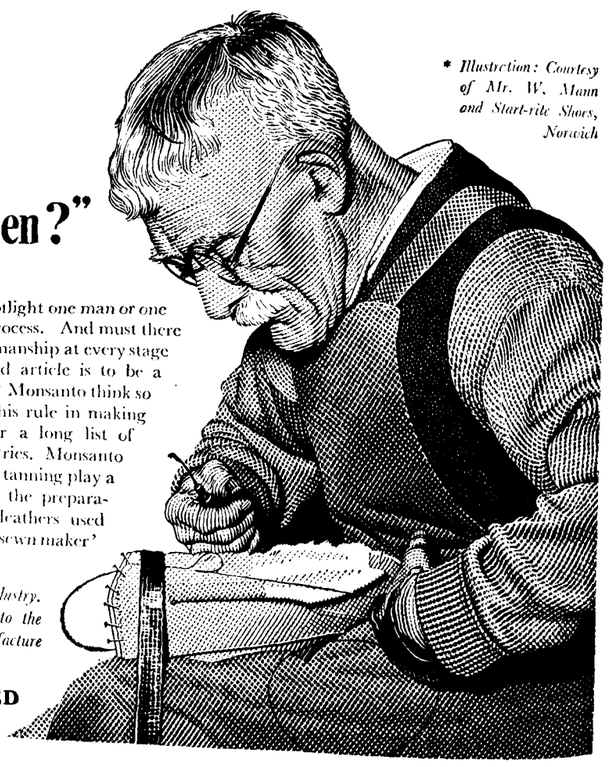
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The letters TI mean Tube Investments Limited, of The Adelphi, London, W.C.2. (Trafalgar 5633). They also stand for the thirty producing companies of the co-ordinated TI group, makers of precision tubes, of bicycles and components, of wrought aluminium alloys, electrical appliances, pressure vessels, paints, road signs, metal furniture . . . and essential mechanical parts for a thousand and one things which everybody uses.

THE SURNAME OF A THOUSAND THINGS

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Letters to the Editor

Transport in Trouble

Sir,—I read with interest the article on "Transport in Trouble" in your issue of September 23rd. With a great deal of it I entirely agree. However, I should like to answer the questions you raised about "Whether any advantage has been gained, or is likely to be gained, from a separate Docks and Canals Executive, performing functions that the former railway companies managed to perform with reasonable success and probably greater economy in the ordinary course of their duties."

Perhaps it would be as well to state what exactly the duties of the Executive are. They are mainly three: to take over and administer all railway-owned trade harbours; to take over the principal waterways and canals in Great Britain; and to keep under review, under Section 66 of the Act, dock and harbour authorities throughout Great Britain and to prepare alternative schemes for their administration where these are deemed necessary after consultation with all concerned.

In considering these three aspects it has generally been recognised for some time to be in the public interest to sever railway-owned trade harbours from the railways; and on investigation we have proved that this has been fully justified and generally has been welcomed at the ports concerned. At last these ports have been put on their own feet and the actual costs of running them ascertained, facilities have been thrown open to road and water-borne traffic, and perhaps finally, development has no longer been hampered by the exigencies of railway finance.

Among other docks taken over are the six ports in South Wales; the Humber Docks, including Grimsby and Immingham; Fleetwood and Barrow; the Hartlepools and Middlesbrough; Grangemouth and, lastly, Southampton. In every case the changeover has been smooth, without friction, and in nearly all of them a new spirit has been generated of enthusiasm and progress. Already the financial results have shown the advantages of the change.

With regard to canals and river navigations, only a minority of these was railway-controlled — often, however, at strategic points. But investigation has revealed shocking neglect for many years of the railway-owned waterways. They had neither financial resources nor any incentive to keep them in first-class going order. Since we have taken them in hand a very active dredging programme is already yielding results, and on long lengths boats are now able to carry 25 per cent more loading and at the same time to cut down the journey times. The whole system is organised on a national basis; through-running and through-borne traffic has been arranged between all points, and already traffic is flowing as a consequence. In fact, in many sections there is a shortage of boats and crews to carry the traffic offering. All this has been accomplished in less than three years, without establishing expensive supervisory staffs. In fact economies in staffs have been made and the old staffs have been rearranged to give more efficient results. Some of the principal canal carrying companies decided to give up business following the cessation of government control. It is only due to the Docks and Inland Waterways Executive having purchased the craft and terminals of these companies that the services for water-borne traffic have been maintained.

Perhaps one of the biggest duties of the Executive is to review trade harbours which are not under the control of the Commission. Already most of the large ports in the country have been visited, local inquiries held, and all persons interested invited to give evidence. Reorganisation schemes are being considered where these are thought necessary, and a scheme is now being discussed for the Tees and consultations are proceeding for the Clyde.

I may say that the financial results are improving every month and there is some prospect that in a very short period the Executive may show results on the right side. I think it would be hardly reasonable to refer these duties to the Railway Executive, who are overburdened with their own problems and are hardly constituted to deal with the greater number of problems which this Executive has to face.—Yours faithfully,

GEORGE CADBURY

Birmingham.

[It is regretted that the publication of this letter was delayed by the printing dispute.—EDITOR.]

Cures for India's Poverty

Sir,—Your correspondent, in his review of the development scheme for India considered at the recent Commonwealth Conference, stressed the lag of agricultural output in relation to the growth of population. This is a legitimate and fundamental point, but his implication that India's substantial imports of raw cotton, overwhelming dependence upon imported jute, and net imports of food grains are novel factors, attributable to wartime and postwar changes, may be seriously misleading. India is now dependent upon "imports" of jute, and needs to "import" more cotton than before the war, chiefly because Partition gave a large part of the areas of production to Pakistan, whilst the factories are in India. For many years undivided India imported substantial and increasing quantities of raw cotton, but this was not because her domestic output was deficient in quantity (on the contrary, she had a large net export) but because she did not produce the longer stapled and better qualities required for the manufacture of finer cloths. Similarly, it was the separation of Burma, in 1937, that changed India from a net exporter to a net importer of foodstuffs, and Partition accounts for part of the increased need to import food. It remains true that for India and Pakistan, taken together, agricultural output has failed to expand in proportion to population growth.—Yours faithfully,

VERA ANSTEY

Esher, Surrey

Tax Exodus

Sir,—In your issue of November 4th you referred to the exodus of companies from the taxation net of the United Kingdom. May I suggest that there is one important aspect of this still continuing operation which is of serious consequence to this country's balance of payments?

I am referring to the volume of invisible exports accruing from the activities of companies controlled in this country but operating abroad. I cannot put forward any estimate of the total of salaries and wages, directors' fees, and rent which are at present disbursed in this country or of the commissions paid to insurance and shipbrokers—to mention only two of the types of agent habitually employed. I would, however, venture a guess that the total when ascertained would substantially exceed our much-vaunted income from tourists which has given rise to so much discussion and effort. All we need to do so far as the foreign-trading companies are concerned is the more or less negative act of not persisting in taxation of profits at such a rate as to drive them away.

So far as mining companies are concerned, there are two additional considerations: (a) United Kingdom control gives rise to orders for machinery and stores that might otherwise go abroad; and (b) London's former place as the centre of mining development and finance was especially productive of invisible income and must be regained.

In Canada companies of the type I have mentioned are treated as honoured guests and charged no normal income tax at all. Their contribution is limited to a tax of 15 per cent deducted from dividends paid to non-residents. The Brazilian Traction Light & Power Co. can be quoted as an instance of the operation of this system.

It is too late for half-measures; the nineteenth century attractions of this country as a controlling centre are on the wane. Action to put taxation in this country on a similar basis to that ruling in Canada must be taken now; there is no time to lose. All British companies operating in Africa will soon be gone and as soon as petty nationalism and disorder begin to abate in the East and in South America a new exodus will start. Action should be taken by the authorities now with a view to legislative provisions in the next Finance Act. By reason of the unilateral relief granted in the Finance Act, 1950, the amount of revenue to be lost would not be as great as might be supposed.—Yours faithfully,

K. M. PARRY

London, E.C.3

Books and Publications

The Common Man

A History of the English People. By R. J. Mitchell and M. D. R. Leys. *Longmans.* 612 pages. 21s. 6d.

A Social and Economic History of Britain, 1760-1950. By Pauline Gregg. *Harrap.* 484 pages. 18s.

The Story of English Architecture. By Hugh Braun. *Faber.* 200 pages. 12s. 6d.

The time is not long past when, after you had mastered your dates and the names of the Prime Ministers, you were allowed a glimpse of J. R. Green or the Quennells to provide a bit of background. Now that social history has become the fashion the process is often reversed. The appearance of such a handsome and scholarly book as "A History of the English People" raises the question of what social history is. G. M. Trevelyan defined it as "the history of a people with the politics left out." Miss Mitchell and Miss Leys go much farther by throwing overboard law, literature, war, commerce and a good deal of religion as well. The results are surprising. We are told what happened to the libraries of the abbeys, but not the distribution of their lands; railways are included, but not canals; smugglers, but not seamen; the theatre, but not dramatic literature.

One must sympathise with this rigorous method of selection in view of the impossible task which the authors set themselves: nothing less than a picture of English life from the Stone Age to the reign of Victoria. They may have fulfilled Dr Johnson's prayer—"I wish to see one branch well done, that is the history of manners, of common life"—but they have not written a history of the English people. They have given us an intriguing collection of facts about everyday things and ordinary people, garnished with unhackneyed quotations and buttressed with references to modern and often recondite authorities. With the aid of an admirable subject index you can discover when the Elizabethan dined, how the Norman shaved (with pumice stone), when shop signs were abolished and revolving bookcases came in. But in history it is the extraordinary people who matter, and they do not make much of an appearance in this book.

Nor do they in Dr Gregg's "Social and Economic History." If we are given the names of leading trade unionists we are entitled to those of the captains of industry as well. The author wisely makes no attempt to divorce social from economic history, but her interpretation of social is too narrowly political. The consequence is that the book is largely a history of the working-class movement. Mere space is devoted to the Tolpuddle Martyrs than to the expansion of the merchant navy. Chartists and Co-operators are here in full force, while the middle classes are neglected even in their prosperity. It is unwise to suggest, as does the blurb, that this is a sequel to Clapham's "Concise Economic History"—it has neither the authority nor the breadth of view which characterise that survey of the earlier centuries. Only a brilliant or original writer can bring to life the oft-told tale of the Industrial Revolution. On the other hand, for the evolution of the welfare state and the events of the last hundred years, this book should prove useful to university students and the like. The tables and charts are handy and the illustrations (as is the case with the other books under review) excellent.

Mr Braun also writes his introduction to the history of English architecture from the social point of view. He is concerned with practical problems rather than aesthetic results. From Stonehenge to prefab he describes the kind of building required by the conditions of the age, the materials available and the way in which they were used. His style is elementary ("in 1615 there was a surveyor-general named Inigo Jones who was a very clever architect. . . ."), but much practical information is imparted. Anyone who is still uncertain about the difference between the triforium and the clerestory, or between Flemish and English bond, will be pointed out such features in a pleasantly conducted tour through the buildings of the past.

Milner's Achievement

Lord Milner et l'Evolution de l'Imperialisme Britannique. By Vladimir Halpérin. *Paris, Presses Universitaire de France, 1950.* 257 pages. 500 Francs.

Within the British Commonwealth Lord Milner's reputation has come to be regarded as the vested interest of that dwindling band of distinguished men who in their youth were members of his kindergarten, and like all vested interests is looked upon not without suspicion by the world outside. For this reason alone a reassessment of Milner's work by a distinguished French scholar is welcome and appropriate. Yet Dr Halpérin has undertaken no easy task, for such a reassessment requires not only intimate knowledge of the facts of Milner's career but also a critical approach which Dr Halpérin's admiration for Milner virtually precludes him from adopting.

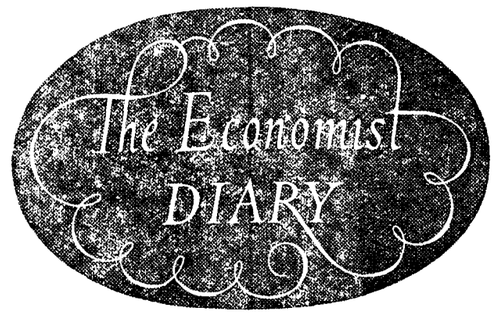
To the author of this book, and indeed to many others, Milner was unquestionably a great man. He thought "like a Richelieu" writes Dr Halpérin, and what higher tribute than that can a Frenchman pay? Yet Dr Halpérin's verdict is not likely to carry conviction with all his readers. He succeeds in recording fully and faithfully Milner's many achievements; but he fails to give to his judgments upon them their necessary air of impartiality. He has consulted carefully and frequently quoted the opinions of Milner's friends and admirers, but he has too lightly discounted his critics whether English or Afrikaner. At times he seems to accept the tributes of contemporaries as the verdict of history. It is interesting to know that "*le grand historien*, J. A. R. Marriot," in a personal letter to Milner in 1901, compared his services to the Empire with those of Hastings and Wellesley, but too often Dr Halpérin seems disposed to attach to such contemporary opinions a weight which they do not possess. For this reason his book, which is instructive and very readable, though marred by a number of minor inaccuracies, is suggestive rather than conclusive. Milner's stature as an administrator, as the greatest civilian soldier of the Empire, is clearly brought out; the extent of his achievement in Egypt and in South Africa is well described; but his impact upon the evolution of British imperialism is left uncertain. Here it may well be that Dr Halpérin has attempted too ambitious a task. The Rowse method, if one may so describe it, demands that the personality should dominate his subject—"Augustus and the Roman Empire," "Louis XIV and the Greatness of France." But not a few could dispute with Milner the claim to have played the decisive part in the evolution of British imperialism in the twentieth century and only a comparative survey of their claims could help to fix his place among them. This Dr Halpérin does not attempt to do. But one thing is certain. The loosely knit multiracial Commonwealth of today is not the Commonwealth Lord Milner would have liked to see.

A Century of Catholicism

The English Catholics, 1850-1950 Edited by the Rt. Rev. G. A. Beck. *Burns and Oates.* 640 pages. 35s.

The rock of Peter has stood remarkably fast in these last hundred years. Since 1850 the population of England and Wales has been multiplied by two and a half, but the number of Roman Catholics by seven. It stands today at somewhere near 10 per cent of the total. This record is all the more striking by comparison with the decline of other denominations. In 1851 one churchgoer in thirty was a Catholic. Today the proportion is more like one in three.

Catholic influence on national life in these years, as Bishop Beck admits in his summing up, has been less than these figures might suggest. The sheer speed of expansion forced bishops and clergy to concentrate on the bare essentials of preaching and teaching, struggling all the time to keep the supply of churches and schools from dropping too far behind the swelling demand. The problem was to provide for Irish immigrants already Catholic, and for their descendants, concentrated until very recently in comparatively few centres;



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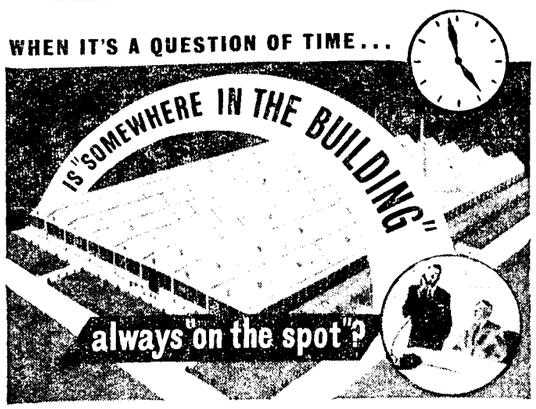


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all the less time, then, in spite of some remarkable early missions, for general propaganda among the English. For seventy years the Irish MPs at Westminster were a source of Catholic strength; but in most of social life the close tie between Catholicism and Irish culture and politics created a bar. In an increasingly middle-class world the Catholics started with practically no middle class. And whereas in 1850, when religion was a power in the land, the Catholic religion was an object of scorn and aversion—a state of affairs which itself imposed caution on Catholics—the much greater influence of Catholicism among the religious today is more than offset by the decline of the religious lobby (if one may so call it) as a whole.

The authors of this volume do not, however, suggest that the Church's strategy or sense of priorities was wrong. The steady flow of recruits for the clergy and convents is itself remarkable enough in a materialistic age. Clerical salaries in the nineteenth century are recorded as £25 to £50 a year. In real terms, they are often lower now.

But one cannot read these articles without feeling that there is indeed a new climate in them. The material difficulties of Catholics are still great. In the matter particularly of schools, Catholic parents in England and Wales (though not in Scotland) have to find some £60 million for capital expenditure alone. But the Church's own administrative machine has now been largely built; the old national cleavages have gone; and a Catholic middle class exists, though still relatively small. There is a new note of self-confidence and a new, less hand-to-mouth, policy seems to be on the way.

One Man's Meat

Social Insurance in Britain. By Charles E. Clarke, FIA. Published for the Institute and Faculty of Actuaries, by the *Cambridge University Press.* 136 pages. 13s. 6d.

This book is intended for students preparing for actuarial examinations. It describes, without comment, both the actuarial basis and the detailed provisions of Britain's social insurance schemes. The actuarial basis of the scheme rests on a number of "commutation functions" (drawn from information supplied by demographers) and certain data about future employment and interest rate levels (drawn from wild guesses supplied by economists). One of the "basic commutation functions" for example, can apparently be derived from the formula

$$\underset{65}{m}K^{mat}_{x} = \sum_{x}^{64} {}^{m}H^{mat}_{x}$$

The average future level of unemployment can be put at 8½ per cent—Lord Beveridge said so.

It is not Mr Clarke's purpose to differentiate between the accuracy of these two pieces of actuarial data. Nor is it his function to examine either the economic significance of the national insurance reserve fund—in which the dictates of orthodoxy have been satisfied by the public sector's acquisition of £1,000 million worth of claims against itself—or the social significance of a welfare scheme financed by an indirect tax on employment and a poll tax on almost the *entire population.* Mr Clarke's sole purpose is to provide hard facts for actuarial examinees—and he provides these in an admirably short, sharp, staccato style, completely devoid of padding. For all such students the book is to be thoroughly recommended—with deep sympathy.

The Natural History of Economics

The Foundation of Economics. By Walter Euchen. *Hodge.* 351 pages. 21s.

More perhaps than any other branch of human knowledge, economics has been and remains a battlefield of opposing methodologies; the deductive system-builders, the historicists with their insistence on time, place and social circumstance, the political arithmeticians who respect only the measurable, confronting one another with profound mutual distrust, propitious neither for the advancement of knowledge nor for the reputation of the science which they serve. Professor Euchen's aim, in this original, penetrating (and difficult) work, is to effect a reconciliation or synthesis—not, indeed, on that highest philosophical plane where the nature of knowledge is unavailingly debated, but at a practical level suited to the commonsense co-operation of different faculties and types of expertise—between what he calls the "individual-historical" and the "general-theoretical" approaches to the economic problem.

His method is to isolate from the various historically observed economic systems, not the "stages" and "styles" favoured by the German historical school, but a certain limited number of economic characteristics or forms which each system has, in varying proportions, historically exhibited. "Just as a huge variety of words . . . can be formed out of two dozen letters, similarly an almost unlimited variety of actual economic systems can be made up out of a limited number of basic pure forms," says Professor Euchen; and the bulk of his work may accordingly be figuratively regarded as an essay in alphabet-making. Exchange economy and directed economy, for instance, are not mutually exclusive; each household is a directed economy, whatever its relation to the whole system. The directed economy may be either totally centralised, or centrally directed with free exchange of consumers' goods; a market may be purely competitive, monopolistic or oligopolistic on the buyers' or sellers' side or on both; access to a market of any type may be "open" or "closed," with minor variants. Professor Euchen enumerates twenty-five types of market, all historically identifiable, each of which may be found functioning under various equally identifiable types of monetary systems; and presents the resulting "morphological scheme" as a means of "distilling scientific experience from the contradictory *pointilliste* experience of everyday life." He shows himself, however, well aware that it is one thing to know one's alphabet and quite another to be able to read off, at high speed, the complicated texts flashed on the screen of contemporary events. At the lowest reckoning his book should save much economic argument at cross purposes; at the highest, it may prove a signpost on the road to a truly scientific, as against a merely logical, or merely descriptive, economic discipline.

Reference and Text Books

The Stock Exchange Official Year Book 1950. Volume I. *Thomas Skinner. 2 Volumes £6.*

This is the 76th year for which the Stock Exchange Official Year Book has been published. The division of the contents between the two volumes, introduced last year, remains the same. Special information is given concerning companies in industries which have been nationalised and particulars of the proposed nationalisation of certain sections of the steel industry.

First Census of Manufactures, India 1946. Volumes I and II. Ministry of Industry and Supply, Government of India. *Government of India Press, New Delhi.*

These two volumes form the first report of the census of manufacturing industries in India which is taken annually. Statistics are given by industries and provinces and the census covers 29 industries of the 63 groups into which factory production in India has been classified. Although the report refers to 1946 it does not include any part of Pakistan or the States so that reports for subsequent years will be comparable.

Annual Review of United Nations Affairs, 1949. Edited by Clyde Eagleton. *New York University Press.* 322 pages. $5.

This book is an account of the proceedings of the Institute for the Annual Review of United Nations Affairs which forms part of the Graduate Programme of Studies in United Nations and World Affairs. The papers delivered to the Institute and the discussions which followed are printed and deal with the main sections of the United Nations organisation. The book is expected to form a critical companion volume to the United Nations Yearbook.

Wills and Executors. By E. S. Tomlin and Richard Clegg. *Crosby Lockwood and Son.* 137 pages. 7s. 6d.

This is a useful and practical guide to the making of a (simple) will and to the formalities of probate and executorship. It is intended for the man, or woman, left responsible for the administration of a small estate; with its aid, he, or she, should be able to complete the responsibility without recourse to professional aid.

The International Who's Who: 1950 *Europa Publications.* 1031 pages. 80s.

The 14th edition of the International Who's Who is complete up to May, 1950, and gives short biographies of those who are important in world affairs. For the United Kingdom it takes account of the changes in appointments which followed the general election in February.

AMERICAN SURVEY

Voters Play for Safety

Washington, D.C.

UNBIASED election forecasts had predicted that the Democrats would lose some seats in both the Senate and the House of Representatives, but would not be deprived this year (as they were in the last mid-term election in 1946) of majorities which gave them technical control of both chambers. Yet when this prediction was fulfilled, there was vast astonishment and immense excitement from Cape Cod to California. Wailing and lamentation arose from the Democratic compound, while on the other side of the fence Republicans could be seen braiding their hair and dancing in the streets.

The exulting voice of Mr Gabrielson, the chairman of the Republican National Committee, was heard crying:

> The American people have registered an emphatic protest against the policies of the Truman Administration. They are opposed to Socialism at home and to appeasement of Communism whether at home or abroad.

Mr Nixon, who won a Senate seat in California mainly by being the man who metamorphosed the Hiss case from a red herring—Mr Truman's incautious phrase—into a national scandal said: "I consider (the vote) a mandate from the people to make changes in the State Department." Mr Harold Stassen echoed: "I would assume . . . that Secretary Acheson would resign." In Ohio, Senator Taft, whom the battalions of organised labour had undertaken to bury but who was now sitting on top of the largest majority in the nation, observed, not too mysteriously, that "the results of this election are favourable to a Republican candidate for President" in 1952. In Pennsylvania Governor Duff, a liberal Republican, beat Senator Myers, the Democratic Whip; but he rather let the side down by saying:

> I'll be a newcomer to the Senate so I don't think I should make any statements at this time.

It was the exuberant Senator Wiley of Wisconsin who came nearest to blowing the gaff. Discussing his and Senator Taft's victories he said that his Wisconsin colleague, Senator McCarthy, was to be given a large share of the credit for awakening Americans to the Communist danger at home and abroad. He then seemed to sense that he had said rather a lot, and quickly declined to concede that Mr McCarthy's unproven charges that the Communists had infiltrated the State Department were the decisive factor behind the Republican gains.

There are those, however, who privately, off the record, not for quotation or attribution, are ready to admit that it could be that Mr McCarthy really did the trick. An honest Republican cannot make this admission with any great pride. For the truth, which is not concealed from honest Republicans, is that Senator McCarthy put up an appalling exhibition of demagogy. An honest American in either party, thinking back upon this election, will not lament because somebody won a seat or somebody lost one. What will disturb him will be that the mid-century United States, in the pride of its free education and college-trained millions and its ample and elaborate press and radio, has clearly demonstrated that voters can swallow and candidates can exploit a piece of shameless political sophistry.

For, although it can no doubt be convincingly argued that local issues and personalities influenced each result, the evidence that Republican candidates of almost all degrees of standing and stature, almost everywhere, cashed in on the prevailing state of uneasiness appears to be irrefutable. They were aware that people had been alarmed, that they had been persuaded to feel that something was wrong somewhere in the Government. In that sort of climate there was a ready-made audience for statements to the effect that the Democratic Administration had brought on the war in Korea by appeasing the Communists and "blundering" in the Far East, and that Mr Acheson was not to be trusted any longer with the conduct of the nation's foreign affairs.

A mild version of this line during the campaign, from an eminent Republican, was that the Roosevelt-Truman foreign policies, "influenced by Communists in the government," were "largely" responsible for "the present military strength of Russia." A cruder version, uttered by a less eminent Republican, was:

> Your boys wouldn't be dying in Korea today if a man named Alger Hiss hadn't been at Yalta and a man named Owen Lattimore hadn't been the big adviser to the State Department.

*

Many a voter, consciously or not, must have decided to play for safety. As sub-editors say: "When in doubt, leave out." Certainly it was the Communists-in-the-government line that defeated two of the Democratic Party's favourite candidates—Mrs Helen Gahagan Douglas in California and Senator Tydings in Maryland. The record of Mrs Douglas as an intelligent, fair-minded, liberal member of the House was simply obliterated by the record of her opponent, Mr Nixon, as the relentless exposer of Mr Alger Hiss. Senator Tydings was beaten by the politically unknown Mr John Marshall Butler because—or at least partly because—he had been the chairman of the subcommittee which dismissed Senator McCarthy's charges as groundless.

These are two bitter defeats for the Democrats, but the fall in Illinois of Senator Lucas, the Democratic leader in the Senate, is more bitter still. He was unseated by Mr Everett Dirksen, a man of great vigour who lately, to the plaudits of the *Chicago Tribune*, returned to the isolationism he had once renounced and assured the electors that to vote funds for Marshall aid was to pour money down a rathole. The departure of Senator Thomas in Utah and of Senator Myers in Pennsylvania fills the Democratic cup fuller; and still there are to be faced the triumphs of the Republican headliners, the "mossbacks" whose defeats would have been worth a guinea a box.

Senator Taft says he won in Ohio because the voters would not be dictated to by the "labour bosses"; and this is a credible explanation of his huge majority. The unions and their political henchmen overreached themselves: they distributed too much election literature and shouted too loudly, and their comic books ridiculing Mr Taft were too highly-coloured. Moreover their candidate, Mr Joe Ferguson, was rather too homespun for that part of the electorate which clung to the old-fashioned notion that a legislator should exhibit a grasp of contemporary affairs. The trade unions and their political henchmen took a drubbing, in Ohio and elsewhere. Out of nineteen candidates approved by "labour and liberal groups," thirteen went to the wall.

The new Congress will contain some new members of whom no liberal need be ashamed. There will be Mr Mike Monroney from Oklahoma on the Democratic side of the Senate, and Mr Duff from Pennsylvania seems unlikely to disgrace the Republican side. But there will also be a covey of case-hardened conservatives ranging from the Republicans, Mr Francis Case of South Dakota, Mr Dirksen, Mr Nixon and Mr Frank Carlson of Kansas, to the Democratic Mr Willis Smith of North Carolina, who defeated his liberal rival for the party nomination, Senator Frank Graham, with the use of such aphorisms as "If you want your wife or daughter eating at the same table with Negroes, vote for Graham." It is beyond dispute that Mr Truman's supporters in the Democratic party have lost prestige and influence as a result of the humbling of some of their outstanding personalities and the exaltation of conservatives whom they hoped to bring down. They will have to take what comfort they can from the knowledge that they have retained technical control of both Houses of Congress—provided that a recount in Connecticut, where the Democrat, Senator Benton, had a majority of only 925, does not reduce the Democratic representation in the Senate from 49 against 47 to an even 48 against 48.

The conservative coalition between Republicans and Southern Democrats will in future be strong enough to frustrate any Fair Deal legislation that it does not like. But since it has been doing precisely that ever since the Fair Deal appeared, the situation presents little novelty. Nor are the prevalent predictions that spending on foreign aid will be cut or killed as ironclad as they must look from Europe. The fact is that, for some years now, the inclination of Congress to authorise and appropriate funds for aid to the rest of the free world has depended more upon the behaviour of the Russians than upon the votes of the American electorate. The principal witnesses to this truth are the members of the Republican-dominated Eightieth Congress who launched the European Recovery Plan.

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

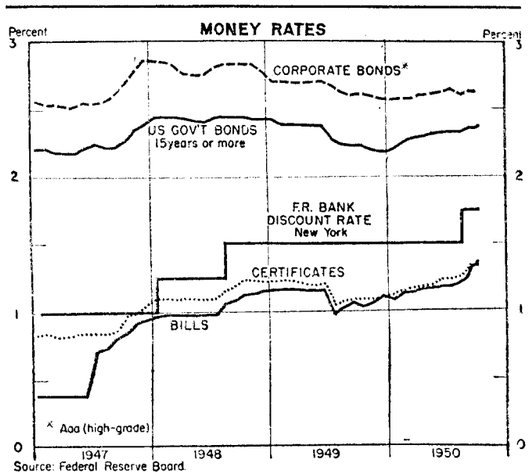
FRB's War of Independence

[FROM A SPECIAL CORRESPONDENT]

THE principal duty of the Federal Reserve System, according to all the literature on the subject, is "to regulate the supply, availability and cost of money" for the greater good of the nation. To be accurate, however, this statement must be amended by the observation that not since Pearl Harbour has this central bank organisation been in a position to do its duty, except by accident.

By statute, a commercial bank that is a member of the Reserve System must maintain with the Federal Reserve Bank in its district a non-interest bearing reserve amounting to a specified percentage of its deposits—from 14 to 22 per cent at present, depending on the size of city in which the commercial bank is situated. If a bank expands its lending, it thereby creates new deposits and must therefore increase its reserves with the central bank by one-sixth or one-seventh of its new deposits.

In prewar days, when practice could accord with theory, the Federal Reserve had the initiative, by buying or selling government securities in the open market, to create or extinguish reserves, and therefore credit and money. By buying securities from the market and paying for them with its own credit, it added to the reserves of its member banks. By selling securities from its own portfolio, it reduced bank reserves and damped down commercial credit. These operations were usually accompanied by appropriate changes in the discount rates of Reserve Banks. But for the past ten years the Federal Reserve System, in spite of continued



Source: Federal Reserve Board.

pleas for flexibility in rates, has been obliged to support the obligations of the Treasury at the low yields the Treasury has set. The Federal Reserve has thus been deprived of its most useful tool for controlling credit and money. Commercial banks came to have huge quantities of "governments" during the war and can sell them without loss to acquire cash and new reserves, as long as the Reserve System stands ready to buy them at a pegged price.

During the war it was obviously necessary for the Reserve System to guarantee that the Treasury would obtain the money needed for war finance. After the war, however, and because of postwar inflationary pressures, the Governors of the Federal Reserve System began a mounting agitation for release from their straitjacket. Finally, on August 18th last, impelled by the acutely inflationary consequences of the Korean conflict, the Governors issued a declaration of re-independence. Bluntly they announced that they would use all measures at their command to prevent a further expansion of commercial bank credit, even if this meant a fall in government bond prices and a consequent rise in the cost of the Treasury's borrowing.

Had the Treasury agreed to the Governors' proposal for higher interest rates—or at least more flexible rates—the matter could have ended there. Instead, the Treasury showed its disagreement in the most forceful possible manner. On the same day as the Federal Reserve Board's declaration, the Treasury announced an offer to refund some $13 billion of maturing certificates and bonds with a new 13-month issue at 1¼ per cent, the current yield for those instruments.

The FRB dodged the immediate challenge. It absorbed the bulk of the new obligations at the Treasury's offering price. But at the same time it sold to the market, at prices slightly lower than the ones it had previously supported, about the same amount of government securities of other kinds from its own portfolio. By that exchange, the Reserve Bank in effect refunded the holders of the maturing instruments with Treasury obligations yielding them a slightly higher interest rate. The result was to push up the going rate on all short-term governments by about ¼ of 1 per cent. Since then, commercial bank lending rates have risen to an equivalent degree.

The battle now stands undecided. The next engagement will come on December 1st or thereabouts, when Mr Snyder, the Secretary of the Treasury, must announce the refunding of some $8 billion of maturing securities. If his offer is at the new, higher, market rates, the FRB will have won. If it is at the former rates, it will be a sign that the dispute is so serious that only Congressional action can settle it.

★

The FRB has already appealed to Congress on behalf of its lost power. Late in 1949 it took its complaint to a special subcommittee of the Joint Congressional Committee on the Economic Report. That group agreed unanimously that the FRB was, indeed, "powerless to restrict credit in general" as long as it was obliged to support the Treasury's low interest policy and to act as passive or ultimate buyer of price-pegged government obligations. The subcommittee recommended that Congress instruct the Reserve Board and the Treasury to base their policies for money, credit and debt management primarily on national economic considerations, rather than on the narrow aim of maintaining low carrying charges on the national debt. It further proposed that Congress declare its will to be

> that the primary power and responsibility for regulating the supply, availability and cost of credit shall be vested in the Federal Reserve System.

Mr Snyder naturally opposed the recommendation, doubtless seeing in it the camel's nose that would bring down the protective tent of his calm, assured and comfortable marketing apparatus. The Treasury argued to the subcommittee, as it now argues, that the only effect of the minor increases in the interest rate proposed by the FRB would be to raise by a large amount the cost of carrying the federal debt. The Treasury maintains that fluctuations of a fraction of 1 per cent in yields would not curb bank credit in the present boom situation: no bank that sees the prospect of a good loan at 4 or 4½ per cent would hesitate merely because the security it would have to sell, to get the cash and required reserves, was yielding interest of 1½ per cent instead of 1¼.

The President's Council of Economic Advisers, usually poles apart from the Treasury in economic outlook, backs it to the hilt in this case. It adds the argument that, if the FRB persisted and drove interest rates on governments up to the point where a banker would be faced with a real choice when making a new loan and selling a bond to do it, the federal debt-carrying charges would be intolerable. More important, the expansion of industrial capacity, which the CEA sees as the real solution of the present inflation, would be halted if credit became so costly. What are needed, the CEA asserts, are not general, but selective, curbs on credit extension.

Supported and sustained by the findings of the Congressional subcommittee, the Federal Reserve gives every sign of persisting in its new policy. It makes light of the notion that a panic could develop as a result in the federal securities market; in its opinion, the greater danger to future sales of government issues lies in a public realisation that their values diminish day by day with continuing inflation. The FRB argues also that a good part of any increase that might result in the cost of servicing the federal debt would be recovered in income taxes.

It is still too early to measure the efficacy of what has been done so far by the statistics on commercial lending. But Reserve Bank officials insist that, for the future, the rise in money rates cannot fail to be an effective dampener. They consider it economic idiocy to assert, in disregard of all history, that the cost of money is not a profound factor in governing the extension of credit. The slight change of rates, and the injection of a small uncertainty into the market, will not stop all lending, nor are they intended to. But they will curtail the granting of marginal loans, and that is what is desired.

Should the Federal Reserve System lose in this dispute, its future as a semi-public, independent agency will be thrown into question. The prophecy is heard that, within five years, it would become a subordinate adjunct of the Treasury. If the Federal Reserve wins, however, it will once more be able to do the duty for which it was originally designed.

American Notes

Brakes for Industry

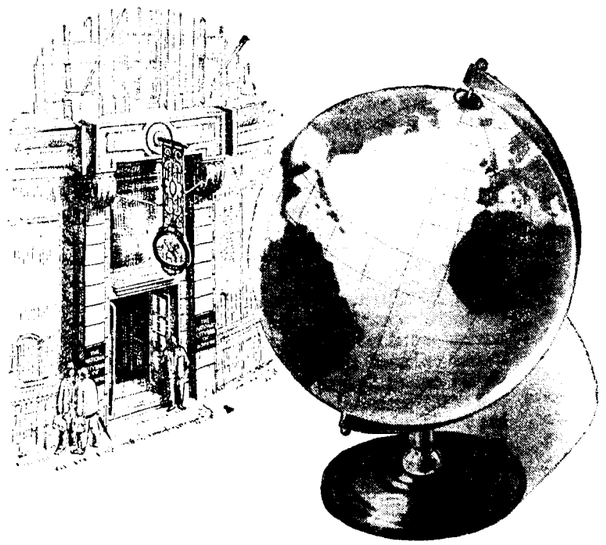
As Secretary of Commerce, Mr Charles Sawyer has been well advertised by the Administration as the businessman's friend. Last week, many American businessmen were pained to hear their friend say that voluntary controls on industry "just won't work" and that the government has decided to rely on compulsory controls to get the job done. And businessmen have no reason to believe that the job will be done quickly: one week earlier, Mr George Marshall, the Secretary of Defence, spoke of a four-year programme of military production to re-arm the United States and its allies.

Mr Sawyer and his National Production Authority have already started to apply the brake of government control to civilian production. Two months ago, the NPA issued a mild decree forbidding industry to stock 32 critical war materials beyond the "reasonable" demands of current production. A fortnight later, it set up a priority system which gives the government power to issue "Defence Orders" to factories to fill war contracts ahead of civilian goods. Last month, NPA tightened the brake a bit when it banned new construction of such entertainment facilities as bowling alleys and theatres; at the same time it told the steel industry to set aside enough steel in the first quarter of 1951 for 30,000 new railway goods trucks. It has also directed manufacturers of tyres to reduce their output by 16 per cent, and has ordered a 35 per cent cut in the use of aluminium for civilian products, beginning on January 1st.

With NPA still pressing only lightly on the brake, most producers of civilian goods are running as free as ever. They may be nearing the bend in the road: the Chairman of the National Security Resources Board, Mr Stuart Symington, is a firm supporter of "tough" controls and he has bitterly attacked manufacturers who have allegedly made big profits by restricting production and boosting prices. However, NPA can make few drastic changes in the working habits of American industry until it receives more information from the military services. So far the Department of Defence has issued no detailed plan of the exact numbers of planes, tanks and guns it will need.

For its part, the Treasury Department is proceeding on the safe assumption that the plan will be terribly expensive when it does appear. This week, President Truman sent a letter to the House Ways and Means Committee, urging early enactment of an excess profits tax. Mr Snyder, Secre-

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tary of the Treasury, followed this with a personal appeal for an excess profits tax of 75 per cent, to raise $4 billion a year. Although it was popular as a vote-catcher during the election campaign, the excess profits tax has strong Republican enemies in both the House and the Senate, while Administration leaders have differing ideas on how deeply it should cut into corporate income. Under these conditions, the chances are slim that an excess profits tax will appear on the statute books before the new Congress meets in January.

* * *

"Trying to Trouble You"

The steady succession of labour disputes on America's telephone lines suggests that the 600,000 employees of the Bell Telephone System are not as happy in their work as the company's advertisements imply. However, it is not they who for the past week have been trying not to connect telephone subscribers and have been happy to trouble them, but 17,000 striking employees of the Western Electric Company, another subsidiary of the American Telephone and Telegraph Company, which deals, amongst other things, with the maintenance and installation of telephones. As long as repairs are not needed, the strikers are dispensable, but telephone operators, who belong to other branches of the same union, the United Communications Workers, are reluctant to cross the picket lines round telephone exchanges. Except in Michigan, which has a full scale telephone strike of its own, local services have only been affected in a few places, notably New Jersey, where exchanges are operated by hand. But trunk service has been intermittent, in spite of the efforts of the supervisers and other non-union employees who have manned the long-distance switchboards.

The strikers, far too few to keep permanent pickets everywhere, have been switching them from one exchange to another, thus causing the maximum inconvenience to subscribers, who never know if they will get an answer when they pick up the receiver. The Bell System has now brought charges of "lock-out" down upon its head by refusing to allow its operators to work unless they will promise to brave picket lines if necessary. It is also appealing to local courts for injunctions against picketing. So far there is no sign of the strike being effective enough to force the President to use his emergency powers, as he has done before in nation-wide telephone strikes; he has already intervened in telephone negotiations once this year. Such intervention might not be unwelcome to the union, since it is alleged to weight the bargaining scales on labour's side.

Neither side seems particularly anxious to reach a settlement at the moment. The argument is over the duration of the contract—one year or two—and the size of the hourly wage increase—11¼ or 15 cents. Neither is very large beer as post-Korean wage rises go; but the Western Electric Company, with a practical monopoly in its field, can afford to be more intransigent than corporations with competitors waiting to pick up any workmen they let drop.

* * *

High Costs of Campaigning

When Mr Harold Stassen answered President Truman's political broadcast that wound up the campaign, the Republican National Committee pleaded poverty for its inability to buy time for him on more than one network, though the Democrats had assembled audiences on four to hear their star performer. Only a few weeks before, Mr Dewey had spoken affectingly of his party's lack of wealthy "angels." Preliminary figures show, in fact, that the Democratic National Committee is likely to have spent about $2,000,000, nearly twice the Republican total. Lack of return on past investments has certainly made contributors more reluctant to bring out their cheque-books when the Republican campaign manager calls. Some play safe by supporting both sides. But it is too soon to conclude that the party of big business has fallen on hard times. Many contributors, particularly when the Presidency is not at stake, like their candidate to know who his benefactors are, and these state and local funds may well outrun the national totals, especially when the year produces such exciting races as Senator Taft's successful bid for survival in Ohio.

The truth is that no one can give more than an informed guess about the part money has played in the campaign, or who paid the piper, though it is widely believed that the total this year has set a record for a mid-term contest. This is hardly surprising. The conventional costs of being elected have soared, with the cost of living, while costly television appearances have become almost a necessity and the comic book and helicopter travel have made their first, but probably not their last, appearances.

The reformers must take much of the blame for sending campaign contributions under the counter. In 1940, on a wave of moral indignation at the corrupting power of money, it was ordained that no individual campaign contribution should exceed $5,000, and that no committee operating in two or more states should spend more than $3,000,000. This has led to an immense proliferation of state and local committees subject only to state laws; the limit on the size of contributions is even more easily evaded. The ban on political contributions by labour organisations, which was to parallel that on corporate spending, has been got round by creating independent bodies. The Federal Corrupt Practices Act was so riddled with loopholes, even when it was passed in 1925, that it hardly requires evasion. A candidate for the Senate may spend only $25,000, but he cannot be held responsible for the generosity and enthusiasm of his friends; and even his own costs need not take account of postage, travelling expenses and telephone bills. Thus, though Senator Lucas spent $55,000 in Illinois, he contends that over $40,000 was exempt. Many candidates file accounts of their receipts, but there is no penalty for a failure to do so.

Not since 1944, when labour emerged as a political ally of Mr Roosevelt and stirred the House to investigate, has there been a thorough examination of campaign costs. Exactly how much the oil interests and Mr Louis Johnson's friends invested in Democratic success in 1948 has never been verified. If the Republicans are as poor as they profess to be, they could serve both their own and the national interest by supporting Senator Gillette's subcommittee in letting in some light behind the political scenes.

* * *

The Services Look at the Sky

From the labyrinthine depths of the Pentagon Building in Washington last week came the whisper of a rumour that the US Navy is making a fresh bid for the 65,000-ton aircraft carrier which was scuttled during the skirmish with the Air Force. Whether it dredges up its super-carrier or not, the Navy has noticeably recovered the *élan* which was dashed so badly last year. Naval aircraft have done well in Korea, and Marine Corps fighter pilots have made a spectacular display of their special military mission, the hedge-hopping support of an invading amphibious force.

On the other hand, Korea has been a big disappointment to the Air Force enthusiasts who thought the air arm could deliver a knockout blow anywhere, at any time. The outbreak of war found the Air Force primed for swift retaliation to an intercontinental attack, but just a little at a loss how to cut the supply lines of a highly mobile enemy moving quickly over a primitive countryside. And since most of its smaller aircraft were jet-powered interceptors, the Air Force was under-supplied with the type of tactical bomber best suited to support of ground troops. To fill the gaps in its tactical bomb-power, the Air Force was forced to order B-29 Superfortresses to fly low-level bombing missions. Air generals found that some of their pilots were disastrously unfamiliar with ground support techniques: some United Nations units

dodged more Air Force bombs than North Korean shells. Representative Vinson, Chairman of the House Armed Services Committee, has promised a full-dress investigation early next year of the alleged inadequacies of tactical air support.

The Air Force generals have a good defence. Their original estimate of sufficient air power called for 70 groups in 1948, and it was the President who whittled it down to 48 groups. The Air Force had little choice but to salvage its best weapon against intercontinental attack—the B-36 bomber—and to toss tactical bombing overboard.

Congress is now repairing in haste the damage done at leisure. The armed services have handed the Secretary of Defence a proposed $50 billion spending programme, more than this year's entire national budget, to begin next July. Under plans already made, the Air Force hopes to have 69 groups and 688,000 men by next June, and will eventually expand to 100 groups.

Some critics fear that increased appropriations may blind the services to the urgent need for a reduction in their lavish use of manpower. They point out that the Army uses 42,000 men in the rear areas to keep in the line a rifle division of 18,000, about twice the Russian ratio. Only by a careful reshuffling of all branches of each service can the United States hope to match the "bodies in the line" which Russia can muster. Presumably with the idea of accomplishing much the same thing on the home front, Mr Marshall, the Secretary of Defence, last week recommended a woman for what would normally be a man's job. The new Assistant Secretary of Defence, Mrs Anna Rosenberg, will have the task of spreading America's thin supply of skilled craftsmen over the swelling bulk of the defence industries.

* * *

Fine Weather for Farmers

To the Administration, rejected by the voters of all the mid-west agricultural states except Missouri, the farmers' ingratitude must seem sharper than a serpent's tooth. But in fact the farmers' thanks are due not to the Administration, but to the Korean war, for the sudden blaze of prosperity which has apparently driven them back under the Republican sunshade which they abandoned in 1948 when the rural sky was not so bright. The agricultural air has been cleared, for the moment, by the Korean storm. It has not yet brought about any noticeable change in the barometer of farm exports, but the barometers of farm prices and incomes are now rising faster than they were falling in the spring. And the Commodity Credit Corporation's threatening cloud of surpluses has become a rainbow of strategic reserves, which are melting away as rainbows do.

The defence programme will not only mean higher earnings for more people, but also a shortage of durable goods on which to spend them. The consequent demand for food means that the post-Korean rise in farm prices, now checked by seasonal influences, will almost certainly be resumed before the winter is over. That could bump the farmers' heads against food price ceilings, but Congress went out of its way to prop them up well above present levels when it authorised price controls. The Department of Agriculture, like other government agencies, sees expanded output as the answer to inflationary price rises and has resumed its wartime habit of urging farmers to grow all they can. Unless the weather lets it down, its exhortations will probably bring record crops next year. For even this year, when there were restrictions on planting and marketing, total agricultural output was only a little below the records of the two previous years.

The Department's problem child, the potato, did better than ever and government employees are celebrating its last season of price support by working overtime to destroy the unsaleable potatoes as fast as they come out of the ground. In the past some of them, and low-grade maize as well, have been made into alcohol, now badly needed as a raw material for synthetic rubber. But this year the government is buying alcohol from France, made out of the sugar beets which the French government itself acquired under its own price support programme. French oil importers have been required to mix this alcohol with petrol and Congress is already preparing to look into the Administration's apparent neglect of American farmers for the sake of French motorists.

Shorter Notes

Dr Gallup is eating "pheasant" instead of the "crow" he had to swallow two years ago; his poll forecast that the Democrats would have a two per cent margin over the Republicans in the House of Representatives, an estimate that is borne out by the election results.

*

A private financing scheme this week enabled Mr Henry Kaiser to hand a cheque for $91,476,989.92 to the Reconstruction Finance Corporation. He thus paid off, twenty years early, the government loans which in 1942 enabled him to go into the steel business and give the west coast its much desired steel plant, an enterprise that at that time seemed too risky to attract private backing. Under the new scheme this plant, at Fontana, California, is to be expanded to an annual capacity of 1,380,000 tons and a tin plate mill is also to be built.

*

The United States government has returned the superliner *United States* to the United States Lines. Unless plans are changed again, the ship will, when completed, carry tourists instead of troops, and will be the American champion in the competition for the blue ribbon of the Atlantic instead of the military transport which it was in danger of becoming after the Korean war broke out.

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THE WORLD OVERSEAS

Private Kim and Corporal Lee

(From a Correspondent lately in Korea)

WHEN we first met those stolid battalions of Private Kims and Corporal Lees, in those early days of confusion and dismay when every line and aspect of the country seemed full of unknown and potentially hostile factors, he—the South Korean ally—was the biggest mystery of all. He was clearly for us, on principle ; over his improvised barracks and public buildings the signs stared in varying degrees of stumbling enthusiasm: "Well come United Nations!" and "Huray Huray for Democracy!" It was very soon equally clear that the signs, having been put up wholly by the local bankers and chamber of commerce associations, in no way reflected the emotions of Private Kim and his countless relatives, who appeared to accept them in the same spirit as they did the coca-cola boards and the wild irruption of two-ton trucks. From the very first it was quite evident that there were two utterly unassimilable armies at work on the defence and later liberation of South Korea. Such liaison as there was to be found was strictly at the administrative level ; further down, there was nothing. The language problem presented a barrier that no one seemed disposed to tackle ; there appears to be no acceptable form of pidgin-Korean, and even the old occupation Tokyo-hands with a grasp of Japanese found, in Taegu or Waegwan, that they might as well have been in Albania. No one complained, much. Orders were orders ; they filtered through. For the rest, there seemed little that the GI would wish to discuss with the Korean. From the start the enemy Korean was, inevitably, the Gook. Later, because of the virtual impossibility of distinguishing a North Korean from a South Korean—leading to some disturbing cases of misunderstanding and some dangerous infiltrations among the refugees—all Koreans became Gooks, a term it is impossible to apply affectionately. It was exasperating that, by and large, the most positive emotion felt by the majority of the United Nations troops was that of contempt for the people they were there to defend, but there it was ; the Koreans are not a likeable people, nor was the general civilian attitude, at the best, much more than a vaguely resentful acceptance of the tide of assistance. As for the South Korean ally, he waged his war in his own way, and it was seldom the GI way. It was not until mid-September, for example, that any attempt was made by the UN command to mix S. Korean and American units in the field, and then only tentatively.

Heroisms and Excesses

The Korean's character seemed full of Oriental paradox. Sometimes he would, quite literally and in a matter-of-fact way, lay down his life for you. Sometimes he—or his brother or father, or even his grandmother, dressed in the drab anonymous white of the country—would produce a grenade from a refugee's bundle and blow off your leg. As a soldier, he was variously capable of dramatic moments of military endurance and resource, and of mad bursts of headlong flight. But whatever he did or refrained from doing was a corporate United Nations matter ; he fought (at least theoretically) under the olive-branch flag.

It was never possible to obtain a firm and official figure of the number of South Korean troops in the field. During the entire summer "box" period their divisions were holding the whole right flank from Kyongsan to Pusan. They were at most times heavily outnumbered. The big call-up of July-August was undertaken to put 150,000 men under arms—or at least within reach of arms—in what must surely have been the most intensive short-term conscription drive ever seen outside a Communist country. The intake was vast, the training almost unbelievably rapid and cursory. The entire period of military drill and instruction took five days. The man was drafted at the age of eighteen. On the Sunday he might be at work in the paddies or the shop ; by the following Sunday he was in the line.

Quick-Witted Recruits

I made a study of this assembly-line process, the five-day manufacture of troops from peasants which could surely have succeeded nowhere but in the East. There was the taking of the oath—a curious matter which for some reason nobody took the trouble to publicise, though it seemed to have some bearing on the political implications of the campaign. Even at that time, when the crossing of the 38th parallel was still very much in the realm of theory and debate, the South Korean recruits were swearing, among other things, to "restore the unity of their country within its frontiers." From the moment the conscripts entered the barrack-yard work began ; each man was assigned a specific place in the team of a particular weapon—a mortar here, a Browning automatic rifle there—and instructed with the utmost intensity for eleven hours a day in the basic principles of its operation, without any pretence at time-wasting theory. Overseeing the process were two American master-sergeants from KMAG (Korean Military Advisory Group). Around them a group of Korean NCOs drove in the lessons with venomous whacks and thuds from a short stick on anyone foolish enough to appear slow-witted. Few were. The recruits were astonishingly quick at picking up the fundamental motions.

I observed the course through the person of a young student-conscript, Kim Chung-ki. Like so many Koreans with any pretensions to intellectual standards, he held himself aloof from the whole issue of the war as an ethical, or moral question ; he resented and feared it ; he expressed himself as strongly against the arrival of the Communists, but having to oppose them physically he disliked as a horrible interruption of his private life. He hoped, *faute de mieux,* to become an interpreter. In his second day he became a squad-leader ; from that point no other recruit in his sleeping-room might begin to eat the meal until he had begun. As a private soldier he would be paid at the rate of 1,000 *won* a month—about four shillings, with the *won* at 5,000 to the pound, in its wholly theoretical value. As a staff-sergeant he would get 2,000 ; a tech-sergeant 7,700, a master-sergeant 8,500 ; in the fantastically unlikely event of becoming a general he would be paid 25,000 Korean *won* a month. In the enlisted-man class, this was calculated at a bit under subsistence, as with most armies ; the price of rice was 3,000 *won* a *mah,* which is a little less than half of what a man eats in a month.

At the end of the five days he was loaded into a lorry and sent north-west, towards the South Korean Capitol Division. He did not, in fact, have a rifle, but he would in the line be stationed near to a comrade who had, whose weapon he might inherit. Later on, there would be guns. He made,

one has no doubt, an excellent infantryman, capable of considerable heights of personal bravery and certainly—as I frequently saw for myself—of quite remarkable physical phlegm and fortitude after physical injury. He had—it seemed equally obvious—the most sketchy and inadequate doctrinal understanding of what he was fighting about. Nor was that by any means confined to the South Korean ally. It seemed the more disturbing, however, in that the result affected him more closely ; moreover, he belonged to a nation whose educational standards are not low. One of the most striking aspects of Korea was the fact that almost without exception every building of any pretensions whatever to solidity or permanence was a school, or a college—a curious sidelight on Japanese colonial methods. At the outset of the campaign, however, every building of any quality at all was commandeered for this or that military purpose, and the pupils dismissed indefinitely ; the first result of the two-way war for enlightenment was the complete stoppage of all education throughout the country. Among the twelve thousand harrassments which will bedevil the United Nations Commission in the months to come, that factor has probably not been overlooked.

The Gray Report

MR GORDON GRAY, in his report to the President, has condensed into ninety-nine pages* an analysis of the future of American economic policy which contains everything that external observers of that policy could reasonably hope for. More important perhaps even than his recommendations are the major premises from which they are deduced. Unless, he says, the recipients of American aid are at one with American purposes in giving aid, the aid itself will bear a bitter fruit, if it bears any at all. In the past, Americans have been sometimes heavy-handed ; morale in many recipient countries is seriously low, and it does not follow from the fact that aid has been accepted that its purposes will be furthered. There must, therefore, be some recasting of the American approach to economic aid, and its new principles should be a greater recognition of identity of interest and a return to a partner relationship with the rest of the free world. Thus Mr Gray's advice to the Administration and to Congress is to take the long view and the broad view of economic programmes or they will not fulfil the objective of American foreign policy, which is to save the free world ; to see through the "Buy American" fallacy ; not to tie every dollar, and not to expect an immediate or tangible economic return from all assistance given. The time, he says, has come to base aid on an "overall assessment" of the global economic position and to abandon the project-by-project, country-by-country, calculations which have been the basis of Marshall aid.

Mr Gray's recommendations fall under three main heads—western defence, development, and commercial policy ; and in his argument he treats them as closely related, in logic and in practice. By the end of 1950, it was clear that the problems of recovery were nearly over and that there would be no further need for dollar subventions to Western Europe or Japan after 1952. The problems that remained related mainly to ensuring adequate export markets and they could and should have been solved, not by dollar grants, but, on the European side, by increased competitiveness, and, on the American, by increasing imports and outflow of free capital. Then came Korea, and intensified rearmament ; marketing problems disappeared overnight and the supply of dollars got longer, as a result of increased activity in the United States and of rising import prices. But rearmament brings new problems for the countries of Western Europe ; their demand for dollars becomes greater, and will do so increasingly, and the burden of increased military production imposes a new strain on their economies generally.

Some of this increased strain can be absorbed by existing resources, by cuts in current consumption and investment, by "aggressive measures" to eliminate all under-employment of resources, and by increased productivity through reduced protection. Some of the increased strain—but not all of it if rearmament is to be adequate, and the economic and political health of the countries concerned is not to be prejudiced. United States aid will be needed, in addition to military equipment, to bridge the gap for at least the next three or four years. Its object should be to help finance partly their increased foreign exchange requirements, and partly the burden of increased military production. It is not explicitly stated that this aid should be "free" but by implication it is fairly clear that at least part of it should be so. Nor is it clear whether existing aid to Western Europe, other than through the European Payments Union, should be discontinued, but Mr Gray implies it might well be revised, and possibly replaced altogether, by aid on the new basis.

Increasing Resources

Against the background of the western defence effort, development of the under-developed areas acquires a new urgency. Here, Mr Gray strips the wool from the eyes of those—and there are many of them—who still believe that private investment, with a smattering of government-financed technical assistance, will do the trick. Private investment, he agrees, is the most desirable means of development, and the original Point Four proposals for investment treaties, and guarantees to private investors, should be enacted forthwith. But in the early stages, before the development of basic services, its function can only be strictly limited even if investment conditions in under-developed countries were not so inherently unattractive, and, Mr Gray insists, what private investors do not do, public funds must. The International Bank and the Export-Import Bank should between them achieve a net outflow to under-developed countries of $600 to $800 million a year, as compared with total authorisations of $462 million and net disbursements of $144 million in 1950. He agrees that the inadequacy of their past activities was due to lack, not of funds, but of opportunities, but believes that it was also because of restrictions on the type of financing which these institutions were prepared to undertake. In future, this must be broadened to include lending not merely for the dollar needs of the borrowers, but for their internal costs as well, and there should be a "general policy of permitting" untied dollar loans. Grants may also be necessary, as an initial incentive, or where the particular project cannot finance the servicing of a loan, and total annual expenditure on grants and technical assistance should be increased from $150 to $500 million per annum.

Into the same context, Mr Gray places his views on United States commercial policy. The freeing of world trade from discriminatory restrictions remains "an important object of United States economic policy." If this was true before rearmament, it is doubly true now. Short of a total mobilisation of resources only possible in time of war, part of the long-term remedy for world shortages must be to increase both the volume of existing resources, and the efficiency of their use, through increased competitiveness and reduced discrimination. Further, under the threat of serious inflation, the United States itself cannot afford to continue restrictive practices—it is something of a shock to find Mr Gray applying to the United States the familiar British cry of "competing claims on our limited resources."

Mr Gray recognises at the outset that the extent to which other countries can afford to move in this direction is largely a function of the United States own trade practices. So he makes perhaps the most revolutionary statement in his whole report—"This Nation has nothing to fear and much to gain from liberal trade import policies." The first thing, therefore

* "Report to the President on Foreign Economic Policies." US Government Printing Office, Washington, D.C. 40 cents.

is for the United States to provide its own economy. Congress should ratify the charter of the International Trade Organisation; it should extend for a four-year term the President's powers to reduce tariffs under the Reciprocal Trade Agreements Act; it should review its agricultural support policy and the cargo preference system for American shipping; it should pass the Customs Simplification Act of 1950, and it should repeal the Act of 1933 which obliges government purchasing agencies to discriminate in favour of domestic suppliers. Simultaneously, the United States should encourage its foreign partners to move towards convertibility; it should continue dollar aid through the European Payments Union as the first step in this movement, and it should consider now, for application when the time is ripe, the possibility of easing the last stages of their journey by the provision of stabilisation credit.

In return, Mr Gray asks only this of European beneficiaries—that they face up to the impact of "vigorous competition," and that they fully employ all their resources. Without this, Western Europe's economic potential will be seriously and unnecessarily limited, and America will not be able to afford the additional burden. He does not attempt to demand an immediate return to convertibility and, indeed, his assessment of Britain's financial position as affected by rearmament is extremely sympathetic. But he asks for some forward move, and in particular, for the removal of all barriers to free trade which are not necessary to safeguard essential foreign exchange reserves. There is evidence, in these passages of the report, of compromise drafting—doubtless to meet the wishes of the State Department and of the Treasury. Thus in one place, the restoration of enough convertibility of currencies to permit the settlement of deficits "with any currency area including the dollar area" is described as the minimum that the United States should require; in other places it is recognised that to restore the full convertibility of currencies, and particularly of sterling, will take a long time. Perhaps the most significant part of the report is its willingness, in the interim, not only to tolerate the discrimination against the dollar that is inherent in the sterling area and the European Payments Union, but to welcome them for the partial multilateralism they permit.

German Industry Reaches a Landmark

The Reorganisation of The Ruhr

[BY OUR SPECIAL CORRESPONDENT]

THE reorganisation of the heavy industrial combines of the Ruhr under Law 27—the tripartite successor to the Anglo-American Military Government Law 75—has become of increasing urgency in recent weeks. Both Germans and French have now made demands in regard to the Law a condition of the Schuman plan; and the plan is in turn a French condition for allowing a German force to take its place in a European army.

The complex history of Law 27 dates back to 1945 when the Ruhr lay prostrate, and the British assumed trusteeship of the heavy industrial combines, in order that the operating companies might get on with production, and the old owners be removed from power. By "Operation Severance," 25 steel companies were cut out of six big combines—the Vereinigte Stahlwerke, Krupps, Mannesmann, Kloeckner, Hoesch and the Gutehoffnungshuette, and worked under British supervision. The separated coal mining companies operated under the very efficient control of the British. It might be said that this interim period saw the end of the power of the former "Ruhr barons" with family interests in the concerns, and a new era of power for the company managers.

With the idea of ending the uncertainties of this emergency period, the British, now joined by the Americans, promulgated Law 75 just three years ago. From the start this measure suffered from the fact that it mixed punitive political aims with economic proposals, and so made German opposition inevitable. It set out to break up excessive concentrations of power in German heavy industry and to prevent the return of the old owners, on the grounds that the past organisation and personalities had fostered war. At the same time, it laid down that the industry was to be regrouped on the most efficient lines, and that the German Government was to have the last word on ownership. Finally, the Allies were to retain the right to reject the German plan for reorganisation, and to formulate one of their own. The German plan was to be drafted by two bodies working under the Allies, the steel trustees administration and the German coalmining control (DKBL). They could keep the Federal and *Laender* Governments informed, but no more.

The steel trustees and the DKBL have worked separately and at different speeds. The DKBL reached agreement with the miners' union on the need to separate coal from steel, and presented a draft plan to the Allied control authorities some weeks ago, which called for the setting up of some 23 different coal companies. The steel trustees have faced a much more complicated task. They are, however, far advanced, and, given their head they could probably regroup the industry in a few months.

Should Steel Companies Own Coal?

A long time ago it was plain that the trustees would be glad if the Bonn Government would intervene and relieve them of some of the responsibility of their vital task. But the first intimations last year that the Government wanted to have a share in the decision met with refusal from the Allied side, on the ground that unpopular measures would have to be taken and it would be better if the Government did not bear the responsibility for them.

A further claim of old standing is that the shareholders in the liquidated combines shall be given the right to exchange into holdings of the newly-established companies. The Germans attach great importance to this point. It is, however, not clear how the exchange could be effected, since the new concerns are to be formed out of parts of others in a general reshuffle; but it is also not clear how the capital is otherwise to be found.

Finally, the steel trustees have met with extreme difficulty in deciding the crucial question: shall the new steel companies own coalmines, and if so, to what extent? Pressure has been great from some trusts to reform the Ruhr on much the same basis as before. For the steel interests, the power to control coal is obviously a great advantage. The French, however, see that their own steel companies in the Schuman pool will be placed at a disadvantage if the Ruhr steelworks can continue, as before, to manipulate coal prices to their own benefit, and have assured supplies when others may go short.

The whole question has reached a new climax. German indignation at the "interference" of the occupying powers came to the surface when the announcement was made in September on the authority of the Allied steel control that most of the big holding companies were placed in liquidation. This announcement came three days after the Foreign Ministers' communiqué proclaiming a new era in freedom for Germany. It was of no avail to point out that the step was laid down in Law 27, that it did not mean liquidation in the sense in which the term is understood in German law, and that the companies would continue to operate. Dr Adenauer lodged a protest, and let it be known that unless the Allies handed over to the Germans there would be little

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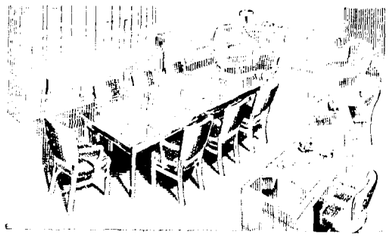


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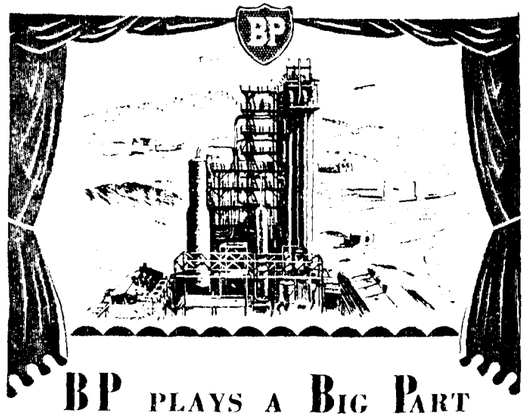
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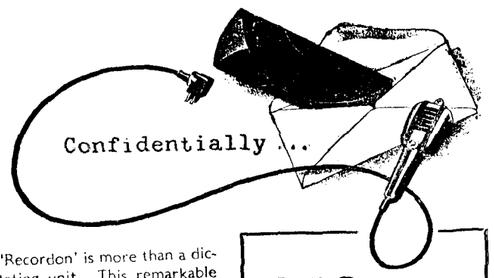
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hope for the Schuman Plan. The Bonn Government claimed the right to take responsibility for the future of the Ruhr. It was rumoured that the Government's experts had prepared a draft scheme of their own, which called for the reconstitution of the link between steel and coal.

Since then the Government, the trustees and the DKBL have combined to agree on a draft for presentation to the High Commission; but the Commission has not consented to hand over the decision to the Germans. Their agreed draft is not yet public. Reports say that it is a compromise on the Government's first plan, in that it proposes no fewer than 20 steel concerns and 23 coal companies. The extent to which steel shall own coal is, however, still not agreed, though the Bonn Ministry of Economics has suggested that 20 per cent of Ruhr coal should be in the hands of steel companies, instead of 55 per cent as before.

Formidable opposition can be expected from the German trade union leadership to any plan which places the coal industry at the mercy of steel, and allows the old owners to regain their holdings. The union leadership is preparing to battle for the removal of the former Ruhr industrialists, and for a form of socialisation which would place 50 per cent of power in the hands of representatives of the trade union headquarters. They are not concerned with the break-up of trusts, as such, nor with nationalisation on the British model, but with this matter of power for the union. One of the main reasons why the German steel industrialists and their associated politicians so strongly object to Allied policy hitherto is that they are wrongly convinced that it has favoured the unions' aim.

In spite of the long drawn out period of uncertainty, the steel companies have invested astonishingly large sums from their own resources and have expanded production by 41.3 per cent in the past twelve months. As an instance of their financial strength, the Huettenwerk Rheinhausen may be cited. This company, "deconcentrated" from the Krupps concern, invested no fewer than DM 25 million (over £2 million) in repairs and reconstruction between June, 1948, and September, 1950. The process of writing down these investments, in order to start afresh the process of building up hidden reserves, will doubtless be resumed by this and similar companies. But even the maintenance of present production, it is claimed, requires the investment of DM 1,000 million a year.

How Much More Steel?

The boom that followed Korea has been astonishing. The volume of orders in September this year was nearly four times as great as the average for 1949, and was more than double production. The United States entered the market with a rush, and over 1,200 tons of steel a week have been going from the Ruhr across the Atlantic.

The question of expanding capacity is likely to become acute. At present capacity is about 14½ million tons of crude steel a year, and production is running at about 13 million tons. The iron and steel industry as a whole is only working at 90 per cent of the 1936 level, compared with an overall industrial level which is 21 per cent above 1936. There is, therefore, room for further expansion of output; but the Ruhr is deeply concerned with the fact that its industry is twenty years or more behind its competitors in modernisation, and in particular, lacks a continuous strip mill for the mass production of sheets. The post-Korean boom, it is hoped, will strengthen the German claim that they should re-equip the Thyssen works to produce a million tons of steel and instal a strip mill for processing this output. The Reichswerke (former Hermann Goering works) would, under German plans, be re-equipped to produce 500,000 tons of steel. So far, however, the western powers have not given their permission for any expansion of capacity. All that has been conceded is that production for export to the West will not be counted in the ceiling of 11.1 million tons of crude steel per annum.

New Order in China—II

[BY OUR HONGKONG CORRESPONDENT]

THE Manchurian region, beyond the Great Wall, is organisationally separate from the rest of China; forming a closer appendage of the Soviet Union proper, it seems doomed once again to participate in a "bloc development," this time tied not to Japan but to Russia. Manchuria is partly under direct Russian occupation, and wholly under Russian supervision. The executive functions are there greatly decentralised and departmentalised, but control and decisions are highly centralised. The emphasis is on "industry," as it was under the Japanese. Soviet advisers are found in most offices of government, and Soviet technicians or experts in the main state enterprises. The private sector comprises a host of small workshops; these are restricted to finishing processes, and are under steady pressure either to amalgamate into controlled co-operatives or to merge with government undertakings.

Stakhanovism is applied in an extreme form, and there is "socialist competition"—units or districts challenging each other in duels for increased production. There are consultative committees, in which workers are invited to further production and rationalisation, and are privileged to put forward their own views as to how their own labour may be intensified. This drive in the factories has done quite well, owing initially to the artisan enthusiasm of the workers and later to the adroit direction of the flow of consumer goods to give them preference over other classes. Coal mining claims 90 per cent of the output reached during the Japanese occupation, though it is admitted that only 50 per cent of the equipment—removed by the Red Army in 1945—has been restored. Electric power generation has returned to about two-thirds of the Japanese peak, non-ferrous metals to about a quarter, textiles to a similar fraction; it is claimed that the chemical industry is fully rehabilitated, but admitted that paper pulp production is insignificant compared to "Manchoukuo" levels, while the manufacture of machinery is also extremely low, since the Russians largely removed such items as machine tools. The railways are working well, under Russian staffs.

Defects Of Stakhanovism

The Sino-Soviet Pact of 1950 deals mainly with the rehabilitation of Manchuria, and the industrial loans under that Pact chiefly provide for the restoration of the equipment looted by Russia (though the sums mentioned appear inadequate even for that purpose, if the figures of the Pauley Mission are accurate). Further industrial revival in Manchuria is therefore probable. The defects of Stakhanovism are, however, already apparent; it drives everyone to an unscrupulous struggle for output at all costs, with a general disregard for quality and for the depreciation of plant.

Agrarian reform has been completed in Manchuria, on exactly the same basis as in the Soviet Union. The total cultivated area is, however, still short of the figure maintained under the Japanese. Though the redistribution of land removed the big landlords, it generally left the former tenants with land but without tools or capital to cultivate it. *Kolkhoz* arrangements are proceeding slowly to overcome these difficulties, but the general level is more primitive than ever.

Accounts of the social framework in Manchuria thus indicate a basis similar to that found in Russia itself. The North China region appears rather as a half-way house to this stage of Communism. Peking is an administrative and intellectual centre; there has been only vague talk of its industrialisation. It is quite a stage-post for indoctrination; in which it appears that the attention was first concentrated on the higher levels. The maximum use was made of the disgust felt by all intelligent and educated people against the Kuomintang, and the practical "bankruptcy" of the west

was stressed, and contrasted with the honest realism of the people. Intensive courses, and the astonishingly effective use of infinite repetition, soon make the appropriate jargon a habit; and even the best minds are quickly silenced or neutralised. The student movement has always been a mainstay of Chinese Communism, and undergraduate enthusiasm (with, at last, the prospect of rapid promotion for this class) is fully utilised.

Private Enterprise Controlled

Of the industrial aspect, Tientsin is the best example in this region. As in Manchuria, the major undertakings have been nationalised; there are now 69 government owned factories in Tientsin with over 40,000 workers (40 per cent of the factory population), all having electric power and full mechanical equipment, against more than 10,000 private workshops, which have an average of only six workers each, and only 30 per cent of which have any power-driven machinery. The state sector, as in Manchuria, employs Stakhanovite methods and presses hard to absorb the private sector. In North China, there are larger entrepreneur and merchant classes than in Manchuria, and the preliminary struggle has been to get these under full control. The liberation (end of 1948) was followed by a very severe slump; trade and industry were practically at a standstill during most of 1949. After the liberation of Shanghai, however (May, 1949), trade and transport revived. During this revival, the state sector was "consolidated" on the lines indicated above. Thereafter, a more direct squeeze was put on the private sector. Merchants, manufacturers and others were invited to make "voluntary" subscriptions to Victory Bonds; collectors would call, who specified the sum the concern was expected to contribute, and displayed an exact knowledge of its bank balances (sometimes even of its accounts held abroad!).

This technique, plus penal taxation, halted the inflation; but it brought the collapse of the boom, and thousands of bankruptcies. It was accompanied by a selective use of "encouragement loans," to put private concerns into a state of dependence on government credit. The administrative system is similarly used as a "class weapon"; disfavoured activities have to go through an incredible complexity of bureaucratic procedure, but the latter is magically short-circuited for any transactions of which higher authority approves. Tariff and exchange controls were also effectively used. This policy may now, it appears, have achieved its objectives, for recently the pressure has been eased in all these respects; and life in North China is not altogether gloomy, from the "petty-bourgeois" point of view.

In Shanghai, in the zone of the East China People's Government, heavy fines, damages for past or present misdeeds, constant wage-increases, and inordinate taxation were imposed on employers after the liberation. By such measures of class war, the capitalist class was brought to its knees; broadly speaking, this procedure has been used in this zone, rather than the discriminatory development of state-ownership.

Russian Mystery Men

In the matter of indoctrination also, there appears to be an interesting difference in the East China Region. With the double aim of "debunking" the technical superiority of the Occident (with which Shanghai especially was familiar) and of enticing the best technical and organisational talent of the area to go north, great stress has been laid on the qualitative superiority of Russian technique. More generally, the effort is made to foster to the utmost that longing for industrialisation which looms so large in the Asian mind today.

Various reports have been given of the presence of Russians in Shanghai and elsewhere; these accounts have generally a sensational tinge. Evidence suggests that these Russians are to some extent "built up" for Chinese popular consumption, as Mystery Men. They work in fact for the large Soviet state trading organisations, for the Sino-Soviet airlines project, etc.; but it is also suggested that they are to work, in "back-room" fashion, some miracle for China, and are generally to exemplify Russian technical superiority. Anti-Russian feeling in China is strong in some respects; these aspects are studiously avoided in education and propaganda, and replaced by this stress on Russia's technical promise for China.

Only in a partial and modified form have all these motives and procedures of the great "overturn" as yet reached the vast areas and hinterlands of south, central and western China. There, the land reforms have largely been halted, and industrialisation is not immediately to the fore; the Communists hold all the key points, and have reformed procedures in every respect. Famines rage, banditry is rife. Political and economic life is largely in abeyance; the general criteria are those of carrying on, on the present interim basis, till a new stage is reached—which eventually appears to depend on external, rather than internal, events. Canton and other southern cities are experiencing stagnation and lethargy. State control is cumbersome, and defensive rather than (as in the north) aggressive in its policy. Yet, despite all this, and despite the widespread breakdown of that extensive and complicated network of personal and local contacts on which the economic life of these vast regions depends, there continues a fair volume of trade; and the age-old industriousness of the inhabitants may still be described as antlike in its persistency.

Butter and Guns for Denmark

[FROM A CORRESPONDENT]

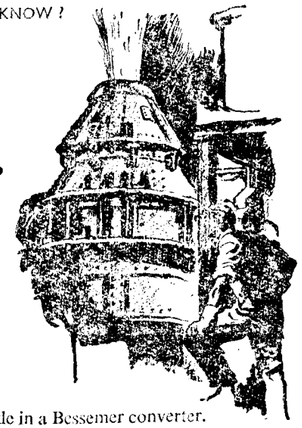
THE first act of the new Danish Cabinet, which took office on October 28th under an Agrarian Prime Minister, Mr Eriksen, was to abolish butter rationing. One of its next acts was to introduce in a modified form the measures which all parties except Communists had agreed as long ago as August were necessary to finance Danish rearmament. It was on the incidence of these new taxes and loans that the extraordinary general election was fought in September. When the Rigsdag reassembled the Social Democrats, who had gained two extra seats, reintroduced unchanged their proposals for raising the extra money necessary for defence; and the acceptance of these measures by the opposition had created the impression that the recent deterioration of Denmark's economic position was bringing the parties together in the face of difficulties. It was therefore a surprise when, a week later, Mr Hedtoft's government was defeated—although only by 69 votes against 68—when it resisted a proposal for the immediate abolition of butter rationing.

Having prudently abolished butter rationing in face of the public feeling on the matter the new Government, which consists of seven Agrarians (*Venstre*) and six Conservatives, has now to face realities—and to try to make the Danish people do the same. The new Finance Minister, in a broadcast on November 1st, made an excellent start. Although there are mitigating factors, the blunt truth is that Denmark has for some time been living beyond its means. In the first nine months of this year imports, on a total trade of 7,525 million kroner, exceeded exports by just over Kr. 1,072 million. During October the net foreign exchange position of the Central Bank deteriorated by nearly Kr. 2,000,000 a day. This is a disappointingly unhealthy situation in view of Marshall Aid and help from other international agencies.

Deflationary measures are therefore being taken. On November 2nd the bank rate was increased from 4½ to 5 per

HOW MUCH DO YOU KNOW?

Can cold air heat metal?



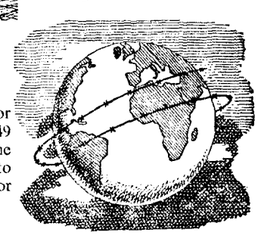
YES, when steel is made in a Bessemer converter. A blast of cold air is forced through molten iron and raises the temperature by as much as four hundred degrees Fahrenheit. This burns out the impurities and changes the iron into steel. So high is the temperature produced in the converter that it would melt a garden roller like a lump of sugar.



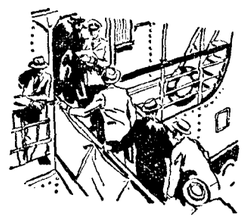
HOW hard can a hammer hit?

Steam hammers used for forging steel can strike a blow of 100 tons but the workers operating them can make them tap a watch glass without breaking it.

A Fence around the Earth



The amount of barbed wire for fencing made in Britain in 1949 would go 1½ times round the earth. A great deal of it goes to New Zealand. It helps to pay for the wool we need for clothes.



Do young steel men travel far?

In Skill and Enterprise

STEEL

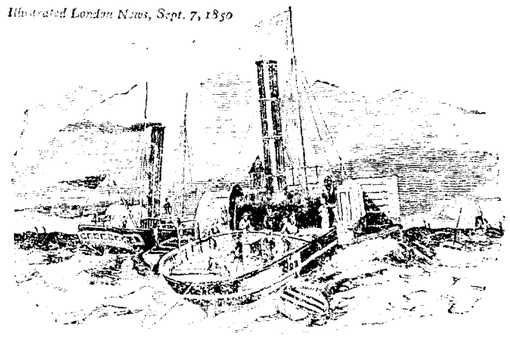
is serving you well

Many young steel men and students are sent abroad each year by the industry under a regular exchange scheme. They go to France, Belgium, Luxemburg, Holland, Germany and Sweden, and also as far as Australia. This scheme is just part of the industry's training programme to extend general as well as technical knowledge. Progress in British Steel depends on the skill, enterprise and knowledge of all who help to make it.

BRITISH IRON AND STEEL FEDERATION

57

Illustrated London News, Sept. 7, 1850



The first small thread

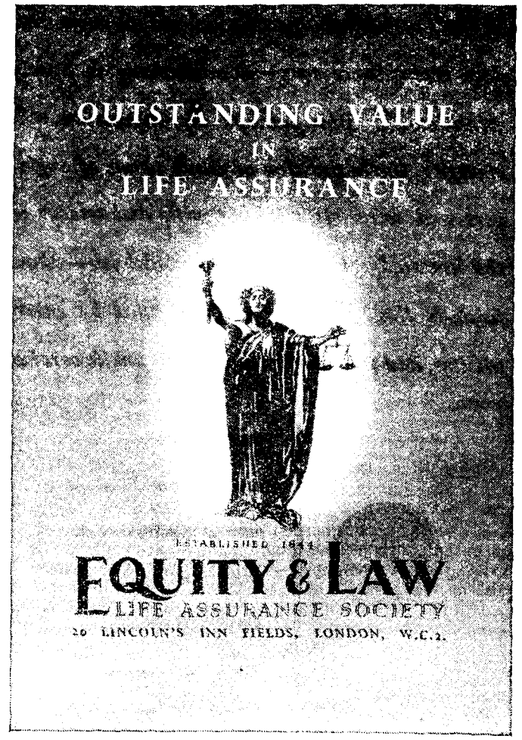
Just a hundred years ago the good ship "GOLIATH" laid the first submarine telegraph cable across the Dover Strait. How many would have realised then that this endeavour was the first small thread in a web that was to cover the whole world with a complicated system of Telecommunications?

To-day the 155,000 miles of ocean cables, owned and maintained by Cable & Wireless Ltd., are constantly humming with news flashes, business deals and communications of State. The Company operate overseas telegraph stations in the Crown Colonies and many foreign countries. Their cables link United Kingdom postal telegraph offices with the Commonwealth cable network.

CABLE & WIRELESS LTD

Cable & Wireless Ltd., Electra House, Victoria Embankment, London, W.C.

CVS-186



SIMON ENGINEERING GROUP

Aspects of enterprise

No. 1.

This series of announcements deals in a random way with some aspects of the Simon Engineering Group's activities, organisation and management. Any resemblance to good advertising is purely coincidental. But perhaps an impression will emerge: the impression of many teams of engineers and scientists working with enthusiasm in the knowledge that they do a useful job—whose faith is that private enterprise must be enterprising, and that its justification is public service.

SIMON ENGINEERING GROUP

SIMON-CARVES LTD
HENRY SIMON LTD
SIMON HANDLING ENGINEERS LTD
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A sensible policy for process steam No. 23

Heat transfer summing up

BY SPIRAX

The earning capacity of a process steam plant is decided finally by what happens at the actual point of steam usage. *The deciding factor is the rate at which the heat is able to get from the steam to the stuff being processed.*

In this series of Notes we have described, though briefly, steps which will achieve a higher rate of output and reduced level of costs. This is a summary:

(i) *Meter the steam supply to each department so as to check excessive consumption and to keep proper track of departmental costs;*

(ii) *On the steam supply pipe to each process heating unit fit a small steam separator, so that the steam goes in as dry as ever possible;*

(iii) *So control the discharge of air and condensate from the steam spaces that as much heat as possible is transferred from the steam at a maximum rate of transmission;*

(iv) *Make all practicable use of any "waste" heat from the steam.*

The methods are well tried and by no means expensive. And they are highly effective.

Correspondence to: **Spirax Manufacturing Co. Ltd.** (Economist Enquiries), Cheltenham, Glos.

NOTES ALREADY APPEARED: *Jan. 14*, "A sensible policy for process steam"; *Jan. 28*, "Who controls your steam plant?"; *Feb. 11*, "Do you get full value from your steam?"; *Feb. 25*, "What steam costing will tell you"; *March 11*, "Meter your steam and prevent steam wastage"; *March 25*, "Why have a boiler house?"; *April 8*, "Steam of proper steam wisdom"; *April 22*, "Forces beyond our control"; *May 6*, "Four rules to cut the costs"; *May 20*, "Removal times a process economy"; *June 3*, "Removing the air film handicap"; *June 17*, "Increasing the air film handicap on process output"; *July 1*, "Individual steam separation"; *July 15*, "Water film assisted steam traps cleaned"; *July 29*, "Better steam trapping, better output economy"; *Aug. 12*, "The steam circulation system"; *Aug. 26*, "Steam pressure under control"; *Sept. 16*, "Thermostatic control simplified"; *Sept. 23*, "Intelligent use of 'waste' heat from steam"; *Oct. 7*, "Flash steam on the agenda"; *Oct. 28*, "Better condensate return systems"; *Nov. 11*, "A place for the automatic pump."

STILL TO APPEAR: *Dec. 2*, "The seven best-known plant process steam"; *Dec. 16*, "Two instructional courses for steam executives"; *Dec. 30*, "Professional advice on process steam problems"



HALT! WHO GOES THERE?

Unless it is stopped, corrosive water eats insidiously into the iron and steel pipes of many industrial water systems. This corrosion is a trouble-maker which brings dislocation of work and high maintenance costs in its train. But Calgon (Albright & Wilson's Sodium Metaphosphate) introduced into the system by what is known as Threshold Treatment will halt corrosion and banish the troubles that arise from it. A few parts of Calgon in a million parts of water effect a cure — a cure which our technical department will be pleased to discuss with you.

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TCW 191

cent. Last week came a whole series of new financial measures. They have a twofold purpose. Firstly they will meet the cost of the new defence measures which Denmark intends to adopt as its contribution to the strengthening of the Atlantic Treaty Organisation. (The pressure of events and of the military committee of Nato comes opportunely at a time when important changes are being made in the structure of the Danish armed forces.) Secondly, the bills will help to right the adverse balance of payments and counteract inflation. Altogether, in direct and indirect taxes as well as loans, they are estimated to bring in Kr. 885 million. There is a proposed defence tax to yield Kr. 200 million in the next two years, a purchase tax to bring in Kr. 300 million, a defence loan of Kr. 150 million, compulsory savings on all incomes over Kr. 8,000 (about £400) a year which should yield Kr. 170 million, a bachelor tax to yield Kr. 35 million and a tax, estimated to produce Kr. 30 million, on all profits resulting from devaluation. The effect of these measures is to increase Danish defence expenditure to a sum equivalent to about 4 per cent of the national income. On the deflationary side they are accompanied by proposals to cut government expenditure by about Kr. 100 million.

The proposed incidence of these taxes rather than their existence has aroused strong political reactions. Yet they represent a considerable part of the money the Government intends to raise in the 1951-52 fiscal year, when total revenue is put at Kr. 2,163 million and expenditure at Kr. 2,151 million, of which Kr. 364 million will be for defence, apart from the new tax. That they come as such a shock and amount now to so much is a measure rather of what was not done earlier and more gradually than of the actual severity of Denmark's military or economic position.

The Lucknow Conference

[FROM OUR CALCUTTA CORRESPONDENT]

THE Institute of Pacific Relations Conference at Lucknow in October on "Nationalism in South-East Asia" seems in retrospect to have been as rambling and fascinating as the city of York. The general sense of the meeting was that nationalism has grown very strong, is natural for countries recently freed, and is the only spiritual force able to resist Communism. Nationalism alone, however, is not enough, and there must be, simultaneously with the cold war, a material economic improvement.

As to nationalism, each country, however small and weak, was entitled to decide its own future, and to retain its own customs and language. But each country should look to the United Nations for protection, respect the alien minorities in its territory, and perform its obligations as a member of United Nations. This brought us with a sigh of relief to the old cliché "unity and diversity"—separate members of the United Nations each with its own nationalism but speaking English as its second language. The Indian delegates continually stressed that nationalism is right and proper. They added that Communists in the early stages of the struggle for freedom made allies of the nationalists; but then, when independence was attained, Russia made the Communists toe the strict party line and submit to party discipline, and denied the nationalist leaders. The local Nehrus and Patels would then be dubbed the willing tools of Dutch, French or American imperialists.

As to economic recovery, the poverty of Asia was stressed. It was pointed out that rice, milk, and potatoes cost the Indian working classes more than bread, milk, and potatoes cost the working classes in Britain. Asian governments are all inexperienced and have not the personnel to take over and manage nationalised industries. Capital cannot be raised locally when tax-evasion has become a fine art. Foreign capital is necessary and America must supply it. The Americans agreed, but were profoundly hurt when their motives were suspected. The Burmese and Vietnamese plumbed the depths of absurdity when they discussed what conditions they would impose before they condescended to accept a gift. The Indian chairman talked about responsibility and asked if the Burmese were working harder. The Burmese delegate replied that, now Burma was free, they felt free to do anything or nothing.

Genial to the British

The British had the warmest receptions and were treated with courtesy and geniality. Malaya was referred to as an example of "colonialism," but its economic recovery, its law and order (apart from the bandits), its long-term plans, and its introduction of elected governments made the phrase a conventional one that deceived no one. Pandit Kunzru thought that if Hongkong were handed over to the United Nations it would make relations with China happier, but his seemed to be a lone voice.

"Foreigners" had to fill up residency forms, but the British were told with a smile that they were, of course, exempt from this. The Americans were deeply hurt that they were so suspect. One man said: "Whatever the US does seems wrong. We're damned if we do, and we're damned if we don't." Nehru says the United States lacks subtlety in dealing with the East. The East is quite prepared to tread the American path, but at its own pace, with its own methods, and certainly not to rush along tied to jet-propelled chariot wheels. Psychologically the East prefers a thoughtful, static life, and dislikes the dynamism of the Americans.

During the conference Pakistani and Indian fires smouldered very close to the surface. Their differences seem as alarming as those between Ulster and Eire. Kashmir was also dangerous ground. But, apart from this, Indian and Pakistan delegates were excellent. They had facts and figures. They knew the extreme difficulty of their task, and they knew what was practical politics and what were priorities. In the Indian sub-continent trains run to time, road traffic is disciplined, and goods are fairly plentiful. The Indians do not give themselves enough credit for what they have achieved and are apt to magnify their failures—the division of India, the lack of co-ordination in planning, high prices, over-generous compensations to zemindars, and the pressure of big industrialists.

Delegates of Varying Ability

Many of the other delegates were of poor metal. Their optimism was callow. They believed that all their Communists are good boys who will never be naughty and violent. Vietnam issued an almost daily rhapsody on democracy. The Filipinos were unable to be clear about anything and had no programme, except to rely on American help for an indefinite period; but they were the only ones to admit widespread corruption. The Burmese showed complete irresponsibility. They asked Mr Melby of the American mission not to visit Burma. War dilapidations there have so far been scarcely touched.

The Japanese sat solidly quiet. They are doing their best at economic rehabilitation and looked formidable. Australia is particularly suspicious about their conversion to democracy and called attention to the re-emergence of big business in Japan. The Indonesians were likewise unpractical. Agoos Salim, one of their elder statesmen, seriously argued privately for over an hour that the Lucknow Residency, the Museum and the Imambara, should be pulled down and the bricks and stones used to build workmen's houses in the public parks and gardens. The Malayan observer, Ungku Aziz, had all the charm of his race, plus the prestige of a post in Economics at the University of Malaya. His knowledge and good sense and wonderful command of good English made an excellent impression.

THE BUSINESS WORLD

Plan for Coal

THE National Coal Board's long-awaited "long-term" plan will disappoint those who expect from a nationalised industry spectacular developments unattainable by private capital. During the next fifteen years the board proposes to invest about £520 million in coal-mining proper and £115 million on its ancillary activities such as coke-ovens. One man is employed in coal-mining for every twelve people engaged in manufacturing industry; the proposed investment of £40 million a year in coal is less than one-tenth of what the official statisticians estimate is being currently invested in manufacturing. This proportion does not prove that the board has chosen the right scale of investment, but it does suggest that the extreme temptations to do too much have been avoided.

The general principles of the plan are those sketched some eighteen months ago in the board's report for 1948. Through a zonal pricing system the consumer is to be charged the full cost—for production and transport—of the particular grade of coal he chooses. The board matches the expected demand at these prices against the marginal cost of output in each coalfield, in order to decide how to divide total production most economically among the coalfields. The appropriate level of investment in each coalfield is then implied in the level of output.

The board is to be congratulated on adopting an economically rational framework for the business decisions of a nationalised monopoly. This is pioneering, and some weaknesses and confusions can be regarded charitably. The first question is whether the framework itself is enough. The aim of the plan is to make each coalfield self-supporting, or nearly so. But a coalfield is an administrative rather than an economic unit; given the board's methods of pricing, coal will be produced at the lowest cost to the nation not if each coalfield but if each colliery pays its way, and losses should be tolerated temporarily only when they can clearly be attributed to short-term causes. The board's account of this aspect of the plan is far from clear. It says that collieries will make profits and losses "if only because the situation will be always changing"—and is silent about other possible reasons. It argues that each colliery will try to equate its costs to the zonal prices because its future will "usually" depend on the success it has in this effort. There is no attempt at definition of the unusual cases. No doubt the board realises that the balancing of profits and losses under the plan depends on the way in which the schedules of marginal cost for each coalfield were built up. And on this first, detailed stage the planners at headquarters are in little better position to pass judgment than is the outsider. Here is the weakness of nationalisation by whole industries. But the moral is, of course, for the politicians; the board need not be blamed for taking itself as it is.

The second, and immediately more important, question is whether the present plan reflects a wise application of economic principles as the board conceives them. The plan-making depends chiefly on broad judgments. The first is of future demand. The board's outlook is, as the first table shows, expansionist.

PROJECTED COAL OUTPUT
(million tons)

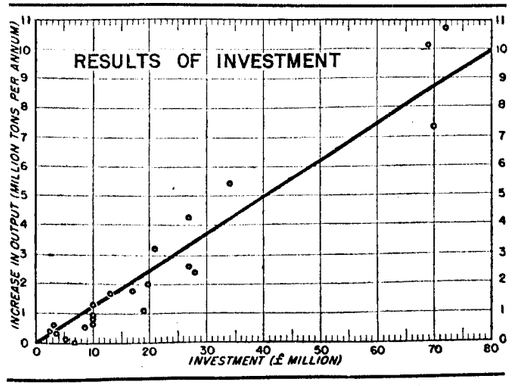
	1938	1949	1961-5
Inland	180·7	195·7	205-215
Export and bunkers	46·3	18·9	25-35
TOTAL	227·0	214·6	230-250

The export figure is an assessment based, inevitably, on little concrete argument. Inland demand is put at 205-215 million tons by a simple projection to 1961-5 of the postwar trend. The prewar trend of consumption would have given an estimate of only 190 million tons. The cautionary range of 10 million tons may, therefore, prove too small. The board shows how for seventy years the "real" price of coal—its price in relation to the prices of other commodities—has been steadily rising. During the last few years coal has become relatively cheap, as usually happens during a boom. It might be unwise, therefore, to base estimates of future demand predominantly on recent experience. Perhaps the coal board is not really doing this. It seems to think that the plan will make a sharp change in the fundamentals of coal economics: that the increase in productivity the plan expects to secure will dramatically arrest the upward trend in the real price of coal. The grounds for this attitude are rather obscure. The board estimates that if costs were unchanged the plan would reduce the price of coal by seven shillings a ton. But it expects miners' earnings to rise as productivity rises, and it does not say directly how the benefit is assumed to be shared between the miner and the consumer. Since, however, the increase in earnings per man-shift is elsewhere put at 9 per cent, it can be roughly calculated that wage-costs are expected to rise by two shillings a ton. The consumer (or, if demand is strong, the coal board's reserves) may benefit to the extent of five shillings a ton. It is, however, another question whether this will amount to a reduction in the "real" price of coal. It is quite possible for mining costs to be fairly stable over the next fifteen years while the prices of many commodities are reduced. The improvement which the plan is supposed to achieve for coal is not so sharp that other industries—including, say, oil—may not do better. This is only one of many circumstances in which the internal, as well as the export, demand for British coal may be less buoyant than the board assumes. In this field one guess is almost as good as the next, but the coal plan might have attracted more confidence if the notional figure for future production had been put at, say, 220 or 230 rather than 240 million tons.

A more cautious view of the future would have been encouraged if the board were getting its capital less

cheaply. It estimates that some £350 million of investment would be needed merely to maintain present production, and this it expects to get from depreciation allowances. The remaining £170 million, required to raise output from 203 to 240 million tons, is approximately what will be borrowed from the Treasury at (the plan assumes) 3½ per cent. If the interest charge were, say, 7 per cent, the marginal cost of the extra 37 million tons of coal would be directly increased by some three shillings a ton. On the use of the money the plan follows the lines mapped out long ago in the Reid report. There is little scope for new pits—a total of 22 is suggested. In general coal must come from areas already being worked, and the policies are to concentrate mining through a smaller number of shafts, and to reconstruct the pits below the surface for horizon mining and for locomotive haulage and power loading. Tentatively 67 major and 192 minor reconstructions are mentioned. Some 250 of the present 950 collieries will be little changed, about 90 will, by underground reorganisation, be absorbed into neighbouring pits, and some 350—mostly small—will be closed.

The productive effect of these changes is put at 18 per cent more coal got by 80,000 fewer workers. Output per man year will rise, that is to say, by 34 per cent in fifteen years. For an old extractive industry this would be a large but not a startling achievement. The board claims that the result is conservatively calculated. If it is a miscalculation, it can—in theory at least—be put right by adjusting the plan, and doubtless there will be other adjustments too. But the board should begin with reasonably accurate ideas about the best distribution of its investment among the coalfields, for it is on this point that genuine "flexibility" will in practice be hardest to achieve. Whether a million pounds should be spent on reconstructing a pit in South Wales or a pit in Yorkshire depends on three main considerations: on the comparative physical productivity of investment in the two places; on the relative prices of the different types and qualities of coal obtained; and on the relative transport costs of



getting these coals to the places where they can be sold. The board describes these three considerations but gives no factual information whatever about the second and third and only inadequate information about the first. What there is, is summarised in columns 1—3 of the second table.

Net changes of output in each coalfield are not in themselves measures of the effectiveness of investment, but they enable some conclusions to be drawn. In coalfields where the labour-force is to be reduced, a net change in output understates the physical productivity of new investment; where the labour force is to increase, only part of the extra output is to be attributed to investment. Some allowance for this variation in manpower may be made by multiplying the change in the number of workers in each coalfield by the present output per man employed there. Increases in output attributable to new investment can then be obtained by subtracting the effects of manpower changes from the net changes in output. The results are shown in column 5 of the table below. They are crude estimates subject to many reservations, but the only estimates that the published information affords as a means of comparison for the effects of new investment on the different coalfields:—

THE COAL PLAN IN SUMMARY

Coalfields (Grouped according to estimated productivity)	Capital Expenditure 1950-65 (£ Mn.)	Change in output, 1950-65 (Mn. tons a year)	Change in labour force, 1950-65 (Thousands)	Estimated change in output due to change in labour force (Mn. tons a year)	Estimated productivity of investment (2) minus (4) (Mn. tons a year)	Investment cost of additional output (1) divided by (5) (£ per ton)
	(1)	(2)	(3)	(4)	(5)	(6)
Better than Average:						
Yorkshire	72·0	+8·4	−7·3	−2·3	10·7	6·7
Notts. and N. Derby.	69·0	+8·0	−5·2	−2·1	10·1	6·8
E. Durham	34·0	+3·0	−9·2	−2·4	5·4	6·3
Northumberland	27·0	+2·3	−7·3	−2·0	4·3	6·3
Fife and Clackmannan	21·0	+3·7	+1·5	+0·5	3·2	6·6
Lothians	13·0	+2·1	+1·5	+0·4	1·7	7·6
S. Derby and Leicester	10·0	+0·4	−1·9	−0·9	1·3	7·7
Scotland, E. Central	3·3	−0·8	−5·1	−1·4	0·6	5·5
S. Staffs. and Salop	2·7	+0·1	−0·9	−0·3	0·4	6·8
Below Average:						
S. Wales (steam and bituminous)	70·0	+6·1	−5·2	−1·2	7·3	9·6
Lancs.	28·0	−0·3	−10·8	−2·7	2·4	11·7
S. Wales (anthracite)	27·0	+3·1	+3·0	+0·5	2·6	10·4
W. Durham	20·0	−2·4	−18·7	−4·4	2·0	10·0
N. Staffs.	19·0	+2·2	+3·1	+1·1	1·1	17·3
Ayr and Dumfries	17·0	+2·6	+2·4	+0·8	1·8	9·4
Warwick	10·0	+0·2	−1·8	−0·6	0·8	12·5
Cannock Chase	10·0	−0·9	−6·0	−1·6	0·7	14·3
Scotland, W. Central	10·0	−0·8	−6·4	−1·7	0·9	11·1
Kent	9·0	+0·9	+1·6	+0·4	0·5	18·0
N. Wales	5·3	+0·1	−1·8	−0·4	0·5	10·6
Bristol and Somerset	5·0	−0·2	−1·4	−0·3	0·1	50·0
Cumberland	3·6	0	−1·5	−0·3	0·3	12·0
Forest of Dean	0·7	−0·5	−2·2	−0·5	—	—
Great Britain	486·6	+37·3	−80·0	−21·4	58·7	8·3

(*A further £33·4 million for contingencies is not allotted to the coalfields.)

On the chart the value of investment in each coalfield is plotted against its estimated effect in increasing output. The straight line represents the average outcome over the country as a whole—an increase of 1 ton in annual output for every £8.3 of investment (without allowing for contingencies). The points above this line on the chart represent the coalfields where investment is more productive than the national average, while the others fall below the line; these are the two groups separated in the table above. For the five coalfields where large investments are most productive the range of investment costs per ton is narrow—from £6.3 to £6.8; the average for all the nine "better-than-average" coalfield is £6.7 a ton. Many of the coalfields in the "below average" group compare very badly indeed with this result. Even if Bristol and Somerset and the Forest of Dean are disregarded—for the amounts involved are too small for the figures to mean much—some coalfields in this second group show investment costs per ton of almost three times those in Northumberland and East Durham.

It is difficult for the outsider to check the Coal Board's judgment that such discrepancies are justified. The heavy investment proposed in some old coalfields is explained on the grounds that the geographical shift in coal production has hitherto been steady and slow. But

the boards self-portrait of submission to the compulsions of historical forces is misleading. In the past seventy-five years the expanding group of coalfields—notably Yorkshire and the East Midlands—has increased its share of total coal production at an average rate of 3 per cent a decade. The Coal Board proposes sharply to slow down this development ; the expanding group will gain only another 1 per cent in the next fifteen years. For Scotland and South Wales, which had been declining, the trend is reversed, and each will increase its share of the national total by 1 per cent.

This is a surprising decision when the competitive advantage of paying lower wages, which used to help to maintain the less productive coalfields, has been greatly reduced by flat-rate increases. The answer seems to be that the premium obtainable for special coals is now greater than in the past. All that the outsider can say is that the board does not provide enough evidence to establish this case. Investment in the anthracite area of South Wales at £10.4 per ton may not be unreasonable ; the case for spending £70 million on the steam and bituminous area at £9.6 per ton is less clear. Certainly nothing is said in the plan to explain the expenditure of £10 million each on the Warwickshire and Cannock Chase coalfields. Kent's geographical advantage is plain enough, but the investment cost still seems remarkably high. Similarly, the extra output of North Staffordshire's gas and coking coals seems to be very dearly bought. One of the oddest cases of all is Lancashire ; the argument is not that Yorkshire coal is dearer after transport costs have been added, but that the carrying capacity of the railways over the Pennines is limited. Has the Pennistone electrification made no difference?

It may well be that in all these cases the Coal Board has weighed physical productivity against quality of coal and transport costs with entire reasonableness. But it has not chosen to explain itself in sufficient detail for anyone to know. And unfortunately there is some reason for not giving it the benefit of the doubt. The board explains that in two coalfields—Cumberland and West Durham—"weight has been given to the social consequences that would result from a sharp reduction in mining employment." It has no business to give any such weight. The plan is at present a set of proposals for discussion with the miners and later for approval by the Minister of Fuel. It is not the board's responsibility itself to weaken the criteria of economic efficiency from the start. If there has been this sort of woolliness over some decisions, can the rest be above suspicion ?

Aircraft for Defence

IT is expected that the value of orders for military aircraft to be built in the current financial year will be a little over £100 million. The Air Estimates last spring allotted £55 million for new aircraft ; part of the first £100 million of supplementary defence expenditure represented additional orders for aircraft ; and later figures given by the Minister of Defence suggest that a further £50 million will be spent on aircraft (though perhaps not all this year). Expenditure on such a scale as this does not imply an impressive number of aircraft, and some members of the industry are disturbed at the small size of the orders so far placed. These complaints appear to be shared by the Services themselves. Details of orders cannot be disclosed for security reasons, but an indication of the possible number of aircraft so far involved is given by the fact that a fully equipped fighter in quantity production now costs between £35,000 and £50,000, while the cost of newer and larger aircraft is considerably higher. But these figures should not be interpretated too closely. Contracts now being negotiated are for orders which will be paid for in future years and they are conceived on a more generous scale. Nevertheless, the distribution of orders in the industry raises problems quite apart from the size of the expenditure incurred.

Orders have been and are still concentrated on the two jet fighters developed during the war, the de Havilland Vampire with the company's own engine and the Gloster Meteor with two Rolls-Royce engines ; these have been in production since the war as standard equipment for the RAF and for other European air forces. Consequently the factories of these firms have been busier than the rest of the industry. This year large-scale orders were also placed for de Havilland's newer Venom and the English Electric Canberra, powered by Rolls-Royce engines. The balance of orders now in production are for two naval fighters, the Vickers Supermarine Attacker and Hawker's Sea Hawk, for certain trainers built by Vickers, Handley Page, Boulton Paul and de Havilland, and for an anti-submarine aircraft built by Westland Aircraft with an Armstrong Siddeley turbo-prop engine. None of these orders is very large.

The valuable orders are therefore still going to a handful of firms while the remainder have few or no production orders. This is an inevitable consequence of the service demand for standardised equipment in quantity. But the Ministry of Supply has a dual responsibility—to maintain the rate of technical development and to keep in existence the reserve of technical skill and factory space of each individual firm. This must be done because designing ability is not necessarily the prerogative of the few leading firms. The decision taken at the end of the war to concentrate on developing gas turbine aircraft was undoubtedly the right one, but it aggravated the Ministry's problem. It meant that until new aircraft had been developed there could be no production orders. Work has been financed by means of development contracts placed by the Ministry, but these do not cover all costs, and as a result the financial resources of many firms have been severely strained.

The Germans showed during the war that weight of numbers in the air is of little value without technical superiority. Therefore, while the Services think in terms of standard equipment, the Ministry and the industry think in terms of replacements for aircraft and engines in production. The Meteor fighter has virtually reached the peak of its development. Variations of the original Meteor, such as the ground attacker and night fighter recently demonstrated, are still being evolved, but engine developments have outstripped the endurance of the basic airframe. Much the same has happened to de Havilland's Vampire ; the Venom which replaces it is, in spite of a superficial similarity, a radically different aircraft with a much more powerful engine. The gap between the range and performance of the Venom and the standard Meteor is narrowing, and the Venom has

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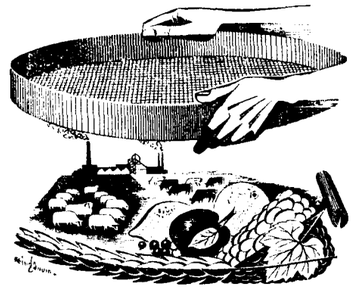
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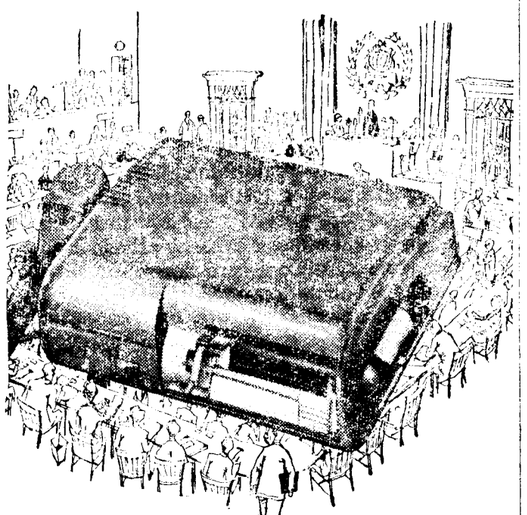
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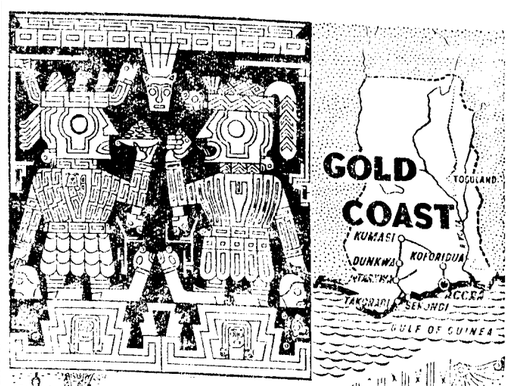
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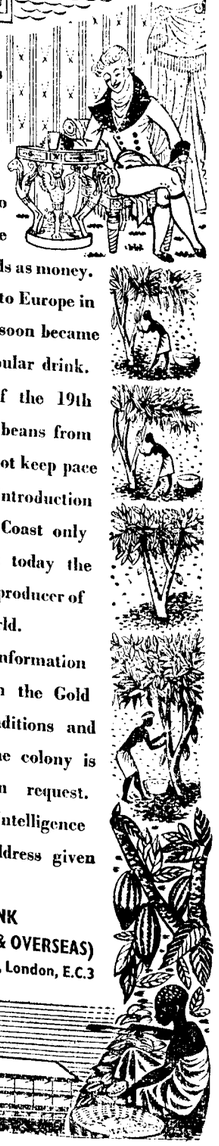
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the advantage over the older fighter of providing opportunities for further development.

The Venom might be considered as a replacement for the Meteor as well as for the Vampire ; if it is, the question of capacity will arise. The de Havilland factories could handle orders larger than those that have already been and are likely to be placed with the company. In spite of this, the Ministry of Supply would probably make arrangements for the construction of a fair proportion of the aircraft by other manufacturers, if only to keep them employed. Alternatively, the Ministry may look to other firms for a direct replacement for the Meteor. Two possible choices are the Supermarine 535 of Vickers and the Hawker 1081 of the Hawker Siddeley Group, each with a Rolls-Royce engine. Both stem from a sequence of high-speed prototypes, so a proportion of their development work has been done. From a designer's point of view, the Supermarine 535 is ready for production, but later developments in the Hawker factories may mean that the 1081 will become an interim design like its predecessor.

Inevitably, there is a danger that constructionally sound aircraft ordered now will not have a performance that will meet Service requirements as the latter may be conceived when the aircraft come to be delivered in quantity. But there is always a distance between requirements and design and between design and output ; and the question that the Services always have to answer is whether any alternative design is likely to be ready for production by the same date. Work has been going on, for example, on the " flying wing " or tailless aircraft, which in theory offers the greatest opportunities for speed. In practice the structures built have not successfully withstood the enormous stresses of high-speed flight. A delta wing design, like the Avro 707 or the Boulton Paul BP 111, suggests a possible compromise between the tailless machine proper and the present tendency to superimpose swept-back wing and fin surfaces on conventional outlines. Difficulties met in developing these prototypes beyond their early stages mean, however, that for some time their main interest will be as research projects.

These structural problems are important and difficult. They will have to be solved before the full advantage can be extracted from the change from piston engines to gas turbines, a change that British engine manufacturers made with an ease that set a new pace for technical progress in the industry. Rolls-Royce and de Havilland have the greatest experience, having had the wartime contracts for jet engines. Since de Havilland has built engines only for its own aircraft, the industry generally has been dependent on Rolls-Royce for its military engines, and it would be natural enough if this firm found it difficult to expand its output much further. The proportion of the new orders which involve aircraft with Rolls-Royce engines suggests that manufacture may be sub-contracted to other firms. The two other manufacturers that have made the greatest advances in gas turbine developments, Armstrong Siddeley and the Bristol Aeroplane Company, are developing engines too powerful for the present generation of fighter aircraft.

The line of development that designers are now following, and in which they have been encouraged by the National Gas Turbine Establishment of the Ministry of Supply, might create serious production problems. Of two possible designs of air compressor for gas turbines, the earlier engines had centrifugal compressors, consisting of a single disc with vanes. The later and more powerful engines, such as the Rolls-Royce Avon in the Canberra and all the Armstrong Siddeley and Bristol Aeroplane Company designs, have axial compressors which can be made up of as many as fourteen stages, each with roughly 100 blades ; the only company not using the axial compressor at all is de Havilland. Like the turbine blades, these compressor blades have to be made to fine dimensions. Designers are attempting to evolve a machine that will stamp out compressor blades at high speed, but so far no quick and simple way has been found of producing them. Some people, therefore, are asking whether it might become impossible in war to produce the engines in large quantities, because of the physical difficulty of supplying the numbers of blades required for the axial compressors. The engineering refinements used by some designers to increase the output of power raise similar problems, since the engine becomes, in effect, hand-made and unsuitable for mass production.

A new and unassessed feature in engine development is the rocket motor. The Fairey Aviation Company has devoted much work to this field, working closely with the Ministry of Supply in Britain and Australia. It has by now accumulated probably more experience than has any other manufacturer. The security screen makes it difficult to judge how near this work brings the firm to a rocket-driven aircraft, and the same can be said of similar development work going on in the Hawker Siddeley group. Some rocket developments are designed only to give supplementary power to a jet engine during combat. Others are for guided missiles, as distinct from rocket aircraft.

Orders can be placed for new engines only when the aircraft which they are intended to fly are also ready for production. For some of the newest engines, this raises questions of policy on which clear decisions appear not to have been taken. Of the balance of the defence orders, none are for large aircraft. Among the firms who now specialise in such aircraft are Bristol, Handley Page, Vickers, A. V. Roe and Short Brothers and Harland. Some of these firms have been working since the end of the war on development contracts for jet bombers, for which certain new engines are intended. They are also the most likely manufacturers of military transports. No official statement has been made about the future of bomber production, beyond the fact that some are being developed. But the industry suspects that it has been decided to leave the construction of all large military aircraft to the United States. Because the industry is undergoing a technical revolution, designers find this prospect disturbing, particularly as there is no evidence that the United States manufacturers themselves are finding the transition to gas turbines easy. If the firms developing bombers receive no production orders, they may face fairly heavy losses. The developments contracts do not cover all costs, and firms cannot stay in business indefinitely on the strength of development work alone. They would also have to consider a change in their production policy, for the civil aircraft market alone could never keep them in business. One sign is the production of trainers by Handley Page and helicopters by Bristol. Reassurance on this point is needed: " large " aircraft may only mean, in this context, machines of the dimensions of the Brabazon or the ten-engined American B.36 bomber.

The Ministry of Supply is now trying to find out

what proportion of current orders can be given to the many firms that have comparatively little production work in hand. The Canberra bomber will be built by A. V. Roe, by Shorts and possibly by another sub-contractor, as well as by its designers, English Electric. Similar arrangements are also being made for Rolls-Royce engines. This was a common wartime practice; but apart from some regular peacetime contracting work—for example by Folland Aircraft—it has been much less frequent since. Sub-contracting is not likely to be popular under present conditions, for no firm will relish losing part of an order to a competitor while its own factory space is not fully occupied. The arrangement by which Armstrong Whitworth developed the Gloster Aircraft Meteor night fighter worked easily because both Armstrong Whitworth and Gloster are members of the Hawker Siddeley Group. The problem of excess capacity, moreover, promises to become more acute as firms establish factories in the Commonwealth; but the alternative—to license designs to foreign firms—would also mean less employment here.

Tax Collectors' Kaleidoscope

IT may be that the British people are the most heavily taxed in the world. They may console themselves that they are the most richly informed about what they pay. The report of the Inland Revenue Commissioners for the year ended March, 1949, recently published, is a mine of information only partially revealed by the trial borings of the National Income White Papers and the annual Economic Surveys into the Inland Revenue's files. The facts and tables in the report throw much new light on problems to which the attention of Government statisticians is not customarily directed. They also paint a graphic picture of the social revolution of our time—a revolution which would not have succeeded without the ubiquitous and expert activities of the Inland Revenue. This broader picture and some of the specific problems can be sketched in outline by a lightning analysis of the report and by brief extracts from its statistical riches.

In 1948-1949 the Inland Revenue celebrated its centenary year by collecting £2,055 million in taxes—about a fifth of the whole national income. It had begun more modestly with receipts of £30 million in 1848-49, £78 million in 1898-99 and even in 1938-39 no more than £521 million. Over the hundred years, the standard rate of income tax, the Inland Revenue's main weapon, rose (if that is the word) from 7d. in the £ in 1848-49, to 8d. in 1898-99; in 1938-39 it was 5s. 6d. and today it is 9s. More striking than these comparisons of monetary symbols of differing significance is the potent political fact that only 3,800,000 people paid income tax in 1938-39; by 1948-49 the number of income tax payers had risen to 14.8 million and 6,000,000 more, with incomes above the exemption limit but below the allowances limit, were just beyond the reach of the income tax collector's grasp.

The redistribution of incomes between taxpayers in the last ten years is the key fact of the social revolution. The ordinary taxpayer, grumbling at his own burdens, can still spare a gasp when he is told that while 6,560 people received more than £6,000 a year after tax in 1938-39, only eighty-six were so fortunate in 1948-49; it would be interesting to know how far this reduction of large incomes to one for every eighty before the war has been accompanied by an increase in the proportion of remuneration received in the form of tax free allowances. But although some of those who earned or inherited large sums before 1939 may still be maintaining the substance of their fortunes, no ex-newspaper boys can nowadays work their way up to the millionaire class. Most of those—the bulk of them professional and business men—who received between £2,000 and £5,000 a year before tax earned more than half their incomes; but nearly 86 per cent of annual incomes between £12,000 and £20,000 was from investments (though the proportion of unearned to earned income fell again at higher income levels).

These are the rarefied heights of personal suffering. On a lower plane, 19,200,000 of the 20,800,000 people assessed for tax in 1948-49 earned between £150 and £1,000 a year and had in their spending and keeping about 87 per cent of net personal incomes after tax. These figures show that there were comparatively few families in Britain in 1948-49 who were living below what the dour statisticians of prewar years used to call "human needs standards." Although more than a million individual workers still earned less than £150 a year, and although nearly 1½ per cent of all the interest disbursed on Government securities went to people with incomes below the exemption limit, it is probable that most members in these low income groups were either juveniles or adults with other means of support. Apart from the 10,500,000 married women and 11,500,000 children swept into the income tax statistics in 1948-49, about 3,500,000 adults seem to have been dependent on income tax payers other than their consorts. But the shoe of poverty must still have pinched tightly in more than a quarter of a million British homes. Of the 10,400,000 married couples who were assessed for income tax in 1948-49, some 2,800,000 earned less than £250 a year and 373,000 of these had three or more children or other dependants to support.

So much for the purely social panorama that emerges from the Inland Revenue report. The report also includes, for the first time, statistics of profits by trade groups in the three trading years immediately before the war and in 1948-49. These tables supplement the picture of earnings in these industries already sketched by the National Income White Papers and by *The Economist's* own assessments of trading profits; much more information on the financial statistics of trade groups is apparently to be included in future issues of the report (when, of course, figures will be available for a run of postwar years). Perhaps the most interesting fact in this section of the report is that individuals and private firms accounted in 1948-49 for much the same proportion (almost exactly one-third) of gross trading profits as they did before the war. Personal enterprise continued to flourish in a wide variety of callings from which one might have supposed that it had long since been banished—and this despite the present toll of death duties.

On death duties, the report throws open a most interesting field for research. Of roughly 500,000 adults who died in 1938-39, about 18,000 left estates with a net capital value exceeding £5,000 and the average value of these estates was rather over £22,000. In the year 1948-49, the total of adult deaths seems to have been about 50,000 greater, the number leaving more than £5,000 was about 12,000 greater and the average value of these estates was about £23,500. These figures suggest that in the immediate postwar years there has been a tendency for more of the comparatively rich to die comparatively richer. In view of the rise in capital values, this is not really surprising; most of those who left over £50,000 in 1948-49 must have earned the greater part of their savings before 1939 or else had inherited large sums in past years. The figures do not refute the contention that few new fortunes of over £50,000 in net capital value are being built up now.

The implications of high death duties for the future of the security markets deserve close scrutiny. The Inland Revenue report shows that nearly 70 per cent of the net capital value of small estates (those between £2,000 and £5,000) was held in houses, Government securities and cash—in that order; this result accords very closely with the distribution of such assets in the same capital range in 1938-39. Both before and since the war there seems, in fact, to have been a remarkable tendency for those leaving more than £2,000 at death to hold about 20 per cent of their savings in Government securities. The distribution of holdings of industrial stocks and shares between different income groups, however, is much more uneven. Both in 1938-39 and 1948-49 only about 10 per cent of estates between £2,000 and £5,000 was held in industrial securities but in both years such securities figured much more prominently in the bigger estates; by coincidence, they represented 49½ per cent of the net capital value of estates over £50,000 in both years. In 1948-49 more than half of all industrial securities assessed for death duties was held in estates with a net capital value of £50,000 and more.

Although no figures of the distribution of large fortunes according to the ages of their holders are available, it must be presumed that the main body of privately-held industrial securities will run the gauntlet of assessment for death duties within the next twenty to thirty years. If the statistics for 1948-49 are representative—and, since they accord closely with the recorded prewar pattern, it is reasonable to suppose that they are—more than half of these industrial securities are likely to be in the hands of estates that will be liable to duty at a rate of over 25 per cent. The impetus that this is likely to give to sales of industrial securities on the market is obvious—and it is not very clear who will be there to take these securities up. The impetus towards sales of gilt-edged to meet death duties may be less marked. Private holdings of gilt-edged are spread more evenly across estates that attract a lower rate of duty; in 1948-49 only 29 per cent of all Government securities assessed for death duties were contained in estates of over £50,000 in net capital value. Moreover, the total value of Government securities assessed for death duties last year represented a much smaller proportion of total gilt-edged issues outstanding than did the equivalent proportion of industrial securities; it is a fair guess that well over half of all gilt-edged holdings, against perhaps a quarter of industrial security holdings, is tucked away in institutional portfolios that do not come within the compass of death duties.

The strain that the present high level of death duties is likely to put on the future provision of risk capital for industry is but one example of the way that an economy based on high taxation is beginning to burst out at its seams. It may be that another sign of wear can be found in the statistics of uncollected taxes outstanding. For income tax collected under the PAYE scheme, of course, annual estimates of tax chargeable and tax collected tally almost exactly. At the time that the report was drawn up, however, there was about £370 million of tax under other schedules still outstanding. It was estimated that by the time appeals on assessments had been heard, only about £170 million of this £370 million would be collected. It is difficult to avoid the impression that assessments to income tax, and certainly assessments to death duties, depend more than they should on the skill—or luck—with which bargains are struck between taxpayers and inspectors. When direct taxation takes as much as 20 per cent of the national income, it cannot be at all times precisely fair in its incidence; thanks to the low proportion of the British population that is self-employed and to the efficiency of the British tax-gathering machine, this defect is at least less prevalent in this country than elsewhere. But despite the efforts of Somerset House, and despite the fact that Inland Revenue services now cost more than £23,500,000 compared with less than £10 million before the war, one menacing conclusion remains; it is only in the physical, and not in the economic sense, that mounting tax collection can be associated with genuinely increasing returns.

INCOMES AND TAXATION

Note:—The following tables are based on tables appearing in the Inland Revenue report.

TABLE I—CLASSIFICATION OF NET PERSONAL INCOMES
(After Payment of Income Tax and Surtax)

Range of Income After Tax	No. of Incomes in Each Range		Average Tax Paid		Average Income After Tax	
	1938-39	1948-49	1938-39	1948-49	1938-39	1948-49
£			£	£	£	£
135— 150*	2,508,000	1,113,000	0·2	0·1	138	144
150— 250	4,630,000	8,500,000	0·9	5·0	188	201
250— 500	1,940,000	9,152,000	13	21	333	340
500—1,000	507,000	1,551,000	95	164	670	677
1,000—2,000	142,200	349,000	324	633	1,368	1,378
2,000—4,000	54,640	79,650	1,072	2,992	2,731	2,618
4,000—6,000	11,600	5,264	3,138	18,361	4,836	4,360
Over 6,000	6,560	86	13,399	138,953	9,482	7,558
All Incomes assessed to tax	9,800,000	20,750,000	31	51	272	325

* For 1938-39, figures relate to the range £125—150.

TABLE II
CUMULATIVE DISTRIBUTION OF TOTAL TAXATION ON INCOME

Range of Income Before Tax	Percentage of Total Incomes Before Tax		Percentage of Total Tax Collected	
	1938-39	1948-49	1938-39	1948-49
£				
135— 150	11·52	1·78	0·2	...
150— 250	40·64	21·72	1·4	2·7
250— 500	61·89	61·73	7·9	17·1
500— 1,000	74·04	78·31	20·8	35·9
1,000— 2,000	82·36	88·00	35·3	55·1
2,000— 5,000	90·37	94·85	54·7	74·7
5,000—10,000	94·51	97·50	69·4	85·7
10,000—20,000	97·07	98·95	81·5	93·2
Over 20,000	100·00	100·00	100·0	100·0
Total Incomes assessed and Tax collected (£ million)	2,970	7,800	306·5	1,057·0

TABLE III—FAMILY CIRCUMSTANCES AND INCOME GROUPS

	Number of Children					All Incomes
	0	1	2	3	4 & Over	
No. of Incomes (thousands)	13,880	3,846	1,758	851	415	20,750
Range in £s (Before Tax)	Percentages of Each Class in Each Range of Income					
135— 250	47·6	32·9	29·1	26·6	27·2	42·0
250— 500	40·7	53·0	52·8	54·6	53·7	44·8
500— 750	6·2	7·4	9·4	9·6	9·9	6·9
750—1,000	2·1	2·7	3·4	3·6	3·6	2·4
1,000—1,500	1·7	2·2	2·8	2·9	2·9	1·9
1,500—2,000	0·7	0·8	1·1	1·2	1·2	0·8
Over 2,000	1·1	1·0	1·4	1·4	1·4	—
All Incomes	100·0	100·0	100·0	100·0	100·0	100·0

Business Notes

Inquest on Trade Restriction

The meeting of contracting parties of the General Agreement on Tariffs and Trade at Torquay has been very considerably enlivened, if not dominated, by the discussion of discriminatory import restrictions, applied by a number of countries, including Britain, last year. These restrictions were put into effect immediately before the devaluations of September, 1949. Article 12 of GATT allows contracting parties to intensify restrictions on dollar imports in order to "forestall the imminent threat of, or to stop, a serious decline in monetary reserves," but it also calls upon all countries to relax these restrictions "as such conditions improve." Under the rules of GATT the sterling area's dollar import cuts last year were referred to the International Monetary Fund for consideration; in all problems concerning monetary reserves, balances of payments and exchange arrangements the IMF is the authority whose findings in all matters of fact the contracting parties must accept. After some delay, the IMF has issued a report on the action of Great Britain, Australia, New Zealand, Ceylon, India, Pakistan and Southern Rhodesia (and also of Chile, which introduced discriminatory import restrictions at much the same time.) This report is a secret document but it has been thought convenient and politic by certain delegates and representatives at Torquay to ventilate it publicly and authentic summaries of it have appeared. The report states that the measures of dollar economy adopted by Britain and the other countries named were justified at the time of their imposition but it adds that the present level of reserves and the current rate of gold and dollar earnings of Britain, Australia, New Zealand and Ceylon, make feasible a progressive relaxation of their restrictions. It admits that caution is needed in the degree of relaxation because any serious decline from Britain's present level of reserves would be undesirable. The report goes on to excuse India, Pakistan, Southern Rhodesia and Chile from any obligation to relax their restrictions, in view of the current level of their reserves and earnings.

A great deal of unnecessary recrimination has been caused by the unauthorised publication of this report. Some of the criticisms of it seem to have been prompted much more by anger at the leakage than by considered judgment of its contents. The attitude of the British delegation at Torquay has been to condemn the IMF intervention out of hand and to stress three points in particular: that the report should not have concerned itself with the post-devaluation questions, since the IMF was only consulted about what had happened before devaluation; that the facts about the adequacy of reserves produced by the IMF are gravely suspect since they make no allowance for Britain's current liabilities; and thirdly, that the report should have limited itself to a question of facts and should not have ventured into opinions. It is something that an open clash on this issue at the meeting of the contracting parties has been avoided by remitting the question to a working party.

The report raises a number of fundamental issues for the discussion of which the Torquay meeting does not offer the best forum. One of these is the differential treatment of members of the sterling area; some sterling countries are encouraged to relax their dollar import restrictions and others are told that they need not make such concessions. This is tantamount to a denial of the principle of pooled reserves on which the operation of the sterling area mechanism hinges. It is this aspect of the debate, lending itself as it does to being interpreted as an attempt to dismember the sterling area machine, that has caused special offence and suspicion in British quarters. The problem is one that will require very careful handling. Members of the sterling area are autonomous signatories of international agreements, including that of the International Monetary Fund and their relations to such institutions may have to be interpreted afresh. This, however, is an issue which far outstrips the scope of the Torquay negotiations. It should be debated on a larger stage in the months to come.

* * *

The Chancellor's Apologia

The prospect that it will be so debated has not been advanced by the Chancellor of the Exchequer this week. His statement amounted to a virtual dismissal of the report as "material which the Fund prepared for the use of its representative," who had been invited to take part in the discussions but who, Mr Gaitskell implied, had no *locus standi* in the matter. The Chancellor added that these discussions

> do not require either any determination by the Fund or any conclusion by the contracting parties on the justification for the restrictions under review. Decision on such matters must be taken by governments in the light of their international obligations.

This statement does not stand up at all well to the dialectic of the General Agreement on Tariffs and Trade. Under Article 12 of the Agreement, Britain and seven other countries were invited last year to consult with the contracting parties about the recent changes in their import programmes. Under Article 15 of the Agreement, the contracting parties, when notified of the intensified restrictions on dollar imports by certain countries, including Britain, were bound to "consult fully with the IMF" about the matter. The Article goes on to declare that

> in such consultations the contracting parties shall accept all findings of statistical and other facts presented by the Fund relating to foreign exchange, monetary reserves and balances of payments and shall accept the determination of the Fund as to whether action by the contracting parties in exchange matters is in accordance with the Articles of Agreement of the IMF.

The meaning of the general agreement is as clear as the contorted language of such documents can make it. The Chancellor might be asked again to explain under what article of the agreement he justifies the suggestion implied in his statement, that the consultations with the contracting parties about the 1949 import restrictions are a matter that does not concern the International Monetary Fund. It is quite true, as the Chancellor pointed out, that the restrictions imposed in 1949 are now dead anyway; the rise in prices alone has made it impossible for Empire countries to bind themselves to restrict their dollar imports to 75 per cent of their 1948 value. But Britain's signature of the general agreement would certainly seem to carry with it an obligation to do more than shrug off with doubtful legalistic arguments this comment by the IMF on a policy of which the spirit, on Mr Gaitskell's own admission, still prevails.

* * *

Tariff Bargaining Goes Slow

Very little progress has so far been made in the tariff negotiations which have been going on at Torquay since late September. A great deal of time has been spent in discussing the surprising number of "withdrawals" that the French delegation tabled at the beginning of the conference. These are withdrawals of earlier concessions made by France in the Geneva negotiations of 1947 and now liable to be reconsidered under Article 28 of the general agreement. The French list has taken all other delegations by surprise and has emphasised once again both the highly protectionist character of the French administration and the striking contrast between French eloquence on the subject of European integration and trade liberalisation and the deeds by which these causes are served. The French withdrawals have affected not merely the direct negotiations to which France is a party, but also negotiations between other countries where the French secondary interest is of some substance. The discussions between the United States and the Benelux countries, for example, have run up against the difficulty that several concessions that the countries in question are prepared to yield to the United States against adequate consideration cannot be made because the concessions would have to be extended to France, against which the Benelux countries now badly need bargaining counters. The French policy may be caused by the appearance of Germany at the negotiating table and to the desire to take up a strong bargaining position vis-a-vis that newcomer.

The first appearance of Germany is probably the most important single event in the Torquay tariff negotiations. Most of the other countries represented at the talks have already exchanged considerable tariff concessions in previous negotiations, but the discussions with Germany offer a virgin field for mutual concessions. The new German tariff has agreeably surprised some of the delegations in Torquay. It seems to lie about half-way between the low Danish and Benelux tariffs and the medium-to-high British tariffs; an exception is the comparatively high German duties on agricultural products, which have been criticised particularly by the Danes and the Dutch. The British duties that meet with most criticism are those on chemical and iron and steel products. It is, however, on preferences that the British team will really go to battle when the most important of the negotiations, those between the United States and the United Kingdom, begin. There is every sign that these preferences are to be defended with a vigour and emotional fervour which Empire Free Traders, at least, will applaud.

It is, however, on intra-European tariff bargaining that the main limelight may be cast at Torquay. The United States may still prove to be the main giver, as indeed it should be, but the scope for further American concessions was considerably narrowed by the outcome of the Geneva and Annecy conferences. The importance of the negotiations in which European countries are concerned lies in their link with the OEE's proposals for freer European trade. If the results of Torquay do not produce a reasonable harmony in European tariffs, the low tariff countries in Western Europe will not take the additional steps towards liberalisation of intra-European trade that are due for the end of this year. In view of the attitude so far taken by the French and Italian delegations at Torquay, it seems dangerous to assume that this harmony of European tariff rates will be achieved.

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Departmental Brer Rabbit?

Some mystification has been caused in the City by the poor response to last week's conversion offer to holders of 1949-51 War Bonds. Only £88 million of these bonds were converted into the new 1966-68 Funding Loan although it was widely, and probably correctly, assumed that the authorities held nearly £150 million of the £209 million of the outstanding bonds. The conclusion seems inescapable that the authorities decided to leave at least part of their holdings unconverted. There is no reason to search for any deep intentions behind this decision. The authorities had to choose between converting the Bank of England's holdings of what has in effect become a three-month bill into the new medium-dated stock, or leaving those holdings unchanged until February and then converting them into internal floating debt. Since official portfolios are already bulging with the new Funding Loan after the issue a fortnight ago, the second course may well have been the more logical. From the Government's point of view there is all the difference between an obligation to pay cash to a private holder of unconverted War Bonds and an obligation to pay cash to the Bank of England; the latter is obliged to pass the chips back in new short-term lending to the Government.

There is, therefore, no reason to suppose that the authorities' decision to leave their holding unconverted has, by itself, made the calling of 1951-53 War Bonds at their earliest date either more or less likely. It is, however, widely believed in the market that an early call of these bonds has long been part of the authorities' strategic plan; the earliest date for an intimation of any such intention would be December 1st next. In view of the present excess of the authorities' cash needs over its cash receipts (largely reflecting the continuing need to find the sterling counterpart of the balance of payments surplus), it must surely be hoped that no steps will be taken that will necessitate large official outlays at this time. Such outlays could only be financed by yet another expansion of Government borrowing on floating debt from the banks. This borrowing has already run up by nearly £400 million in the last six months—an increase, to say the least, that has been somewhat unpropitious.

* * *

Opposition to the Malayan Rubber Tax

Rubber growers and traders alike have lost no time in protesting against the new Malayan export duty. The tax, which was discussed on page 768 in *The Economist* last week, is in the form of a sliding scale and increases by an additional 5 per cent for every 20 cent rise in the price of rubber. Opposition to the duty is based on two points, the size of the tax and the way it works. The need to curb inflation in Malaya is generally accepted, and since income tax is an uncertain method of absorbing excessive purchasing power, revenue has to be collected in the form of import and export duties. Rubber growers are naturally indignant that their product should be singled out to provide the Malayan Government with a large prospective budget surplus. But they object more violently to the fact that the new tax has been imposed in such a way as to prevent any public debate in the Malayan Legislative Council.

The case against the scale of the tax, as distinct from its incidence, is less strong. If the average cost of producing rubber is taken at about 40-45 Malay cents (11¼d.-12½d.) a lb., then the tax would never be so high as to prevent a reasonable return to the producer, if it were collected when sales were made. The complaint arises from the way the tax is calculated and from its delayed impact. It is fixed for each quarter and based on prices ruling three to six months earlier. Thus the tax in the second quarter of 1951 will be based on prices ruling in three months October to December, 1950. As the memorandum issued this week by the joint committee of Rubber Growers' and Rubber Traders' Associations has pointed out, it is quite possible that the export duty for next April, May and June will be 52 cents (14½d.) a lb., based on to-day's price of 200 cents (56d.) a lb. But if the price of rubber in those months should fall to 100 cents (28d.) a lb., not only would the Malayan Government then receive a larger return than the growers would then be receiving, but also the growers' net return would barely cover their costs of production.

If a form of delayed taxation has to be used for technical reasons, then the rate of tax should not be so high. Otherwise hardship is almost certain to be inflicted on rubber growers, particularly on smallholders. The new tax would operate well enough if rubber prices were to remain fairly stable. But that is the one assumption that cannot be made about next year. The sharp expansion in American synthetic production and the probable slowing down in stockpile purchases both presage lower rubber prices in 1951.

The new tax is also likely to have serious social effects. It will be more keenly felt by the smallholder than by the estates, for the estates can budget more easily from one period to another and can carry over reserves to cushion the delayed impact of the tax. It will encourage smuggling, for rubber smuggled out of Malaya and re-exported from Siam

would evade the new export duty. Further, since the change in duty from one quarter to another could easily be large—because price fluctuations are large—there is likely to be a rush to export rubber when the tax is low and to delay shipment when the tax is high. These objections are far from trivial, and the Malayan Government might be well advised to think again on this matter.

* * *

Utility Patchwork

Fresh life has been put into the utility schemes for cotton and rayon by the committees of inquiry appointed last May. It is true that the interim recommendations—announced by Mr Harold Wilson on Tuesday—are little more than the minimum recognition of existing fact and that without this the utility schemes would have broken down. But a common recognition by the industry and the Board of Trade is no small achievement after the ill-feeling that Mr Wilson's attacks on the cotton industry caused earlier this year.

To cover increases in raw cotton prices up to the end of October the converters' ceiling prices for utility cotton cloths are to be raised by 6 per cent (instead of the previously agreed 5 per cent.) above those in force in July. In future such adjustments of prices to costs are to be regularised by means of an automatic sliding-scale. Thus the Board of Trade has recognised that its past attempts to squeeze profit margins whenever costs rose were incompatible with a large utility programme. It is a recognition, in other words, that the Board's policies themselves caused the reduction in utility output after devaluation for which Mr Wilson so roundly condemned the industry. Lancashire has gained its main point and can now make utility cloths without having to wonder how belated will be the Board of Trade's next arbitrary decision on prices.

The other immediate decision is to broaden the range of utility output. The proposed new specifications for cotton and filament rayon cloths have still to be discussed with the making-up trade. The general purpose is to allow more variety in cloth constructions and to bring more "fashion" fabrics, such as those for women's dresses, within the utility range. So far as it goes this is the right policy. Beyond that, judgment must be reserved until the publication of details shows how far it does go. It is hard, however, to see that such broadening as seemed to be implied in Mr Wilson's statement can bring within the utility range more than, say, a third of the existing non-utility production. That will far from solve the problems of manufacturers trying to match output for export and the home trade. The lesser amount of non-utility production will in future feel the discrimination of a high rate of purchase tax still more sharply than before. The new arrangements will not serve for very long. The committees, under the chairmanship of Mr Hervey Rhodes, have done their first job well enough; what remains is to decide whether the utility scheme in cotton and rayon can be given a satisfactory permanent form or whether it should be dropped altogether.

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Sensitive Tin

The tin market has proved particularly sensitive to rumours during the past fortnight and the London price has risen and fallen by more than £100 a day on more than one occasion. On November 7th a new peak of £1,282½ a ton was reached, and tin actually changed hands on that day at £1,300 a ton. By the end of last week, however, the price was £310 a ton lower, having fallen by £160 and £130 on successive days. Rumour then said that the United States would cease stockpiling at these high prices. But last Monday it rose by £130 a ton, only to fall steadily though modestly to £1,022½ a ton by Thursday. Backwardation on three months' delivery was £27 a ton a fortnight ago and at one point it actually disappeared. During the past eight days, however, it has tended to widen and on Thursday it was over £65 a ton.

These sharp movements in tin prices show to what extent the market is at present influenced by speculative operations. Undoubtedly some buying has taken place in the hope of a further rise, and the sharp falls towards the end of last week can only be explained by the sudden liquidation of speculative purchases. But the amount of metal that has actually changed hands is surprisingly small. World production of tin is still expanding and now promises to exceed the estimate of 172,000 tons for the full year. Consumption has expanded, but only slightly, and might total 145,000 tons this year. The surplus output has gone into stocks, chiefly into the American stockpile.

Current political developments certainly do not suggest that the United States can slacken its stockpiling demand for tin or for any other commodity. Its purchases will therefore continue to set the tempo of the market and the scope for speculative dealings will be increased. In these circumstances sharp price swings must be expected, though a more stable price level would be better for the tin market. The only hope of this seems to lie in the institution of a co-ordinated plan of purchases for defence needs among the allied powers. At the moment America is acting single-handed and this week it has limited stocks of materials containing tin held by manufacturers to "60 days' supply or a practicable working inventory." Even the tin conference in Geneva is proving a disappointment. The difference of views between Britain and the United States on the draft agreement to regulate the tin market is so great that the hope of a compromise is fading.

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Rubber Market Movements

Rubber has also been unsteady during the past ten days, but price movements have been much more restricted than for tin. A week ago rubber almost touched 6s. a lb., only to fall by 5d. on the following day. This week the London price at first hovered around 5s. 6d. a lb., but by Thursday it had fallen to 5s. 2½d. As in the case of tin, backwardation has tended to widen. There is perhaps more reason for rubber to be weak; indeed, the market is still surprisingly strong in view of the rate at which the production of both natural and synthetic rubber is expanding.

In the first nine months of this year, world production of natural rubber totalled 1,335,000 tons and consumption 1,212,500 tons, which includes imports into Russia of 53,250 tons. Commercial stocks increased during the period by

London Tin and Rubber Prices

	Tin (£ per ton)		Rubber (d. per lb.)	
	Spot	3 Months'	Spot	3 Months'
Nov. 6	1,177½	1,150	63	58½
" 7	1,282½	1,252½	63	59½
" 8	1,262½	1,240	68	64½
" 9	1,100	1,065	71	67½
" 10	972½	952½	66	62
" 13	1,107½	1,047½	67	63½
" 14	1,070	1,037½	66½	60½
" 15	1,055	1,007½	63	56
" 16	1,022½	957½	62½	55½

35,000 tons and most of this increase has taken place in the third quarter of the year. These figures would suggest that up to September official stockpiling purchases were less than 100,000 tons. But the United States has curtailed its civilian consumption of natural rubber to release supplies for the stockpile and this move has undoubtedly eased the pressure on the rubber market. Synthetic production for

the first three quarters of the year totalled 375,000 tons against a consumption of 407,500 tons while stocks have declined by 42,500 tons. The output figure does not yet reflect the re-opening of standby plants, and a sharp increase must be expected in the fourth quarter.

Stockpile purchases will no doubt continue next year, but they will not be superimposed on an inflated American consumption for civilian purposes. If the American rubber industry does not voluntarily consume more synthetic rubber, when output has been expanded to over 900,000 tons a year, the United States Government will probably enforce a higher statutory minimum consumption. In any case world production of natural rubber is still expanding, and though Malayan output may not increase much next year, Indonesian production is rising quite rapidly and may even regain its prewar level.

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£200 million Surplus?

Within twelve months Britain's embarrassing trade deficit has been converted into an embarrassing surplus. The preliminary trade figures for October show new records for exports and the lowest import surplus for over four years; they also suggest that the surplus of receipts over foreign payments is running at a much higher level than the £52 million surplus recorded in the first half of the year. The President of the Board of Trade must have relished the disclosure of such figures when he opened the new export showroom of the Jewellery and Silverware Industry last Wednesday, even though by doing so he had kept them from the rest of the world for a few days.

Exports in October are put at £202.2 million—the first time in history that they have exceeded £200 million. The total was £30 million higher than in September. But the export figure for that month was reduced by the delayed effects of the summer holidays, so that the real expansion in exports last month was perhaps not quite so impressive as the figures suggest. It is nevertheless a fine achievement. Exports to North America totalled £70.3 million, also a record. Shipments to both the United States and Canada increased sharply and continued their steady upward trend since the beginning of the year.

Imports were provisionally valued at £223.0 million, some £11.4 million more than the combined value of export and re-exports. If the value of imports is adjusted to the same f.o.b. basis as exports and re-exports, October would appear to show a surplus on visible trade of £7 million compared with a surplus of £2 million for September and a deficit of £12 million in the third quarter. From these figures it is possible to make some tentative guesses at Britain's overseas payments surplus. If the surplus on "invisible" account in the first half of the year has been maintained (there are reasons for supposing that it has increased) the overall surplus for the third quarter would be about £70 million, and for October alone perhaps £35 million. The surplus for the first half of the year was £52 million. Thus up to October, the overall surplus has been of the order of £155 million—an annual rate of £185 million—or, say, £200 million to allow for a possible increase in the invisible surplus.

If September and October are taken together, the result is even more startling. The visible surplus for these two months was about £9 million and the invisible surplus (taking the same rate as the first half of the year) £53 million, making an overall surplus of say £60 million or an annual rate of £350 million which again would be raised towards £400 million by the possible increase in the surplus of "invisibles." Thus the overall surplus for this year may be of the order of £200 million, but the current rate of imports and exports might yield an annual surplus of £400 million if it were to be maintained. Such figures give some indication of the inflationary pressure generated by the export drive.

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Hitch in Airworthiness Agreement

A surprise move by the civil aviation authorities in Washington seems to have taken the meaning out of the recent Anglo-American agreement on airworthiness. The agreement said quite simply that the American civil aeronautics board would accept British airworthiness certificates as the equivalent of its own. This removed a technical barrier which could have been used to prevent the sale of British-built aircraft in the United States. Since the American industry has not yet begun to develop gas turbine civil aircraft, the concession was as important to American aviation operators as to the British aircraft industry. Unless they can buy medium- and long-range British aircraft—in the first instance the Vickers Viscount and the de Havilland Comet—American airlines face the prospect of using piston engined aircraft while their competitors operate faster, more comfortable and probably more economic gas turbines.

Now the Washington authorities say that the agreement does not apply to gas turbine aircraft. This is at variance with the interpretation of the original agreement, for the only British-built piston engined aircraft which could have a market in America are small feeder-line machines such as the de Havilland Dove and the amphibious Short Sealand. It is true that the American authorities have reached no decisions about domestic airworthiness standards for gas turbine aircraft, but in international discussions they, like the rest of the world, have accepted without much question the proposals of the British authorities. Moreover, the Americans still stand by an agreement to recognise British certificates of airworthiness issued for gas turbine engines as distinct from aircraft fitted with those engines.

This makes mockery of the excuse that gas turbine standards have not been decided and suggests that the American aircraft industry may hope to make up for lost ground by using British gas turbine engines in American airframes. But the Americans know that if they were to apply special airworthiness requirements to keep British aircraft out of the United States, the British could as easily use them to keep American aircraft out of Europe and the Commonwealth. The majority of countries now follow British rather than American airworthiness standards. This consideration undoubtedly influenced the American authorities' attitude during the original negotiations. The reason why any reservation should suddenly be raised now is not clear to the British authorities, and they appear to be fairly confident that they can persuade the Americans to stand by the original interpretation.

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Anglo-Argentine Negotiations

Three senior members of the staff of the Argentine Central Bank are coming to London for financial discussions with the Bank of England. The immediate object of their journey, which is to press Argentina's claim for a bigger sterling payment in respect of its old exchange guarantee, may not seem to bode well for Anglo-Argentine relations. When the terms of the financial agreement of June, 1949, were published, it will be remembered, the details of the exchange guarantee were for some reason kept secret. It is widely believed, however, that the guarantee applied to all sterling held in Argentina's current account at the end of the first year of the agreement (that is on July 1, 1950) plus or minus Argentina's net forward position at that time. Argentina's sterling balance on July 1st is believed to have been rather under £15 million and its outstanding debt to Britain (including the overdue financial remittances) to have

been rather under £20 million. It is on this unpromising wicket that the Argentine delegation is coming here to bat for its "rights."

It would be a pity if this sterile argument about the exchange guarantee (in which Argentina appears to be wholly in the wrong) and the more serious disagreement about meat prices (in which Britain is making little headway) were to continue to stand as barriers in the way of more normal trade between the two countries. If these two problems could be surmounted now the prospect of settling other outstanding differences, including those about financial remittances and the volume of "inessential" Argentine imports from the sterling area, would be much brighter than in recent years. The technicians in the Argentine Government have always been willing to accord more liberal terms to foreign investors and traders—especially now that their campaign for attracting foreign investment to Argentina is in full swing. Hitherto any moves in this direction have been thwarted by Argentina's desperate foreign exchange shortage and by the President's unwillingness to "truckle to foreign exploiters." At the moment, however, thanks to the completion of the Export-Import Bank Loan, the improvement in Argentina's terms of trade, and the evident first fruits of their retreat from the industrialisation programme, the technicians' star is in the ascendant. It is even possible that the recent increase in Argentina's customs duties might be a paradoxical preliminary to allowing more imports to come in. Sir John Balfour, the British Ambassador, now on his way back from leave, may find a more cheerful atmosphere awaiting him in Buenos Aires.

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Higher Prices and Larger Sales

The inevitable rise in wholesale prices is continuing. Signs are now appearing that the public is ready to anticipate the prospective rise in retail prices and retail sales in September received an abnormal boost. The main impact of the larger retail demand has fallen on clothing, and on men's wear in particular. The fear of a clothing shortage and the rise in prices of clothing fibres in September undoubtedly spurred the public to replenish and extend their wardrobes. Sales of other goods, particularly furniture and hardware, also increased during the month, but the rise was no more than normal.

Total retail sales in September rose by 7 per cent in value, whereas clothing sales alone increased by 30 per cent.

WHOLESALE PRICES AND RETAIL SALES.

	1949		1950					
	Sept.	Oct.	May	June	July	Aug.	Sept.	Oct.
	Wholesale Prices Index (1930=100)							
Industrial materials:								
Basic materials	289·5	295·5	351·4	361·9	385·9	423·3	462·8	492·2
Intermediate products	259·6	266·2	282·8	285·2	287·8	295·6	308·0	317·1
Manufactured articles	223·2	225·3	230·0	232·2	235·1	235·8	238·0	239·0
TOTAL—all articles	250·7	257·2	254·7	256·5	259·8	263·5	271·8	278·9
	Retail Sales Index (1947=100)							
Apparel	131	168	168	144	145	129	168	...
Household goods	121	148	131	115	131	124	143	...
Food	120	122	136	135	137	134	135	...
TOTAL	120	132	141	134	137	130	139	...

Source: Board of Trade.

Usually the winter rush for clothing does not begin until later in the year. This year it was not only earlier but also on a much larger scale. Sales of men's and boys' wear increased by 36 per cent on September, 1949, women's and children's wear by 29 per cent and footwear by 17 per cent. Stocks of apparel at the end of September were about the same as in the previous month. Preliminary reports for October, however, indicate that the rush to buy clothing has abated. Furniture sales showed a rise of 19 per cent on the year and hardware of 9 per cent. All shops—departmental stores, co-operative societies and independent traders—experienced this unusually large increase in apparel sales, but only the large retailers showed any substantial rise in their turnover of other goods.

The Board of Trade's wholesale prices index records another jump of nearly 3 per cent in October. It now stands at 278.9 (1930 100) and is 9 per cent higher than in June and 20 per cent higher than immediately prior to devaluation. Raw materials experienced the largest rise during the month; they were 6½ per cent dearer than in September. Only two commodities included in this category fell in price—Japanese raw silk and imported hides. Most clothing fibres rose sharply. American cotton was 5 per cent dearer, Egyptian cotton 30 per cent, rayon 12 per cent and wool only 2 per cent dearer; the main rise in wool prices had taken place in September. Non-ferrous metals, including aluminium, rose by 5 per cent and rubber by 11 per cent.

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Failure in Softwood

The resumption of private imports of softwood from most European countries has taken much of the sting out of the report* of the Select Committee on Estimates dealing with the Timber Control. The committee started its investigations in April and concluded them in June; its report was published this week. It made no direct recommendation that private trading in timber should be restored. But it emphasised that the present need was to obtain as much timber as possible from those countries where no currency difficulties existed without trying to pursue a bargaining strategy mainly directed at securing the lowest price.

The timber trade maintained in its evidence to the committee that the Timber Control's preoccupation with attempting to secure low prices had led to late and unsatisfactory buying. They instanced the now familiar case of the negotiations with Swedish shippers this year. The committee added that British imports of softwood in 1949 totalled only 1,200,685 standards compared with the estimates of the Keith Price Committee that on an extreme "austerity" standard Britain would need 1,516,000 standards in 1949 and 1,539,000 standards in 1950. Yet imports this year are likely to be much lower than in 1949, although the Food and Agriculture Organisation has estimated that world supplies of softwood are larger than before the war.

The trade's second criticism of government timber buying was that too little attention had been paid to the size and specifications wanted by British consumers. The Timber Control might secure lower prices than other importing countries, but timber on arriving in this country had to be sawn and converted into the required sizes. The trade maintained that these extra conversion costs offset any saving made on the purchase price. Now that a major part of the softwood trade has been returned to private importers, it is hoped that shipping to specification will be resumed.

The committee also criticised the method of "bulk lifting"—the indiscriminate loading of timber ships with little regard to the suitability of the specifications for the district to which the ship was going or to the uniformity of the specifications in the cargo. The Timber Control used this method so as to ship the maximum quantity of timber as quickly and as cheaply as possible. But the committee thought that it ultimately led to greater waste and expense. Indeed, it recommended that the system of bulk-lifting should be "re-examined with a view to effecting a more rational and economical distribution of timber."

Among other recommendations the committee suggested that the allocation system (which is to be continued under private importation) should be altered to conform more closely to the present pattern of consumption and that the validity of consumer licences should be increased from three to six months. The report is a fair judgment on the operations of the Timber Control, and it goes far to justify complaints that have been made by the timber trade and timber users during the past three years.

* Seventh Report of the Select Committee on Estimates. HMSO. 7s. 6d. net.

* * *

ICI and Terylene

Plant for the manufacture of the new synthetic fibre "terylene" (polymeric ethylene terephthalate) is to be built by Imperial Chemical Industries at Wilton. This is the company's first independent venture into large-scale synthetic yarn production. Nylon yarn was developed as a joint project with Courtaulds; it appears that this venture has provided sufficient experience to enable Imperial Chemical Industries to handle "terylene" as an independent project. The new plant should be finished in four or five years' time, and will have an annual capacity of 11 million lb of continuous filament and staple yarn. Its main raw materials, ethylene glycol and terephthalic acid, will be obtained from ethylene and para-xylene produced in the Wilton petroleum cracking plant.

Too little is known about the yarn to define its applications clearly at this stage. It has a rough resemblance to nylon; as a clothing fibre it is said to have a warmer feel, and can be used alone or in a mixed cloth. As an industrial fibre it has the property of resistance to most acids (nylon resists most alkalis). Because of its chemical inertness, it has been difficult but not impossible to evolve dyeing techniques.

The fibre was discovered in 1940 by the British Calico Printers' Association, which had not the facilities to develop it. The Chemical Research Laboratory of the Department of Scientific and Industrial Research helped to carry the work a stage further, after which world rights outside the United States were given to ICI who brought "terylene" to its present stage and will make it on a royalty payment basis. American rights have been sold to du Pont who are developing it as "Fibre V."

The production process and the plant needed for it are simple compared with those for nylon, which suggests that "terylene" will be cheaper. The interest shown in it by du Pont, who are already producing the wool-like synthetic "Orlon," and by ICI, who possess but are not using British rights for "Orlon," suggests that "terylene" is expected to compete with this fibre too. Its price, however, would have to be appreciably lower than nylon in order to compete with rayon. ICI's other synthetic fibre, "Ardil," is to be produced on so much smaller a scale that it cannot affect these plans. Production is due to start next year and will not exceed 100,000 lb a year.

* * *

Re-opening the Tea Market

Detailed plans for the resumption of tea auctions in London next April have still to be worked out. But the Ministry of Food has taken certain decisions which give an idea of how the market is likely to operate when it re-opens on April 2nd. A flat rate subsidy has been fixed at 1s. a lb on all teas bought for consumption in Britain. The present controlled retail prices of tea (which average 3s. 4d. a lb) are expected to be maintained for at least one year and, provided that these prices remain unchanged, the new rate of subsidy will be maintained for the same period. British buyers will also be given certain concessions to buy in the Colombo and Calcutta markets.

A fixed subsidy will undoubtedly help the London market to operate more smoothly than would have been possible under a fluctuating subsidy. The new rate will be 1½d. a lb more than the existing one (10½d. a lb) and this increase will allow for some rise in purchase prices. But Mincing Lane will have little chance of returning to its full prewar scale. The existence of controlled prices and a rigid rationing scheme means that in their domestic trade brokers will be operating as buying agents for the Ministry and will be working to fixed buying limits. Unless they are willing to incur a loss or unless they can offset a loss on one grade of tea by a profit on another, their maximum bids at the auctions must be prescribed by the controlled retail price and the shilling a pound subsidy.

This method of buying ought to be more successful in getting reasonable supplies at world prices than the Ministry's contract system. It is, indeed, possible that the pace of British buying might once more set the level of world prices. In the last two or three years, the small consuming countries have determined the temper of the Colombo and Calcutta markets, since the Ministry of Food made—or attempted to make—contracts direct with growers. But it would be wrong to imagine that full freedom has been restored to Mincing Lane or that private trading has been given a real chance to show its mettle.

* * *

Loch Sloy Quarrel

The Loch Sloy hydro-electric station, which was opened last month by the Queen, was designed to meet peak demand for electric power in South-West Scotland. Last weekend, the power shortage was relieved by the diverting spectacle of a dispute between the North of Scotland Hydro-Electric Board and the British Electric Authority, the result of which was that the BEA suffered a power cut from Loch Sloy. Although the issue was confused by arguments about price it seems to have been mainly concerned with the efficient operation of the new power station for meeting peak demand. For some time the station has been supplying power to the BEA; it is under contract to do so from the beginning of next year, but for the interim period, a temporary financial arrangement based upon kilowatts and units consumed, had been reached on what the board considered "generous terms." The station's water supplies are still limited, as its catchment area has not yet been fully extended, and in order to build up reserves against its regular supply commitment in January, it offered no more than 300,000 kilowatt-hours a week from the two turbines, each with an output capacity of 30,000 kilowatts.

On October 30th, one of Glasgow's "Black Mondays," the region suffered considerable power cuts during peak hours. During these hours the BEA was taking electricity from Loch Sloy at the rate of only 12,500 kW, or one-fifth of the station's capacity. The board then suggested that instead of thus stretching 300,000 kilowatt hours over five hours a day and five days a week, the BEA should take it at the rate of 30,000 kW for two hours a day on five days a week, or 60,000 kW for one hour a day if peak demand required and backed this suggestion by pointing out the economies that would result. When the BEA held to its original requirement, the board stopped supplies from Loch Sloy for a week. Last weekend, under protest and after the dispute had attracted publicity, the BEA agreed to take power at the rate the board suggested. This week, Loch Sloy supplied almost its full weekly commitment on Monday alone (nearly five hours at 60,000 kW), and probably averted power cuts in South-West Scotland.

A supply of this size is very small compared with the gap of some 800 megawatts between maximum supply and peak winter demand. Loch Sloy's supplies to South-West Scotland may at the BEA's discretion be offset by diversions to England. But if three-quarters of a kilowatt is used by each consumer during peak hours, the hydro-electric station's supplies from one or two turbo-alternators at full

capacity may save cutting off 40,000 or 80,000 domestic consumers. It is the BEA's responsibility to distribute the power it buys from the board; but it seems to have preferred that Loch Sloy should run far below capacity throughout the week even though that meant the minimum of assistance at peak hours.

* * *

Sweden's Sterling Balances

A new monetary agreement between Sweden and the United Kingdom, signed in London at the end of last week, is chiefly significant and welcome for the abandonment by Sweden of the exchange guarantee on the sterling held in the Swedish No. 2 account. This account was established in December, 1949, and credited with the £27 million which Sweden had accumulated prior to the devaluation of sterling. The account was in no way blocked and the balance in it is being gradually reduced. Sweden's readiness to relinquish the exchange guarantee on the balance in this account is a token of the restored confidence in sterling. It may prove an encouragement to other countries enjoying similar guarantees to do likewise.

* * *

United Steel Swansong

The report of United Steel Companies for the year ended June 30, 1950, is presumably the last before nationalisation. Shareholders have to decide for themselves whether bitterness at this prospect will be tempered or inflamed by the group's achievement last year of record steel output and profits. Trading profits have expanded from £3,712,752 to £5,107,852; after deducting £1,175,484 (against £1,017,975) for depreciation and £2,678,000 (against £1,958,123) for taxation the parent company's net profit is some £500,000 higher at £1,328,945. Production of steel ingots rose from 2,042,000 tons to 2,128,000 tons but pig iron and coke outputs were slightly lower than in the previous year —a fall attributed to "the quality of raw materials available."

The group's productive assets stand in the consolidated balance sheet at £23,293,000. To replace these assets, Sir Walter Benton Jones pointed out at this week's meeting, would have cost £25 million even in 1913; today, he estimated, it would cost not less than £76 million. Assuming that they have a useful life of 25 years, therefore, these productive units—however owned and operated—must provide £3 million every year to cover their own replacement. Since taxation reduces trading surpluses by half, this means that the group, under a nationalised corporation as much as under private enterprise, can afford to make profits no smaller than today's if it is to continue efficient operation.

In fact, replacement and extensions have cost United Steel nearly £22.5 million in the last decade, and more than £4,000,000 in the year under review; this rate of spending is expected to continue for the next five years. Since the compensation was fixed on the basis of Stock Exchange prices two years ago, the group's net worth has increased by £3,415,000, while current market prices have reflected dividends limited by the Steel Act. This method of valuation is grotesquely unfair as a basis of compensation for an industry which has been spending such vast sums on development as has iron and steel.

Shorter Note

Higher earnings of International Nickel in the third quarter of this year reflect the recent increase in the price of the metal. Net earnings expressed in US dollars were $13,534,752 or the equivalent, after deducting all charges, taxes and preferred dividends, of 90 cents per common stock unit. The equivalent figures in the same quarter of last year were $5,093,708 or 31 cents per share.

SECURITY PRICES AND YIELDS

A fuller list containing 346 securities appears weekly in the *Records and Statistics* Supplement.

Prices, Year 1950 Jan. 1 to Nov. 15 High	Low	Name of Security	Price, Nov. 8, 1950	Price, Nov. 15, 1950	Yield, Nov. 15, 1950 (m) £ s. d.	Gr. Yield, Nov. 1, 1950 £ s. d.
		Funded Issues				
104⅞	100⅜	War Bond 2½%, Nov. 1, 1950-51	100⅜	100⅜	0 19 10	0 19 10
100⅛	100⅛	Do. A matured	...	...	...	1 14 11
102	101⅛	War Bond 2½%, Mar. 1, 1951-53	101⅛	101⅛	0 17 5 1 15 1	1 15 11 1 15 1
101⅜	100⅛	War Bond 2½%, Mar. 1, 1952-54	100⅜	101⅛	0 17 11 1 15 1	1 19 5 1 15 1
102⅞	100	Exch. Stk. 2½%, Feb. 15, 1952-...	100⅝	102⅛	0 17 8 1 15 4	1 14 6 1 15 4
103⅛	100⅛	War Bd. 2½%, Aug. 15, 1951-53	100⅛	103⅛	0 11 6 1 6 11	1 15 5 2 0 11
103⅛	101⅛	Treas. 2½%, June 15, 1952-54	101⅛ xd	103⅛ xd	0 9 5 1 6 11	1 15 5 2 0 11
104⅜	102	Nat. Def. 3%, July 15, 1954-58	104⅛	104⅛	0 15 2 1 5 5	1 19 5 2 11 0
104⅞	101½	War Loan 3½% Oct. 15, 1952-59	104	104⅛	0 19 2 1 5 7	2 5 4 2 10 4
101⅜	96⅞	Sav. Bonds 3½% Aug. 15, 1965-65	100⅜	101⅛	1 10 2 1 12 6	2 18 7 2 19 6
100⅛	97⅛	Funding 2½% April 15, 1956-61	99⅜	99⅝	1 5 6 1 8 6	2 11 5 2 19 9
100	95	Funding 3% April 15, 1959-69	99⅛	99⅝	1 13 8 1 15 10	3 2 1 3 1 1
100⅜	99⅜	Funding 3% Aug. 1, 1966-68	100	100⅛	1 17 11 1 17 11	3 0 0 3 0 0
109⅛	104⅜	Funding 4% May 1, 1960-90	107⅞	107⅞	1 6 2 1 14 6	3 1 5 3 12 9
99⅞	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	99⅜	99⅛	1 15 6 1 11 4	3 3 4 3 1 11
96	91⅛	Sav. Bonds 2½% May 1, 1964-67	95⅜	95⅜	1 15 6 1 14 2	2 18 8 2 17 4
110⅞	106⅞	Vict. Bond. 4% Sept. 1, 1920-76	110	110⅛	1 9 1 1 16 2	3 3 6 3 4 1
98⅞	91⅜	Sav. Bonds 3% Aug. 15, 1955-75	98⅛	98⅜	1 16 2 1 19 0	3 4 1 3 2 9
105⅛	100	Consols 4% (after Feb. 1, 1957)	101⅜	104⅜	1 12 2 1 19 3	3 9 4 3 11 6
99⅞	91⅛	Conv. 3½% (after Apr. 1, 1961)	98⅜	98⅜	1 17 9 1 18 2	3 8 10 3 9 7
74⅛	66⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	73⅛	73	1 17 9 1 18 2	3 8 10 3 9 7
87⅛	79⅛	Treas. Stk. 3% (after Apr. 5, 1966)	86⅛	86⅜	1 18 2 1 14 2	3 4 8 3 4 8
106⅛	99	Treas. Stk. 3½% June 15, 1977-80	104¼ xd	104⅛ xd	1 14 6 1 17 11	3 5 0 3 6 3
94⅛	86⅛	Redemp. Stk. 3% Oct. 1986-96	93⅛	93⅛	1 17 1 1 17 1	3 5 6 3 5 6
97⅛	90	War Ln. 3½% (after Dec. 1, 1952)	96⅛ xd	96⅛ xd	2 0 0 1 17 9	3 12 8 3 8 9
74⅛	68⅛	Consols 2½%	73⅛	73⅛	1 15 8 1 15 2	3 3 5 3 3 8
98⅛	92⅛	Brit. El. 3% Gtd. Apr. 1, 1968-73	98⅛	98⅛	1 15 2 1 15 11	3 3 8 3 3 8
98⅛	91⅜	Brit. El. 3% Gtd. Mar. 15, 1974-77	97⅜	97⅜	1 16 7 1 14 3	3 3 4 3 4 11
105⅛	99	Brit. El. 3½% Gtd. Nov. 15, 1976-79	104⅜ xd	104⅛	1 14 7 1 18 4	3 5 3 3 6 11
95⅜	86⅛	Brit. Tpt. 3% Gtd. July 1, 1978-88	94⅜	94⅜	1 17 3 1 17 10	3 5 9 3 5 5
98⅜	92⅛	Brit. Tpt. 3% Gtd. Apr. 1, 1968-73	98	98⅛	1 15 3 1 17 6	3 2 10 3 5 8
94⅜	85⅛	Brit. Gas Gtd. 3% May 1, 1990-95	93⅜	93⅝	1 17 1 1 17 1	3 5 4 3 5 4

(*a*) To earliest date. (*b*) To latest date. (*f*) Flat yield. (*g*) Assumes redemption in 1967. (*h*) Flat yield given above. If redeemed in 1952 red. yield is as yield £3 17 1, gross £5 8 9. * (*m*) Net yields are calculated after allowing for Local 9s. in £.

Prices, Year 1950 Jan. 1-Nov. 15 High	Low	Last Two Dividends (*a*)	(*b*)	(*c*)	Name of Security	Price, Nov. 8, 1950	Price, Nov. 15, 1950	Yield, Nov. 15, 1950 £ s. d.
					Other Securities			
101⅛	95⅛	(*d*)	(*d*)		Australia 3½% 1955-69	101	101	3 5 6
102⅛	99⅛	(*d*)	(*d*)		Birmingham 2¾% 1955-57	101¼	101	2 3 7
8⅝	6⅜	60	*c*	20	*a* Anglo-American Corp., 10/-	7⅜	7⅝ xd	2 8 10
5⅜	3⅝	25	*b*	5	*a* Anglo-Iranian Oil, £1	6¼xd	6¼	3 18 8
81/-	67/9	10	*b*	5	*a* Assoc. Electrical, Ord. £1	76/6	80/-	4 14 0
87/-	71/6	15	*b*	7½	*a* Assoc. Port. Cem., Ord. Stk. £1	83/- xd	82/-	5 9 9
29/10½	17/9¼	40	*c*	35	*c* Austin Motor, Ord. Stk. 5/-	29/6	28/7½xd	6 2 4
74/-	66/-	7	*b*	7	*a* Barclays Bank, Ord. "B" £1	73/-	71/-	3 18 10
145/-	129/-	19	*b*	15	*a* Bass Ratcliff, Ord. £1	141/3	140/7½	3 8 3
51/3	44/6	40	*c*	10	*a* Boots Pure Drug, Ord. 5/-	49/-	50/-	4 0 0
45/7½	38/4½	6	*b*	4	*a* British Aluminium, Stk. £1	42/6	41/-	4 17 7
25/7½	18/-	8	*c*	10	*c* British Celanese, Ord. 10/-	24/6	24/9	4 0 10
98/-	86/6	12	*b*	8	*a* British Oxygen, Ord. £1	91/-	87/6xr	4 11 6
60/1½	50/7½	5	*a*	7½	*b* Coats, J. & P., Ord. Stk. £1	57/6	57/6	4 6 11
41/3	32/1½	5	*b*	2½	*a* Courtaulds, Ord. £1	39/9xd	40/6	3 14 1
19/11½	16/6	5	*a*	15	*b* Distillers Co., Ord. 4/-	19/6	19/6	4 2 1
32/9½	28/9	8	*c*	8	*c* Dorman Long, Ord. £1	31/9	32/-	5 0 0
67/-	59/-	15	*c*	15	*c* Dunlop Rubber, Ord. £1	64/3	64/-	4 13 9
47/6	34/9	10	*c*	10	*c* Ford Motor, Ord. Stk. £1	43/10½	45/3	4 8 5
85/-	72/-	17½	*c*	17½	*c* General Elect., Ord. Stk. £1	81/10½	81/10½	4 5 6
134/6	124/-	18	*b*	11	*a* Guinness, Ord. Stk. £1	131/10½	133/1½	4 7 3
31/-	24/6	17½	*b*	15	*a* Hawker Siddeley, Ord. 5/-	30/3	30/4½	4 7 0
44/3	39/6	7	*b*	3	*a* Imp. Chem. Ind., Ord. Stk. £1	42/6	43/3	4 12 6
111/3	95/-	18½	*b*	15½	*a* Imperial Tobacco, £1	108/9	107/6	5 19 1
44/-	29/7½	10	*c*	6	*a* Lancs. Cotton, Ord. Stk. £1	40/6	43/1½	4 12 9
44/6	38/1½	10	*c*	10	*c* Lever & Unilever, Ord. £1	43/9	43/9	4 11 5
63/-	51/9	15	*c*	15	*c* London Brick, Ord. Stk. £1	58/9	59/4½	5 0 10
82/9	69/6	45	*b*	15	*a* Marks & Spencer ("A"), 5/-	80/6	80/9xd	3 14 3
44/-	33/3	7½	*a*	17½	*b* Pchin J'nson, Ord. Stk. 10/-	42/-	42/-	5 19 1
51/6	41/-	4	*b*	8	*a* P. & O., Def. Stk. £1	49/6	50/6	4 15 1
355	271	177½	*c*	177½	*c* Prudential, "A" £1	30	30	2 11 5†
19/4½	17/4½	18	*c*	15	*a* Ranks, Ord. Stk. 5/-	19/-	19/-	4 14 9
70/2½	59/3	12½	*a*	15	*b* "Shell" Transpt., Ord. Stk. £1	62/6	68/9	2 3 6†
56/7½	50/-	12½	*c*	12½	*c* Stewarts & Lloyds, Def. £1	54/6	54/9	4 11 4
128/-	108/9	12½	*a*	12½	*b* Tube Invst., Ord. Stk. £1	128/-	123/9xd	4 0 9
86/3	73/3	3¾	*a*	11¼	*b* Turner & Newall, Ord. Stk. £1	85/6	85/-	3 10 7
34/11½	27/-	8	*c*	8	*c* Union Castle, Ord. Stk. £1	34/-	34/6	4 12 9
66/3	34/4½	12½	*c*	17½	*c* United Sua Betong, £1	61/10½	61/3	5 14 5
35/1½	24/10½	4½	*b*	2½	*a* Vickers, Ord. Stk. £1	34/3	34/6	3 18 5
48/4½	41/9	27½	*b*	15	*a* Woolworth (F. W.), Ord. 5/-	43/6	43/6	4 0 6m

(*a*) Interim. (*b*) Final. (*c*) Whole year. (*d*) Int. paid half-yearly. (*l*) To latest redemption date. † Free of tax. (*m*) Yield basis 35%.

INSURANCE SURVEY

THIS year's survey of British insurance is in two parts. The four articles that follow discuss a number of topics of importance both to insurers and to the insuring public. In addition to this section, we have revived most of the special analyses of British insurance results that were a feature of pre-war surveys; these appear in this week's issue of the *Records and Statistics* Supplement. It is regretted that the Survey appears so late; for this, the recent stoppage in the London printing trade is largely to blame.

Is Insurance Too Costly?

IT is a common fallacy, understandable perhaps but wrong nevertheless, to regard the payment of insurance premiums, other than life premiums, as an exaction. An intangible service such as insurance only proves its full worth when disaster occurs and claims are paid, and the hazards against which people commonly insure their homes and their property occur rarely enough to encourage the feeling in the minds of some insured that their premiums are unduly costly for the small return that they think they get. That this should be so may argue a defect in the insurance industry's relations with its public. It may also be due in part to lack of factual information about the experience of British insurance companies in underwriting British risks.

The business of the British companies and Lloyds underwriters is carried on all over the world and about 70 per cent of the whole (excluding life assurance) is transacted outside the United Kingdom. The returns that they are required to make to the Board of Trade do not call for the separation of home and foreign business except in the life department. Such public sources of information as the annual directors' reports and chairmen's speeches give only a broad outline of the course of business in these general branches.

One of the branches that most closely affects (and can most easily irritate) the public is motor car insurance. In 1938 the comprehensive insurance of the average family 12 h.p. (1,650 c.c.) car, garaged in the London postal area, cost about £15, assuming that its use was broadly restricted to domestic, pleasure and business purposes. The premium for a similar insurance of the same size of car today, allowing for its greatly increased value, would be about £19, an increase of 27 per cent. The current premium rates have been in force since the restoration of the basic petrol ration in June, 1948, when the rates previously charged were increased by 25 per cent, and a discount of 40 per cent was allowed to motorists eligible only for the basic petrol ration, and able, therefore, to obtain a half-duty excise licence. When petrol rationing was abolished last May, this discount was withdrawn from the earlier of the next renewal dates of the licence or policy. The private motorist who had been paying, say, a £15 premium before the war, and £11 5s. whilst he held a half-duty licence, has thus been faced with a two-thirds increase in his premium to £19.

Motor insurance in this country would seem to have been yielding a reasonable profit to the insurance companies during the period when petrol was stringently rationed for private motoring. The mileage of many cars was then restricted to a fraction of what was normal before the war; traffic density, particularly in the large centres of population, was correspondingly reduced and with it the number of accidents. In 1949 the number of people killed on the roads increased by 5½ per cent, while the number seriously injured rose by no less than 31 per cent although petrol rationing was in force; the number of accidents has inevitably increased with its abolition. There can be little doubt that the amount paid out in claims by motor insurers will be substantially greater in 1950 than in any year since the war. Apart from the fact that the modern car is a good deal more expensive to repair because of its integral design, the cost of all repairs and of third-party claims reflects the decrease in the purchasing power of money since 1939. Claims costs are two to three times greater than in 1939, whilst premiums are up by only some 25 per cent. In all the circumstances it seems unlikely that underwriting losses can be avoided notwithstanding the considerable increase in premium income resulting from the cancellation of the half-duty rebate. A further increase in premium rates for private cars is likely, though it will probably be delayed until it has become abundantly clear that it is justified. But the offices will be lucky if they gain any credit for such forbearance.

The resistance of the average member of the public to paying higher insurance premiums is responsible for another difficulty for insurers. This is the persistence of under-insurance during periods of rising prices. Under-insurance is a particular problem in the fire department owing to the great increase in prices since 1939. Insurances are supposed to be for the full value of the property insured. Fire policies do not, however, as a general rule, contain an "average clause"; that is to say, the insurer is unable to protect himself against under-insurance by calling upon the claimant to bear a rateable proportion of the loss, according to the extent of any under-insurance. It follows that fire claims are in present conditions generally paid in full out of premiums which, in the aggregate, are considerably lower than they would have been if the current value of the risks had been fully insured. Considerable efforts have been made by exhortation on renewal notices to persuade policyholders to increase the amount of their insurances in conformity with the lower value of money, but it is all too common to find that no change—or at best an inadequate increase —has been made since 1939 in the insurance of, say, a private house then worth and insured for £1,000 which would now cost up to £3,000 to reinstate. This fact

was observed by excellent underwriting results in the fire department last year, but these were due much more to the exceptionally favourable claims experience in the United States of America and to satisfactory results in other parts of the world than to the results of home business. In fact, fire wastage in the United Kingdom was the highest ever recorded, the estimated cost being some £22,500,000. The paradox is that if the practice of under-insurance were to be eliminated, it would be possible to reduce premium rates to the benefit of those who now insure their property for its full current value. The problem arises in its most acute form in the insurance of private houses and their contents; merchandise and commercial and business premises are more usually fully covered.

In marine insurance, premium costs are at present tending to fall. The combined marine surcharges which were applied during the war to all cargo insurances, were abolished last year and cargo insurance rates have since fallen quite substantially under the pressure of competition. Indeed, there is considerable doubt as to whether they are now adequate. While the surcharge system was of real value in stabilising the marine insurance market during the war and immediately after, its arbitrary incidence had the unfortunate effect of penalising the best risks. The decision to remove it and to restore the traditional flexibility of the market was recognised as a step in the right direction and has justified itself in practice. Aviation insurance, with its periodical heavy claims arising from catastrophes, is running at a loss to the insurers and an increase in present rates is expected.

A public increasingly conscious of the rising cost of living is not likely to welcome increases in the cost of the insurance services that it requires. Yet it can hardly expect to cover its risks on the basis of the historical costs of the property insured and to be recouped in the event of casualty on the basis of current replacement cost. Perhaps the offices could do more than they have done to make the facts of their experience in fire and accident business more easily understood by the man in the street; it is probable that his lack of sympathy is not perverse but arises rather from want of the right information presented to him in the right way.

What a Life Premium Buys

THE public demand for ordinary life assurance continues to expand. Last year the net new sums assured exceeded the 1948 figure by 4 per cent and so set up a new high record. The contribution of ordinary life assurance to the nation's savings is best measured by the annual increase in the funds. The President of the Faculty of Actuaries in his recent inaugural address showed that the combined ordinary and industrial life funds of British offices increased by £113.2 million in 1947, by £123.0 million in 1948 and by £122.5 million last year.

In recent years the public has shown an increasing preference for endowment assurances over whole life contracts and for non-profit policies over those which participate in profits. Table I shows that between 1937 and 1948 aggregate sums assured by endowment assurances in force jumped from £1,220,800,000 to £1,940,100,000 or by 59 per cent; but whole-life assurances increased modestly from £603,200,000 to £650,500,000, or by less than 8 per cent. The decline in the popularity of with-profits contracts is even more marked; whole life assurances with-profits actually fell during this period by 7 per cent, but non-profit contracts of this class increased by 36 per cent. For endowment assurances, with-profit policies increased by 49 per cent, but non-participating endowment assurances increased by no less than 105 per cent, though the comparison in this case is with a much smaller total. Whether or not the recent public instinct in favour of non-profit policies is right must remain to be seen. Past experience of participating assurances shows that they have been the more profitable in the long run. But to many people the advantage of quite substantial additional life cover secured at the outset under the non-profit type of policy may more than outweigh the possibility that, in the long run, the return from such a policy will be less than could be secured by paying the same premium over a similar period on a participating contract.

TABLE I

ORDINARY LIFE ASSURANCES IN FORCE

Latest Valuation Returns of Companies Established in Great Britain

Year	Whole Life Assurances		Endowment Assurances	
	With Profits	Without Profits	With Profits	Without Profits
	£mn.	£mn.	£mn.	£mn.
1937	395·7	297·5	1,007·9	212·9
1946	355·5	272·0	1,317·6	376·9
1947	360·1	275·9	1,395·4	405·3
1948	367·7	282·8	1,503·5	456·8

The sum assured which can be secured today by a 25-year term non-profit endowment assurance varies for the offices included in Table II from £720 to £656 (some 9 per cent less), while for a whole life policy the sums assured (apart from special terms offered by certain offices to total abstainers) range from £1,435 to £1,247 (13 per cent less). Since the security offered by any of the British insurance offices is not in question, it would seem logical to expect that offices quoting the lowest rates of premium for non-profit policies would secure the bulk of the new business. Many offices offering terms materially less favourable than those of some of their competitors are, however, able to underwrite a satisfactory volume of non-participating business year after year. This may have some connection with the fact that the average proposer has no ready access to the comparative figures of several offices or does not take the trouble to ask for them.

In trying to assess the relative merits of with-profit contracts, the only firm basis of comparison is the actual amount paid, including bonuses under the similar policies terminating by death or maturity. On this basis a few offices included in the table (which covers most, but not all, of the British companies undertaking life assurance) stand out from the others, and the majority of these are mutual life offices. Of the six offices showing the best results for with-profit 25-year term endow-

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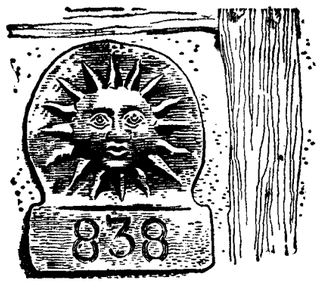
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ment assurances maturing this year (which were, therefore, effected in 1925) only one, the National Mutual Life was also amongst the six leading offices in a similar computation relating to 1925, giving the results of policies then maturing and issued at the beginning of the century. The amounts payable at maturity in 1950 under with-profit endowment assurances vary between £994 and £827 (a spread of nearly 17 per cent), whilst the results of whole life policies effected in 1910 and becoming claims in 1950, show the even greater difference of 29 per cent between the range of £2,146 and £1,521.

Such results of the past are not necessarily a reliable guide to the future. The table also shows the participating sum assured currently offered by each office together with the present rates of interim bonus (these latter differ in many instances from the rates declared at the last valuation, being frequently somewhat lower). Provided that the rates of interim bonuses shown are maintained throughout the duration of the contracts—which is, of course, a pure assumption—those offices which showed the best results in the past would once again be among the leaders, although there are some, whose past records are not quite so good, who would take their place with them. The sums assured by new participating policies vary quite considerably from office to office and, as would be expected, broadly in inverse ratio to the rate of bonus.

The table does not comprehend all offices nor does it cover all the differing classes of business they conduct. It does not show, that is, which life insurance office offers the "best terms" today. It does, however, demonstrate that substantial differences exist between mutual offices, proprietary companies and the ordinary branches of the industrial-cum-ordinary offices and also between individual offices within these groups. It is difficult for the average proposer to obtain disinterested advice on the relative attractiveness of the contracts offered by the various offices. It is asking much of the ordinary part-time agent, who usually represents at the most a handful of companies, to be of real help in this way. The better firms of insurance brokers alone offer reasonably disinterested and knowledgeable service; some of these handle a large and increasing volume of new life assurance business, and their services should be of real importance to the insurance industry and to the public.

TABLE II—LIFE ASSURANCE COMPARISONS

Basis: An Annual Premium of £25 Paid by a Life Aged 30 Next Birthday Assurable at Tabular Rates

Company	Amounts Payable in 1950						New Sums Assured in 1950 (*a*)				
	Whole Life Assurance With Profits Effected in 1910 Payable on Death in 1950			Endowment Assurance With Profits Effected in 1925 Payable on Maturity in 1950			Without Profits		With Profits		
	Sum Assured	Bonus	Total	Sum Assured	Bonus	Total	Whole Life Assurance	Endowment Assurance (Term 25 Years)	Whole Life Assurance	Endowment Assurance (Term 25 Years)	Present Rate of Interim Bonus (*b*)
	£	£	£	£	£	£	£	£	£	£	Per cent
Alliance	1,025	765	1,790	616	301	917	1,348	700	947	566	30/- compound
Atlas	1,015	713	1,728	621	310	931	1,398	710	1,034	581	25/- compound
Britannic	1,031	607	1,638	620	243	863	1,307*	683*	979*	581*	26/- simple
Caledonian	1,026	632	1,658	642	260	902	1,345	699	979	571	24/- simple (2)
Clerical, Medical & General	1,029	749	1,778	594	287	881	1,277	674	1,027	564	30/- simple
Commercial Union		Not Available			Not Available		1,324	705	970	581	30/- compound
Co-operative	1,055	654	1,710	635	242	877	Not Issued		1,007*	589*	24/- simple
Eagle Star		Not issued		607	220	827	1,351	713	1,058	581	30/- simple
Equitable	936	952	1,888	617	283	900	Not Issued		943	602	20/- simple (1) (2)
Equity & Law	1,023	787	1,810	622	284	906	1,290	690	1,065	596	(3)
Friends Provident	1,042	645	1,687	620	241	861	1,299	686	1,012	584	25/- compound
Guardian	1,023	742	1,765	642	254	896	1,295	687	1,036	580	30/- simple
Law Union & Rock	1,034	715	1,749	625	259	884	1,333	708	1,033	592	28/- compound
Legal & General	985	1,000	1,985		Not Issued		1,299	686	883	533	38/- compound
Liverpool & London & Globe	1,003	730	1,733	612	257	869	1,293	670	943	558	30/- simple
London Assurance	1,020	764	1,784	629	269	898	1,312	692	977	571	20/- compound (2)
London Life		Not issued		648	260	908	1,344	718	1,068	606	30/- compound
Marine & General	1,023	726	1,749	625	322	947	1,348	703	972	572	32/- simple
National Mutual	1,034	1,112	2,146	636	358	994	1,316*	676*	962	581	32/6 compound (2)
National Provident	997	807	1,804	616	308	924	1,313	692	968	595	32/6 simple (2)
North British & Mercantile	1,003	638	1,641	616	258	874	1,298	691	1,001	589	26/- compound
Northern	1,020	626	1,646	627	306	933	1,398	712	975	555	32/- simple
Norwich Union	966	733	1,699	646	287	933	1,325	709	960	590	25/- simple (2)
Pearl	1,020	603	1,623	612	250	862	1,435*	719*	1,022*	582*	26/- simple
Phœnix	1,022	692	1,714	622	298	920	1,327	697	971	557	32/6 simple
Provident Association of London	1,008	712	1,720	585	270	855	1,360*	720*	1,061*	600*	20/- simple
Provident Mutual	1,079	701	1,780	622	247	869	1,372*	696*	1,023*	586*	25/- simple (2)
Prudential	1,010	679	1,689	626	261	887	1,361*	698*	1,017*	567*	26/- simple
Refuge	1,015	608	1,623	620	242	862	1,339*	698*	1,007*	575*	26/- simple
Royal	1,005	686	1,691	625	286	911	1,293	670	943	558	30/- simple
Royal Exchange	1,020	624	1,644	622	259	881	1,348	700	1,019	587	30/- simple
Scottish Amicable	937	882	1,819	608	312	920	1,354	705	1,016	580	30/- compound
Scottish Equitable	1,000	738	1,738	625	308	933	1,363	705	964	571	30/- compound
Scottish Life	1,012	650	1,662	611	260	871	1,330	702	1,036	577	30/- simple
Scottish Provident	1,181	485	1,666	601	242	843	1,316	711	1,215	576	(4)
Scottish Temperance (General)	1,031	763	1,794	628	241	869	1,376	698	984	585	25/- simple (2)
(Temperance)	1,145	847	1,992	649	249	898	1,456	718	1,095	599	25/- simple (2)
"Scottish Union" & National	990	531	1,521	617	259	876	1,333	707	993	575	20/- simple
Scottish Widows'	966	881	1,847	617	351	968	1,310	699	984	576	32/- compound
Standard Life	1,022	883	1,905	615	353	968	1,395	714	1,027	580	33/- compound
Sun Life	1,017	555	1,572	627	214	841	1,269	673	1,000	570	19/2 simple (1)
Utd. Kingdom Prov. (General)	1,024	841	1,865	601	318	919	1,293	674	954	567	33/- compound
(Temperance)	1,024	934	1,958	601	338	939	1,345	688	954	567	35/- compound
Wesleyan & General	1,040	605	1,645	648	253	901	1,247*	656*	1,027*	578*	24/- simple
Yorkshire	1,019	803	1,822	624	318	942	1,389	714	1,064	581	30/- simple

Notes:—(*a*) Policies currently being issued normally provide unrestricted cover, except that cover against war risk and aviation is commonly restricted for men below about age 30. Policies marked * give only restricted cover should death occur through war or aviation. The prospectuses of the respective offices should be consulted for details of the extent of the restrictions. (*b*) A simple bonus is one calculated with reference to the sum assured only: a compound bonus is calculated upon the sum assured and existing reversionary bonuses. Except where otherwise shown bonuses in the table are applicable to both whole life and endowment assurances. (1) Minimum rate. Bonuses are on a sliding scale. (2) Rate applicable to endowment assurances; a higher rate of bonus is paid on whole life assurances. (3) For the policies shown the present rate of interim bonus on endowment assurances is 30/- per cent bonus is 40/- per cent of the sum assured plus 18/- per cent of existing reversionary bonuses. (4) The present rate of interim bonus on endowment assurances is 30/- per cent compound. Whole life assurance do not receive any bonus until the premiums accumulated at 4 per cent compound interest amount to the sum assured. For this reason the profits sum assured is considerably higher than that of other offices.

Uberrima Fides

(By a Correspondent)

WHEN a man asks an insurance company to issue him a policy he must disclose the facts material to the risk; and by the Marine Insurance Act every fact is material that would influence a prudent underwriter in deciding whether to accept or refuse, and in fixing his rate of premium. If the man fails in this duty of disclosure the policy that he gets is void and worthless. That principle of English law has in its time raised many prickly points and few of them are more troublesome than those which spring from a man's past record and character. Must a proposer who has broken the law, or been in the hands of the police, or spent a period in one of HM prisons, confide these distressing facts to an underwriter when he asks for a policy? Or can he tell himself that what is past is past; what has been expiated is expiated; what was done twenty years ago lies buried under two decades of respectability?

More than once in the last thirty years, underwriters defending an action have pleaded that past wrongdoing is material, and have tried to avoid a policy because some discreditable incident was not disclosed; but usually they have had little success and sometimes judges have criticised the defence rather sharply. When a motorist was shown to have broken the law by persistently driving without a licence, and underwriters' counsel argued strongly that she ought to have disclosed her wickedness, Mr Justice McCardie dismissed the argument almost with contempt. It is not necessary, he said, "for a person to reveal to the insurance company every irregularity in his past life." And indeed if the exposure of every blot on a long life's copy-book were the pre-condition of insurance, what man among us would not run his own risk? In another case, two Frenchmen first insured a worthless film for an extravagant sum, then lost it and sued underwriters for a total loss. The underwriters found out that one of the men had previously been convicted of theft and pleaded that the conviction was a material fact which had not been disclosed. But the judge would have none of it. He said (though this was not reported) that many a man had redeemed his criminal record by a subsequent career of honesty, and he would not agree that a sentence of imprisonment must be disclosed by a man who is doing legitimate business after his release. The point was not pressed by counsel; his Lordship's judgment made no reference to it; and on that part of their defence underwriters lost by an innings and several hundred runs.

*

It is twenty years since that case was fought, and until July of this year there have been few if any reports of defences based on undisclosed convictions. But last July the defence was raised again. The action was brought by a diamond merchant for the loss of his stock by theft. He was a man of 40 who had been a criminal in his earlier life. He was convicted when he was 17 years old. For the next seven years he was in and out of trouble and at the age of 24 he was found guilty for the last time—charged on this occasion with receiving a cushion cover. Then he pulled himself together and for sixteen years his record is clean. For nine of those sixteen years he has been a member of the London Diamond Bourse, where he is said to be respected by his associates. In 1948, without disclosing his past, he took out a jewellers' block policy to protect his stock. Shortly afterwards he was robbed of goods worth nearly £20,000 and underwriters in court did not challenge the loss nor did they suggest fraud. But they did deny liability under the policy on the ground that a criminal record, even if it ended fourteen years ago, was a fact that would influence a prudent underwriter and should be disclosed. The plea was supported by the evidence of other underwriters, and the jury found against the plaintiff. So the ex-prisoner lost his case and a defence very like the one that Mr Justice Roche would not listen to in 1930 prevailed in 1950.

Whether it is right that a man should be dogged through life by the crimes—or rather the convictions—of his youth is a social question that every man must decide for himself; but if the expert witnesses and the jury in this case were correct, then, as the law stands, an extraordinary situation results—that no one who has been gaoled for dishonesty can ever go into a business that calls (as most businesses do) for insurance against fire or theft. That is a disturbing thought. But, penology apart, the case raises the whole question of *uberrima fides* and the duty of disclosure. The doctrine or the principle has been plugged so persistently that it has come to rank almost as high as the Ten Commandments or the law of gravity; but one must not forget that it originated, not with the Almighty, but with the late Lord Mansfield. And it is just as well to step back a pace or two to look at it afresh and realise what an extraordinary piece of law it is—how exacting, how perplexing, and how absolute.

*

To every insurance contract there are two parties and in every direct insurance one party is a professional and the other a layman. The professional spends his life underwriting and knows what things influence his judgment, for insurance is his subject. The layman has his own subject, but it is not insurance. He may know all about jewellery or the sugar market or the second Peloponnesian war, but what goes on in the mind of an underwriter is as much a blank to him as the sorting of diamonds or the chemistry of beet or the disaster at Syracuse would be to the accident manager of an insurance office. Nevertheless the duty is put on him of knowing everything that may sway the judgment of a professional underwriter and if he fails in that duty he can be told, after his goods are stolen, his factory burnt or his furniture in ashes, that the policy on which he has been relying is void. At times indeed the principle has been interpreted so sternly as to make insurance business practically impossible. It has, for example, been held in the Court of Appeal that brokers when they place a non-marine risk must disclose to every insurer the fact that other insurers have been offered the risk and have refused it. That judgment

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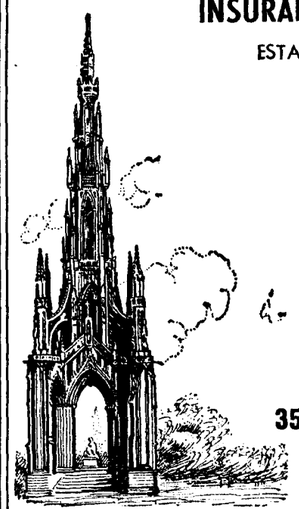


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does not commend itself to modern opinion, and it is lucky that the insurance market never prays it in aid. If it were to invoke the judgment in litigation, the market would almost certainly find within a year or two that it had successfully cut its own throat. In another case a man of foreign birth, living in England under an adopted name, voided his policy because he had not told underwriters of his origin, and the judge was satisfied on underwriters' evidence that the information would have affected their minds if it had been given them. So a layman was presumed to know, and penalised for not knowing, the inner subtleties of an underwriter's business technique.

But there is another line of approach to the question of what facts are material, a line which has been taken in the past but seems now to be closing up. Forty-two years ago Lord Justice Moulton trying a case on a life policy decided that the important point was whether "a reasonable man" would have recognised a given fact as material—a very different yardstick and a much more equitable one, because it gets away from the mind of an underwriter (which has always been a difficult thing to comprehend from the outside) and focuses on the mind of the ordinary man. Once the evidence of a reasonable layman is admitted to check and override the evidence of a professional, the responsibility of the assured can be kept within reasonable bounds, for the test is no longer "would a prudent underwriter be influenced" but "would an honest man of average good judgment expect an underwriter to be influenced." At present, the permissible evidence comes from one side of the counter only; the law would be much fairer if the evidence could come from both.

Insurers as Investors

THE present year has so far been much more favourable for insurance offices' investment operations than 1949. Last year, when the Actuaries' Investment Index recorded falls of 11.8 per cent in 2½ per cent Consols, 9.3 per cent in debentures, 19.1 per cent in preference shares and 13.9 per cent in ordinary stocks, the insurance companies could hardly have avoided considerable depreciation. This year they have fared better. In the nine months to September, 2½ per cent Consols improved by 2.1 per cent, debentures by 1 per cent, preference shares by 4.1 per cent and ordinary shares by 8.0 per cent. Thus they have so far this year recorded some modest capital gains without having to give away much in terms of current yield. Moreover, they have recently participated with eagerness in the spate of new industrial issues of debentures and unsecured loans. Imperial Chemical Industries, Distillers, Unilever, Imperial Tobacco—the list is long, the figures run into the tens of millions, and for most of them insurance money has been abundantly provided. The Prudential is an enormous institution, but it certainly succeeded in conveying a striking impression of its great resources when it subscribed for £7,500,000 out of the £20 million of 4 per cent unsecured loan stock of I.C.I., and followed this up within a few days by taking £3,000,000 of the £6,000,000 unsecured loan stock placed by Distillers at 3$\frac{13}{16}$ per cent.

*

Some of these debenture issues took the form of public offers and some, like the I.C.I. and Distillers issues, were private placings. There has been considerable controversy about the merits of private placings, but there is no doubt of their attractions to such institutions as the insurance offices. Their interest in marketability or in the legal hypothecation of assets as security is today less insistent than the need to avoid stamp duty, to obtain a satisfactory yield, to avoid book depreciation and to obtain repayment after a fixed term. These conditions have not been satisfied in their entirety in the last year or two, and it would be fair to conclude that 1949 was a year of particular difficulty for those who had responsibility for administering insurance investment portfolios. The Stock Exchange investments of the forty offices included in the table amounted at the end of last year to £1,926.1 million out of total assets of £2,546.1 million. The gilt-edged investments of the insurance companies are widely spread from shorts to longs, so that the actual depreciation will have been much less than that of 2½ per cent Consols, perhaps not more than one-half. On this assumption, and using the Actuaries' Index as a measure for the other main classes of securities, the life offices and the life funds of the composite companies with an average distribution of assets probably suffered a depreciation of about 10 per cent of their Stock Exchange securities; expressed as a proportion of all assets (including mortgages, loans, property and cash) the depreciation may have been of the order of 7 per cent. This depreciation is, of course, relative to market values at the end of 1948 and not to original cost. It has been met out of investment reserves, either hidden or published, and the majority of offices still showed book values below market values at the end of last year. Where this was not so, the depreciation was covered by free reserves. Moreover, there was an important offsetting factor for many offices. The non-life assets of the composite offices held in North America considerably exceed the corresponding liabilities; thus these companies received a substantial windfall from devaluation

TABLE I—DISTRIBUTION OF INSURANCE ASSETS
TOTAL CONSOLIDATED ASSETS OF 40 OFFICES

Class of Assets	1947	1948	1948	1949	1949
	Per cent	£ mn.	*Per cent*	£ mn.	*Per cent*
Mortgages, including policy loans	9·1	229·2	9·7	250·8	9·8
British Government and Government guaranteed securities....	36·2	939·7	39·9	978·5	38·4
British Municipal and County and Overseas Government and Municipal securities	9·3	224·1	9·5	254·0	10·0
Debenture stocks	10·6	216·5	9·2	235·0	9·2
Preference shares	9·6	181·1	7·7	197·3	7·7
Ordinary shares.....	10·7	233·4	9·9	261·3	10·3
Other investments	2·2	42·4	1·8	35·0	1·4
Property	5·8	134·3	5·7	151·6	6·0
Cash, agents' balances, etc.	6·5	156·2	6·6	182·6	7·2
Total Assets of 40 Offices	100·0*a*	2,356·9	100·0	2,546·1	100·0

(*a*) 38 offices.

to put against the depreciation of their sterling investments. Their dollar investments have not, as a general rule, been written up, and the consequent addition to hidden reserves in terms of sterling must be substantial.

*

In spite of the further increase in British Government guaranteed securities resulting from the nationalisation of the gas industry, which became effective in May, 1949, a start has been made in reducing the swollen importance of gilt-edged in insurance portfolios. The percentage of total assets invested in British Government and Government guaranteed securities fell from 39.9 per cent of total assets at the end of 1948 to 38.4 per cent last year, although such holdings increased absolutely from £939.7 million to £978.5 million. Holdings of overseas government and municipal securities expanded from 9.5 per cent to 10.0 per cent of the total, whilst ordinary shares were up from 9.9 per cent to 10.3 per cent. It can be deduced from certain of the life office chairmen's speeches that some part of the increase in ordinary shareholdings was due to investments in United States common stocks. The increase in cash and debentures was largely due to writing up overseas current assets following devaluation.

Any study of Table I must bear in mind that insurance companies (with one exception) do not enter their Stock Exchange securities in the balance sheet at current market prices. Last year brought a material rise in the rate of interest, the gross yield on 2½ per cent Consols on December 31, 1949, being 8s. 5d. per cent greater than at the end of 1948. An appreciable rise in the rate of interest has only a small effect on the average yield on insurance funds in a given year as its benefits apply only to the increment in the funds. Some rise in the average interest return might have been expected last year, but in the event there was a small fall of 5d. per cent. This fall occurred mainly because some offices brought proportionately larger income tax charges into account last year; these charges caused corresponding falls in net yields and had a considerable effect on the average net yield, which is not weighted. There was also, no doubt, a general shortening during the year of the average maturity date of gilt-edged securities and towards its end some offices were preferring to hold cash as a precaution against depreciation, even though this entailed a temporary loss of current income.

TABLE II — PERCENTAGE DISTRIBUTION OF TOTAL ASSETS OF 40 OFFICES END 1949

Company	Mortgages, including policy Loans	British Government and Government Guaranteed Securities	Home and Overseas Government and Municipal Securities	Debenture Stocks	Preference Shares	Ordinary Shares	Other Investments	Property	Cash, Agents' Balances, etc.
Mutual Life Offices									
Equitable	13·5	20·8	3·7	22·5	9·0	9·8	11·3	7·8	1·6
Friends' Provident	21·2	15·9	6·5	15·6	9·1	13·2	...	6·1	12·4
London Life	15·4	13·7	6·2	7·2	6·8	9·0	...	9·5	1·8
Marine & General	9·0	27·9	3·8	12·7	23·5	12·6	...	6·4	4·1
National Mutual	13·8	30·0	0·8	11·5	14·9	14·3	...	10·4	4·5
National Provident	10·9	24·7	4·3	10·6	11·1	22·2	0·1	11·0	5·1
Norwich Union	45·9	16·1	6·9	3·7	1·2	1·5	8·1	13·7	2·9
Provident Mutual	4·7	38·6	4·2	8·7	16·9	19·8	...	2·6	4·5
Scottish Amicable	16·2	40·4	2·2	11·2	9·5	15·5	...	1·8	3·2
Scottish Equitable	23·5	28·7	2·0	13·5	8·5	20·4	...	0·9	2·7
Scottish Provident	4·7	41·5	5·5	10·2	12·5	17·6	0·1	5·5	2·4
Scottish Temperance	8·3	30·2	2·9	9·7	17·5	15·3	3·3	8·8	4·0
Scottish Widows'	9·0	29·2	2·0	12·4	18·4	22·8	...	2·2	4·0
Standard	4·6	30·7	11·9	18·4	11·2	16·5	4·9	0·6	1·4
UK Provident	12·6	14·9	10·3	3·1	3·5	24·5	0·4	28·1	2·6
Average	17·1	27·3	6·2	11·2	9·6	14·4	2·8	7·8	3·6
Proprietary Life Offices									
Clerical, Medical & General	19·0	11·9	2·3	7·0	6·4	15·6	25·6	9·9	4·3
Equity & Law	14·0	15·8	2·4	11·7	14·1	22·8	11·4	5·4	2·4
Scottish Life	5·6	29·6	1·1	15·3	28·0	16·5	...	0·9	3·0
Sun Life	17·1	47·5	4·3	23·8	2·3	1·8	...	1·0	2·2
Average	15·7	33·1	3·3	17·6	7·9	10·1	6·3	3·4	2·5
Industrial-cum-Ordinary Offices									
Britannic	16·4	52·8	5·9	1·8	3·8	13·9	0·1	1·9	3·4
Co-operative	19·6	56·7	3·9	3·9	4·1	4·9	3·1	1·5	2·3
Pearl	2·5	50·6	8·5	11·4	8·3	13·8	0·4	2·0	2·5
Prudential	4·3	49·8	5·7	9·3	7·9	10·3	0·3	7·9	4·5
Refuge	13·3	54·1	3·7	7·1	12·8	4·3	...	1·4	3·3
Wesleyan & General	22·6	49·5	5·1	4·5	11·6	...	...	4·0	2·7
Average	7·6	51·2	5·8	8·4	8·0	9·7	0·5	5·1	3·7
Composite Offices									
Alliance	11·7	38·5	5·8	14·9	7·0	5·9	...	2·8	13·4
Atlas	11·9	25·8	16·2	8·8	4·3	8·5	0·4	7·4	16·7
Caledonian	5·0	36·4	14·6	5·5	4·6	10·7	...	4·5	18·9
Commercial Union	5·7	26·8	21·2	8·2	8·1	9·4	...	4·3	16·3
Eagle Star	4·9	26·8	6·0	5·8	11·8	26·4	0·4	6·8	11·1
Guardian	11·6	19·4	9·2	9·4	9·5	13·1	...	6·5	21·3
Law Union & Rock	19·1	39·4	10·5	5·5	7·9	5·5	...	4·2	7·9
Legal & General	10·1	35·3	8·1	6·0	6·3	5·3	0·3	20·9	7·7
Liverpool & London & Globe	2·7	22·8	37·5	6·6	5·9	9·1	0·7	2·0	12·7
London Assurance	10·9	22·3	11·8	10·6	8·0	10·9	2·7	5·2	17·6
N. Brit & Mercantile	7·1	38·0	23·8	5·7	4·0	5·9	2·0	1·3	12·2
Phoenix	7·4	25·8	21·8	9·3	5·3	6·9	0·2	4·0	19·3
Royal	4·5	31·2	31·4	6·2	4·7	7·8	1·4	1·9	10·9
Royal Exchange	5·5	27·6	13·2	15·6	7·7	6·3	0·8	4·6	18·7
Yorkshire	17·6	21·1	14·7	3·4	4·2	7·2	5·4	8·8	17·6
Average	7·9	29·8	17·9	8·0	6·5	8·8	0·9	6·4	13·8
Average of 40 Offices	9·8	38·4	10·0	9·2	7·7	10·3	1·4	6·0	7·2

TABLE III—NET RATES OF INTEREST PER CENT LIFE AND ANNUITY FUNDS OF 40 OFFICES

Company	1947	1948	1949
	£ s. d.	£ s. d.	£ s. d.
Mutual Life Offices			
Equitable	3 12 8	3 14 2	3 15 11
Friends' Provident	4 12 10	4 13 10	4 9 9
London Life	3 5 2	3 4 6	3 5 1
Marine & General	3 14 6	3 18 6	3 16 5
National Mutual	3 11 3	3 10 1	3 11 4
National Provident	3 13 9	4 2 0	4 3 4
Norwich Union	3 14 10	3 14 10	3 16 9
Provident Mutual	3 9 2	3 6 11	3 9 11
Scottish Amicable	3 14 6	3 16 4	3 15 0
Scottish Equitable	3 15 2	3 12 1	3 11 10
Scottish Provident	3 8 7	3 8 8	3 8 8
Scottish Temperance	3 6 10	3 9 5	3 10 0
Scottish Widows'	3 16 7	3 16 2	3 16 4
Standard	3 16 1	3 18 2	3 17 5
United Kingdom Provident	3 14 4	3 17 3	3 19 8
Average	3 14 0	3 14 10	3 14 11
Proprietary Life Offices			
Clerical, Medical & General	3 13 3	3 11 11	3 12 0
Equity & Law	3 10 7	3 14 9	3 15 4
Scottish Life	3 13 0	3 12 11	3 11 4
Sun Life	3 2 4	3 4 7	3 3 0
Average	3 9 9	3 11 0	3 10 5
Industrial-cum-Ordinary Offices (a)			
Britannic	3 4 5	3 4 10	3 3 7
Co-operative	3 5 11	3 5 11	3 4 9
Pearl	3 10 6	3 10 3	3 10 1
Prudential	3 10 6	3 9 1	3 10 3
Refuge	3 11 0	3 3 2	3 6 1
Wesleyan & General	3 3 9	3 10 2	3 3 7
Average	3 7 8	3 8 1	3 6 5
Composite Offices			
Alliance	2 17 0	2 17 2	2 18 2
Atlas	3 9 1	3 9 3	3 5 9
Caledonian	3 4 8	3 3 1	3 2 10
Commercial Union	3 4 7	3 3 2	3 3 4
Eagle Star	3 17 0	3 17 0	3 13 4
Guardian	3 15 11	3 10 5	3 14 4
Law Union & Rock	3 9 8	3 8 8	3 7 3
Legal & General	3 9 10	3 9 8	3 10 1
Liverpool & London & Globe	3 1 9	3 1 7	3 2 0
London Assurance	3 4 2	3 4 5	3 3 9
North British & Mercantile	2 17 1	2 14 5	2 13 8
Phoenix	3 0 3	3 0 4	3 1 0
Royal	3 4 0	3 3 1	3 4 4
Royal Exchange	3 1 9	3 4 0	3 1 0
Yorkshire	3 13 3	3 11 9	3 12 4
Average	3 5 10	3 5 2	3 4 11
Average of 40 Offices	3 9 7	3 9 10	3 9 5

(a) Excluding industrial life funds.

'IT IS FOR US, THE LIVING, RATHER . . '

MANY who accept a measure of dependence on their fellows in their lifetime will not contemplate it in death. In the past, this attitude found expression in the old burial societies and in the still earlier provision of the guilds. In the last century the need of the new industrial classes for provision against burial expenses gave rise to industrial assurance. Small weekly payments were made to avoid the indignity of a parish burial.

Although the system was thus confined to the contingency of dying, the service which is still described by the name of Industrial Assurance has been developed to meet far wider social needs and goes far beyond the industrial classes. Moreover, today it is more concerned with providing benefits for the living.

Under modern endowment schemes, a man may hope to reap the fruits of his saving secure in the knowledge that these benefits, as far as his dependants are concerned, do not depend on his survival. From the moment the first premium payment is made, his life is insured. By means of endowment policies, the service of industrial life assurance is being increasingly used to the benefit of the policyholder during his lifetime and most of the new policies issued by the Industrial Life Offices are now of this type.

Thus, an honoured phrase used in another context by Abraham Lincoln also describes the development by free enterprise of this great service. Although founded on the need for burial assurance, we may truly say of that service today 'It is for us, the living . . .'

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COMPANY MEETINGS

THE UNITED STEEL COMPANIES, LIMITED

PRODUCTION STILL HIGHER
THE TRAGEDY OF NATIONALISATION
SIR WALTER BENTON JONES'S SPEECH

The annual general meeting of the United Steel Companies, Limited, was held on November 15th at Caxton Hall, Westminster, S.W., Sir Walter Benton Jones, Bt., the chairman, presiding.

The chairman said: Gentlemen,—This meeting may be the last annual meeting of the stockholders of this company. But as nothing is certain in this world, I propose first to comment on our company's affairs during the last twelve months as if the Iron and Steel Act had not been passed and to conclude by explaining the effect of the Act.

The report and accounts were circulated with the notice convening this meeting, and if we may take them as read I beg to move:

"That the report of the directors produced together with the annexed statement of the company's accounts at June 30, 1950, duly audited, be received, approved and adopted."

THE REPORT AND ACCOUNTS

In the report for 1948-49 the directors added a statement of the year's operations which showed among other things the high level of production achieved and the progress of development schemes.

In the current report the directors are able to say that production has reached a still higher level. This higher level is again the result of improvements and extensions to plant, adequate and regular supplies of raw materials and co-operation between management and employees. At this meeting it is no formality but our sincere appreciation which prompts us to convey to employees of all grades our thanks for the work they have done and the goodwill with which all co-operate.

The 1948-49 report and my remarks at the last annual meeting cover the whole ground of our modernisation and development schemes, and it is only necessary for me to say now that since then, having regard to present conditions, reasonable progress has been made. The most important of the schemes outstanding is the enlargement and elaboration of the ore preparation plant and the duplication of the coal carbonising plant at Appleby-Frodingham.

In the directors' current report it is recorded that in the last ten years the amount of capital expenditure which covers extensions, as well as improvements and replacements, has been nearly £22½ million and that in the year under review the amount spent has been £4,153,000. It will continue at this rate for the next five years. This may seem a large sum, but expenditure on extensions, improvements and replacements is inevitable in industry and whether it is called capital or revenue the mounting level of prices pushes this expenditure up to corresponding levels. On this subject I have something to say later.

The accounts are clear. I need not go over them in detail or repeat what has been said in the directors' report. You will notice that in the consolidated balance sheet the bank overdraft after deducting cash at bankers and in hand stands at about £1,400,000. This is the reflection of the excess of capital expenditure over surplus revenue. In order to meet this and requirements over the next five years it is necessary to introduce new money. Negotiations for this purpose were well advanced before the announcement that the Government proposed to put the Iron and Steel Act into operation at an early date. Now we must continue to use the accommodation placed at our disposal by our bankers.

ANALYSIS OF EXPENDITURE

In each of the last three years an account has been presented to you of the company's gross income from sales and investments and an analysis of expenditure. This account and analysis for 1949/50 is as follows:—

	Total Amount £	Equivalent Proportion Per cent
Gross income from sales and investments	56,118,187	100·00
Amounts expended on:—		
Raw materials, fuel and services	34,216,679	60·97
Wages, salaries and state insurance	12,934,261	23·05
Holidays with pay	363,855	·65
Pensions for staff and workmen	165,000	·30
Rents, rates, insurances and general trade expenses	972,603	1·73
Delivery charges	2,257,087	4·02
Taxation	2,678,000	4·77
Dividends to stockholders (6 p)	574,686	1·02
Retained in the business for depreciation of plant and machinery and other purposes	1,956,016	3·49
	56,118,187	100·00

GLAMOUR OF NEW WORKS

A short time ago I read in some publication referring to a new steel works that one of Britain's boldest and greatest industrial developments is nearing completion. But it must not be forgotten that there are already in existence great iron and steel works built up in many cases from small beginnings by courageous proprietors which can truly be described as great British industrial developments.

I shall not be belittling enterprises of other companies if I mention our own. There are four large steel works which together produced last year 2,128,000 tons of steel ingots; they are Appleby-Frodingham Steel Company in North Lincolnshire, Steel, Peech and Tozer and Samuel Fox and Company, near Sheffield, and the Workington Iron and Steel Works in Cumberland. A fifth works, the United Coke and Chemicals Company, at Orgreave, near Sheffield, supplies coke to Appleby-Frodingham and gas to Samuel Fox and Steel, Peech and Tozer, and produces also large quantities of oils and chemicals. All have fascinating histories, all have been built up from small beginnings to large works by enterprising proprietors, all have marched with the times, all are impressive and all are known all over the world. I refer to them in this way for two reasons, first because the proprietors of the company should realise that their properties are not overshadowed by newer works which are more frequently referred to in the press, and secondly because the employees of the company are often jealous of the publicity given to works which they regard as little or perhaps no better than their own.

I shall not take up your time by referring in detail to more than one. I do so in this case because of the size of the works, because it is self-supporting, and is one of the few iron and steel works in this country which is based on and uses only home ore.

LARGEST STEEL WORKS IN COMMONWEALTH

The Appleby-Frodingham works in North Lincolnshire claims to be the largest steel works in the British Commonwealth. It mines its own iron ore. It makes a large proportion of its requirements of coke, and its coke works are in process of duplication. It makes its own iron.

It uses the gas made at the ironworks for blowing its blast furnaces, for generating electricity, for heating furnaces and in its steel melting furnaces. It converts its iron into steel. It rolls steel into a number of products. It fabricates steel for constructional purposes.

PROGRESS SINCE 1866

It was founded by the Cliff family in 1866 to make iron from the Frodingham ironstone bed which contained little more than 20 per cent. of iron, and it still uses this ore with ore from its South Lincolnshire mines. In 1888 the Cliff family, after consultation with Thomas Gilchrist, began to make steel in open hearth furnaces, then in their infancy. In 1901 they installed the first tilting steel furnaces in the world.

The output of iron at Frodingham in the year 1866 was 11,000 tons, it has grown to 800,000 tons per annum. The capacity of the steel works built in 1888 was 20,000 tons per annum, last year it made 874,000 tons. The area covered by the works is 1,175 acres.

The maintenance shops alone cover 5½ acres and employ 752 men, their size gives an idea of the amount of machinery and plant in operation in the works. The works have been kept abreast of the times, their products and their technique are known all over the world.

At these works nearly 800,000 tons of iron per annum is made from home ores which have an exceptionally low iron content. The smelting of these ores needs much more coke than is required for the smelting of the higher grade imported ores which are available for iron making at works on the coast. When two new blast furnaces were built at the South Ironworks a few years ago a plant for the pre-treatment of ore was included. This pre-treatment of the ore has proved to be so beneficial that a scheme for its enlargement and elaboration has been undertaken and will be in full operation at the end of March next year. It is expected that as a result of this extension of the ore pre-treatment, or ore beneficiation plant, the output of iron will be increased and a substantial economy in coke consumption will be effected.

TRADING SURPLUS

In the public mind the word profits applied to trading or manufacturing companies is often misunderstood. It is regarded as so much cash which has accumulated in the till waiting to be distributed to shareholders. It is important to remove this misunderstanding because it leads to the assumption that while everything else which is affected by the fluctuation of the purchasing power of the pound should fluctuate correspondingly, profits in terms of the pound should remain static. In fact so-called profits are what industry lives on, its cost of living goes up when prices rise just as inevitably as the cost of living of the man in the street.

If you will refer to our consolidated profit and loss account you will see it begins with what is described as balance of trading profit £5,107,852. This would be more correctly described as trading surplus because many charges including provisions of no less than £2,678,000 for taxation and of £1,175,484 for depreciation have to be met out of it before arriving at a balance available for appropriation to reserves or dividends. Thus reduced, the balance becomes £1,328,945. Again, £750,000 of this

balance (plus £250,000 from another source) is appropriated to General Reserve. The amount distributed to stockholders is £574,686.

DEPRECIATION AND TAXATION

This illustration demonstrates that if the provisions for depreciation and for taxation and the appropriation to General Reserve are no more than is needed, the trading surplus of our company recorded in the accounts of approximately £5,000,000 is also no more than is needed to meet what I have called its cost of living.

The provisions for depreciation and taxation follow a formula and are matters of arithmetic. They are no more than is needed. It is true that the appropriation to general reserve is arbitrary, but the provision for depreciation and the appropriation to general reserve, together approximately £2,000,000, represent provisions for the future in which replacement of plant is constantly and regularly required and in which unforeseen contingencies may arise and periods of less active trading may be encountered. Of these the continued fall in the value of the pound, in other words, the continued rise in prices, makes the future replacement of plant a difficult problem, as has been frequently pointed out by chairmen of companies and by the technical and financial press.

REPLACEMENTS

Replacements can only be made in exchange for pounds and since pounds are no longer related to gold, replacements whenever they are made will have to be paid for in paper pounds at the date of replacement. No one can foresee how much paper pounds will buy in the future, or, in other words, how much future replacements will cost. But the increase in the cost of replacement can be illustrated by looking at the replacement cost of our company's producing assets in today's paper pounds compared with the past, based on the Board of Trade index of General Wholesale Prices. These assets at June 30, 1950, after applying the depreciation provisions, stand in the consolidated balance sheet at £23,293,000.

It is estimated that the cost of replacing these assets as they exist today would have been no more than £25,000,000 in the gold pounds of 1913, and no more than £26,000,000 18 years later in 1931, the year in which the Gold Standard was abandoned. But in the paper pounds of today, 19 years later than 1931, the cost of replacement would be no less than £76,000,000, an increase of £50,000,000.

If it is assumed that the useful life of these assets is 25 years, their replacement will require 3,000,000 of today's paper pounds every year, and these pounds can only come out of trading surpluses after providing for taxes, which today takes one half of them. We know that in practice some assets may not need replacing in 25 years, but the illustration indicates first, that our trading surplus is not more than we need, and secondly, that trading surpluses in general cannot be regarded in isolation but must keep in step with prices.

Nationalisation will make no difference to these problems, the same trading surplus will be needed and the same cost of replacement will have to be incurred.

NATIONALISATION

The Iron and Steel Bill introduced on October 29, 1948, became an Act of Parliament on November 24, 1949, eight days after our last annual meeting. The Act is commonly regarded as an act to nationalise a whole industry, viz. the iron and steel industry. In fact it is an act to provide for the establishment of an Iron and Steel Corporation of Great Britain and for the transfer to that corporation of the securities, not of all but of certain selected companies—specified in the third schedule to the Act—who are engaged in the production of iron and steel and in activities leading up to and following their actual production. The number selected is 96, and the basis of selection is production in excess of minimum outputs of iron ore, pig-iron or steel.

The specified companies will not be dissolved by the Act as in the case of transport, electricity and gas; they are to remain in being. The effect of the Act was to take the securities, i.e. the share and loan capital, from the present holders on a date to be fixed and to transfer them to one holder, viz. the Iron and Steel Corporation of Great Britain, which the Minister of Supply would set up. The Minister has duly appointed members of the Corporation.

VESTING DATE

The date of transfer or vesting was left to the Minister of Supply. It was to be not later than twelve months after January 1, 1951. It was hoped that the Minister would defer fixing the vesting date as long as possible, but on October 9th he announced that the date would be February 15, 1951.

The transfer of the securities of the specified companies is compulsory. In cases where the securities are quoted on the Stock Exchange, as they are in our case, the compensation has been fixed by the Act and without reference to the owners of the securities.

The compensation is fixed by calculating the average prices of the securities on the Stock Exchange on certain dates. For the purpose of determining the amount of compensation so to be calculated, each company had to appoint an individual to act as stockholders' representative, and these representatives had to be appointed not later than two months before the date of transfer.

The United Steel Company is a specified company and unless legislation is passed which would make the Act of no effect, or the date of transfer is postponed, the securities held by our stockholders, namely, £5,097,000 preference and £10,194,000 ordinary stock, which are the only securities constituting the company's capital, will automatically pass to the corporation on February 15th.

At a meeting of stockholders held in Sheffield on October 23rd they appointed Mr C. R. Urquhart, partner in the firm of the company's auditors, Messrs Peat, Marwick, Mitchell and Company to be their stockholders' representative. He will take care that the amount of compensation is correctly calculated.

COMPENSATION

It is expected that the compensation for preference stock will be 22s. 10d. and ordinary stock will be 30s. 4d. Compensation will be paid not in cash but in a new form of stock to be known as British Iron and Steel Stock, the conditions of which, speaking generally, will make it of par value at the date of issue.

In addition to the compensation payable in iron and steel stock, pro rata dividends would be payable in respect of the period between the end of our company's last financial year, viz. June 30, 1950 and the transfer date, viz. February 15, 1951. The normal dates for paying dividends are, for the preference stock 2½ per cent. on February 1st and 2½ per cent. on August 1st, and for the ordinary stock 2½ per cent. interim dividend towards the end of March and 5½ per cent. final dividend in the middle of November.

DIVIDENDS

The amount of dividend which will have accrued in respect of the preference stock between the last payment on August 1st and February 15, 1951 will be 2.4411 per cent. compared with 2½ per cent. normally due on February 1st. The Act provides that dividends payable shall be paid as soon as possible after the date of transfer. It might be more convenient to preference stockholders to receive a single payment soon after February 15th than to receive the normal payment of 2½ per cent. on February 1st and a relatively small amount at some later date.

In the case of the Ordinary stock a dividend would be due in respect of the period between July 1, 1950, and February 15, 1951, which calculated at 8 per cent. per annum would amount to 5.0192 per cent. There are no means of ascertaining when this would be paid, but there would be nothing to prevent an interim dividend being paid in March as usual, in which case the balance might be paid at the same time or later.

ALL ASSETS TAKEN OVER

Letters received from stockholders from time to time indicate that they do not understand clearly the effect of the Act. They appear to think that some of the assets of the company might be retained for their benefit without reducing the amount of compensation they will receive for their securities.

The securities of our company are of two classes only, viz., Preference and Ordinary stock. The effect of the Act is to take away from every holder of Preference and Ordinary stock on February 15, 1951, the whole of his stock in return for compensation, and to transfer it to the newly formed Iron and Steel Corporation. By this transaction the Corporation in effect will acquire every single asset of the company and every single liability. Nothing whatever will be excluded.

It is true that some specified companies have segregated, or hived off, as it has been called, part of their assets which it has been agreed by the Minister of Supply might be retained for the benefit of stockholders. But in such cases a valuation of the assets segregated is made, and this is deducted from the amount of compensation to be paid. For example, suppose that some of the assets of our company had been segregated by agreement with the Minister of Supply, and suppose that the value of such segregated assets had been agreed with the Minister of Supply in round figures at £500,000 or 1/20th of the Ordinary stock, then the compensation per £1 of the Ordinary stock would be reduced by 1s., i.e., from, say, 30s. 4d. to 29s. 4d.

Further, some kind of body would have to be set up to which the segregated assets could be transferred. Such a body might be a new company, the shares of which would be issued to the stockholders, or it might be trustees, who would find a purchaser and distribute the proceeds to the stockholders.

NO SEGREGATION

The possibilities of segregation have been considered by your directors, but it does not appear that any of the assets are suitable for segregation or that any segregation would profit the shareholders.

We have also been asked if the compensation received and receivable for coal mines can be distributed to the stockholders. The answer to this question is that the compensation received or to be received in respect of coalmines assets is for the purpose of the Iron and Steel Act no different from any other assets, and there is no provision to provide for this special treatment, but even if it were admissible to hand over to the stockholders the compensation received or receivable for the coal mines, then the compensation so received would still be deducted from the compensation payable for the company's securities.

THE FUTURE

As to the future, the Minister of Supply when speaking in the House of Commons during the debate on the Third Reading of the Iron and Steel Bill said, "the making of iron and steel in its many forms will not, under this Bill, be the responsibility of any Government department. It will be the responsibility of the managements of the existing companies which will retain their identities, their goodwill and such loyalties as they have been able to build up. The Corporation's function will be that of a holding company responsible in their broad policy to Parliament through, of course, the Minister of Supply. They will be charged with the general duty of ensuring that the development of the industry and the price, quality and type of their products conform to the overall economic needs of the nation."

Again, at a press conference in South Wales on September 30, 1950, the Minister, as reported, emphasised that the transition from private ownership to nationalisation should have no effect on the manner in which the steel industry would carry on. The individual companies would still exist as units with all their traditions and loyalties which have been built up. The Steel Corporation would merely be the holding company of the shares.

OPPOSITION'S INTENTION

The Opposition have said that if they are returned to power they will return the selected companies to free enterprise.

But whatever the future may be, unless in the meantime the Act is repealed or the date of transfer postponed, that part of the iron and steel industry represented by the specified companies, of which we are one and all their other activities will be what is called nationalised on February 15, 1951.

Much has been said and written about the method of valuing the shares of the specified companies. Great objection has been taken to the valuation by reference to the price on the stock exchange on some selected date. Whatever may be said for this method, it can hardly be a fair way of valuing iron and steel companies which it is common knowledge have been spending very large sums on developments in recent years which at the time transfer prices were fixed by inclusion in the Iron and Steel Bill on October 29, 1948, had not and in many cases still have not become productive.

In the case of our company since July 1, 1948 the net worth of our assets as they are recorded in our consolidated balance sheet including the provision for deferred taxation has increased by £3,415,000.

It is no answer to say that the current market price of the stock reflects this increase in net worth. Market values of stocks and shares follow very closely the rate of the latest dividends, dividends generally have been voluntarily restricted by special request of the Chancellor of the Exchequer since March, 1948, and in the case of the specified steel companies dividends payable after October 29, 1948, were limited by the Act itself.

ATTITUDE OF DIRECTORS

In conclusion the directors of specified companies and their trade association, the British Iron and Steel Federation, have been criticised for unwillingness to co-operate once the Act was passed. But it should be remembered that the directors of the specified companies and their trade association (which has other members) are the elected representatives of the owners of the securities which are to be compulsorily acquired but which have not yet been acquired. They could hardly lend themselves to the acquisition, on the contrary it is their duty to oppose it until the last moment. The irony, the tragedy of the whole matter is that nobody really wants iron and steel to be nationalised.

The report and accounts were adopted.

ROAN ANTELOPE COPPER MINES, LIMITED

The following is an abridgment of the statement by the chairman (Mr R. L. Prain, O.B.E.), dated October 9, 1950, circulated to members.

MR A. CHESTER BEATTY

Last June, his colleagues no longer felt justified in continuing to ask Mr A. Chester Beatty to remain on the board as chairman against his expressed wish to retire, and accordingly, on June 6th, Mr Beatty resigned after 23 years as first chairman of the board.

Mr Chester Beatty was the founder of this company, and indeed is generally acknowledged to be the main architect of what is now the great copper industry of Northern Rhodesia.

My colleagues did me the honour of inviting me to succeed Mr Beatty as chairman.

MINE POSITION

After a successful and confident start at Roan Antelope, underground difficulties were encountered. The years 1931 to 1938 were years when the low costs of production and the successful extraction of the ore gave no indication of the trouble which was to develop later on account of the mine workings being subjected to unduly heavy pressure. This situation became evident in the year 1939, and resulted in the necessity of introducing more costly mining methods. The questions of safety, mining recovery and mining costs all had to be considered and correlated to the best advantage under difficult circumstances. In the development period, during which the mine was being turned over to new methods, costs were bound to be high and production low, and it is only now that the results of this work are beginning to be seen. It is calculated that maximum production will be about 72,000 tons of copper per annum.

The development of the Roan Extension area proceeded satisfactorily.

The bringing into production of this area has taken 4½ years, and has cost about £1,000,000, all of which has been found out of taxed profits.

DEVALUATION

In December, 1949, agreement was reached with the Ministry of Supply whereby the price basis for Northern Rhodesian copper delivered to the Ministry would be approximately the same as the price of copper f.a.s. New York. The importance of this decision to the Northern Rhodesian companies is obvious, as it results in a higher copper price in terms of sterling, which is essential to meet the inevitable increase in the costs of production and capital goods following on devaluation. The increase in price and the increase in costs should first be evident in the current year.

RESULTS FOR THE YEAR

The blister copper production for the year was 63,557 long tons (56,162 the previous year).

Stocks were increased by 1,500 tons to about 18,000 tons, which completes the stock-building programme. The remaining production was sold at an average of £127 4s. 7d. per long ton of blister copper f.o.b. Beira (£120 7s. 9d. the previous year).

The profit for the year before replacements and taxation amounted to £3,334,000, an increase of approximately £670,000, of which about half is due to the increase in the price received for our copper, and the rest to the increase in production. In order to make adequate provision for the very heavy expenditure in the years through which we are now passing, the appropriation to replacements and obsolescence reserve has been increased from £700,000 to £900,000; the reserve now stands at £1,588,284. In line with previous policy, £100,000, being the approximate amount of the increase in the value of copper stocks, has been transferred to general reserve.

The board has recommended a final dividend of 9d. per unit of stock or share which, together with the interim of 6d., will make a total distribution for the year of 1s. 3d. (1s. 1½d. the previous year).

Taxes payable for the year amount to about £1,616,000, against which there is a credit in respect of over-provision for previous years amounting to £52,000; the carry-forward is increased to £193,936.

COPPER MARKET

Our copper has been sold almost entirely to the Ministry of Supply. I have referred already to the agreement reached with the Ministry with regard to the effect of devaluation on the copper price. This price will thus continue to be based on the United States export quotation which during the year touched a low point of 16 cents per pound of electrolytic copper f.a.s. New York and a high point of 22.50 cents. At present this price is standing at 24.50 cents. It will not, I believe, be considered an excessive increase in price, considering the movements which have occurred in other commodities and the extremely strong statistical position which still obtains for copper.

LABOUR POSITION

There were two short strikes which together caused an interruption of three days. The matters in dispute were ultimately settled with the European trade union, either by discussion or through conciliation.

There were no disputes with the staff association or the African trade union which were not settled by discussion or conciliation, while in the case of the European union the only dispute on which agreement was not reached was that relating to the question of a 40-hour week. The union had requested the copper companies to recognise the principle of a 40-hour week, and the matter had been referred to conciliation, at which no agreement was reached. A Board of Enquiry was appointed into this dispute, and into the question of compulsory arbitration; its findings have not yet been published.

FUEL

There were no interruptions during the year on account of shortage of fuel. Deliveries of coal were not up to the company's requirements, but the effect of the shortage in deliveries was mitigated by the continued intensive wood-burning efforts of the copper companies.

Since the end of the financial year there has been further deterioration in the fuel position, and the outlook is still far from clear. It does appear, however, as if the problem may again develop, as it has done in the past, into one of carrying capacity of the railways rather than of colliery output.

WESTERN CONCESSION

Just over £9,000 was spent on an area to the west of the Copperbelt which is being prospected by Mufulira Copper Mines on behalf of itself and certain other Northern Rhodesian companies, and in which work this company has a participation of 30 per cent.

GOODE DURRANT AND MURRAY

(Wholesale Merchants, Importers and Warehousemen)

A SATISFACTORY RESULT

MR GEORGE P. SCHOOLAR ON BUSINESS TRENDS

The fifty-second annual general meeting of Goode Durrant and Murray, Limited, was held on November 9th at 197, Great Portland Street, London, W., Mr George P. Schoolar, the chairman, presiding.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended July 20, 1950:—

In presenting to the shareholders the balance sheet for the year ended July 20, 1950, the directors are pleased to again be in a position to report a satisfactory result for the period under review. The continued upward movement of markets caused uncertainty as to the capacity of the public to keep pace with rising prices; the opinion being frequently expressed that limits had been reached, and that buying resistance would interfere with sales.

There has indeed been considerable price resistance, and people have either substituted with articles of lower quality, or gone without, by making the old garment last out another season; but increasing population and rising wages, coupled with steady employment, has kept sales at a level which consumed available supplies, with little sign of slackening demand. Profit margins, under the system of price control applied in Australia, are inadequate, and not in keeping with the risks entailed, and margins do not allow for the provision of reasonable reserves to cover ordinary market risks.

Labour conditions show some signs of improvement in factories and workrooms. In addition to seniors with some experience, juniors and beginners have become available in larger but still limited numbers. The juniors are very welcome, as indicative of a revival of interest by young people in this type of occupation.

TRADE PROSPECTS

New Zealand trade is increasing and prospects are encouraging. South African trade made a good recovery following on a dull period due to import restrictions and unbalanced buying by some importers.

There has been a rush to secure goods, in anticipation of shortages and still higher prices. Purchases are in excess of current requirements and an easing in demand can be expected, while stocks are being reduced to normal. This buying excitement has been general and not confined to South Africa or Australia and New Zealand.

The West Indies have recently bought from this country the bulk of the goods that were formerly obtained from the United States and, in consequence, our shipments have assumed much greater proportions. Owing to currency regulations our trade with South America has been restricted. There are indications of easier conditions in this market.

Business in other parts of the world, including India, Pakistan, Middle East and Far East, has been adversely affected by unsettled conditions, but there are some signs of improvement. With all these factors intervening, it is gratifying to us to be in a position to recommend the same dividend and bonus as paid last year, after putting further sums aside for contingencies and superannuation. Reserves for future taxation on current profits have been provided at existing rates.

BALANCE SHEET FIGURES

I would like to draw your attention to the fact that the figures in our balance sheet on this occasion are entirely in sterling. Previously mixed Australian and United Kingdom currencies were given, with provision for exchange on the excess of current assets over liabilities in Australia. This exchange provision has now been applied to the separate totals of assets and liabilities, and, in order to give an accurate comparison, the previous year's figures have been similarly treated. The total excess of current assets over liabilities is now £980,742. To the best of our knowledge, ample provision has been made for doubtful debts. Stocks have been subjected to careful inspection by the management, and conservatively valued, and, provided there is no major disturbance to business, should be realisable at a profit.

Since July 20th, world events have affected markets to an unusual degree. We are again facing market advances, but of a more revolutionary nature, and problems have to be expected which make it difficult to forecast future trading results. We are endeavouring to maintain and to improve sales without increasing stocks unduly; but sales can only be effected by providing goods in sufficient quantities to give the turnover required. The quality of management and staff will be tested when facing up to the position.

LIMITING RISKS

Retailers can be expected to adopt a conservative policy, and endeavour to limit risks by buying from hand to mouth. We can see the wholesaler being called upon to carry the stocks, and assume a greater proportion of risk in their disposal until such time as markets settle on to a steadier basis.

Harvest prospects in both South and West Australia are satisfactory. Wool, the main primary product, has taken a spectacular rise and the clip will be responsible for a much larger amount, owing to very keen demand and high prices. Excessive prices give a temporary benefit to the seller, but do not serve the real interests of the industry, and, in the case of wool, forces manufacturers to search for substitutes and mixtures. A genuine shortage obtains with high prices unavoidable; and demand for military purposes has aggravated an already serious position.

A shortage of labour for primary and secondary industry is still hampering operations in pastoral, farming and mining pursuits, as well as heavy industry in Australia. Building shortage is acute, and importation of prefabricated houses is being resorted to. These structures may satisfy an urgent demand; but in countries where homes of a substantial nature are a feature, it is a great pity that resort to substitutes should be necessary.

I should like to place on record the board's appreciation of the loyal support of our staff in Australia and also in London, which the board consider has contributed to an important extent in the export trade of the United Kingdom.

The report and accounts were adopted.

SOUTH AFRICAN DISTILLERIES AND WINES LIMITED

INCREASED PROFITS

The sixteenth annual ordinary meeting of South African Distilleries and Wines Limited was held on November 10th in London, Mr H. R. Mosenthal (the chairman) presiding.

The following is an extract from the statement by the chairman for the year ended February 28, 1950:

The consolidated trading profits amount, before providing for United Kingdom taxation but after providing for all South African taxation, to £541,304, as compared with £516,389 last year, an increase of £24,915.

The total estimated liability to South African taxation on the profits earned during the year is £183,704, as compared with £182,931 last year. The total provision for United Kingdom taxation is £130,503, compared with £122,287 last year.

RESULTS OF YEAR'S OPERATIONS

Dividends declared by the subsidiary companies amounted to £298,726, as compared with £275,937 in the preceding year. Net profit available for distribution amounts to £180,505. The directors propose to distribute a final dividend on the Ordinary stock of 19 per cent., less income-tax, making, with the interim dividend of 6 per cent. already paid, a total of 25 per cent. for the year.

Last year our subsidiary companies suffered a further reduction in their quota of rebate brandy, which had necessitated the further rationing of their sales, but I was able to inform you that they were able to minimise this very serious handicap to a certain degree by careful anticipation. This problem has been resolved and the policy is being continued of increasing maturing wine and brandy stocks. The prospects of the operating companies are as good as ever.

Some shareholders may feel that we should not have increased our dividend, but I fail to appreciate why, it the decreased buying power of the pound or, in other words, the cost of living, justifies wage increases, those such as widows, men in retirement and generally all people dependent on dividends to maintain not only their standard of living but their actual living, should not also receive the extra dividends where profits justify increased distribution. I emphasise the word "justify." Adequate reserves must be provided, as in fact they have been.

I do not like bringing politics into the annual statement, but may I be permitted to say that the economic recovery of this country would be speeded up by the limitation of Government expenditure and waste rather than the dividend limitation, which is to some extent a class measure; it would seem that the old and very sound motto, "United we stand, divided we fall," has been converted into "Unions must stand, dividends must fall."

QUESTION OF TRANSFER OF CONTROL

The board has for some time had the question of the transfer of directorial control to the Union of South Africa under consideration. The decision is not an easy one. Many factors come into the matter which have to be taken into account, and there might be alterations in taxation both in the United Kingdom and in the Union of South Africa which may have disadvantageous effects if control were removed from this country. The report of the Tucker Committee is expected to be issued shortly, and this may indicate very clearly whether the removal of control is desirable or otherwise, and in these circumstances the board has come to the conclusion that it is in the best interests of the stockholders to defer coming to a final decision.

The report was adopted.

DALGETY AND COMPANY

ANOTHER SATISFACTORY YEAR

The sixty-sixth annual general meeting of Dalgety and Company, Limited, will be held in London on December 7th.

The following is an extract from the statement of Mr D. Abel Smith, the chairman, circulated with the report and accounts for the year to June 30, 1950:—

I am pleased to be able to report another satisfactory year's trading. The company's business during the year has been well maintained and in many directions increased. Shareholders will be interested to learn that the number of offices in Australia, New Zealand and East Africa has increased since 1945 by no less than 74.

HIGH LEVEL OF PRICES

Prices for all primary products have remained at high levels and have contributed very materially to the satisfactory results for the year. Although the outlook for the current year is very promising, we do not lose sight of the fact that the present high prices may not last, and we have thought it prudent again to make substantial appropriations to our reserves as an insurance against less favourable times in the future.

I referred last year to inflationary tendencies in the Australian economy which show no signs of abating. One of the main effects on our business has been a substantial increase in expenses, a large proportion of which has been the salaries and wages of our staff. Fortunately during the past year increased earnings have more than absorbed the increased expenses. That these earnings have proved so buoyant is in the main due to the high prices which have ruled for wool and which are themselves reflected in the price of sheep.

It is contrary to the company's policy to deal on its own account in wool or stock. Wool, as you know, is sold at public auction by us and our competitors, and our aim is to persuade the pastoralist to entrust his clip to us for sale. It is from the commissions on these transactions that our earnings arise, and by working only on a commission basis we can justly claim that the interests of our clients and ourselves are one.

TRADING IN NEW ZEALAND

In New Zealand, too, the year's trading has been highly satisfactory, and each of our main branches has been able to show profits which are an improvement on the previous year. In view of the keen competition which exists in all the numerous small centres in New Zealand where the company's business is conducted, and taking into account the fact that many clients formerly financed by us are now independent and therefore free to deal with whom they wish, the results reflect great credit on the management and staff. As in Australia, however, our satisfaction must be tempered by the knowledge that the good results are in part to be attributed to the high level of wool and stock prices, and we cannot but be disturbed by the heavy rise in expenses.

I turn lastly to East Africa where the result of the year's working has been a disappointment. Most of our smaller branches did well, but the profit for East Africa as a whole is the lowest for some years, which is the more disconcerting in that prices of primary products, and particularly sisal and coffee, have been higher than ever.

Although the results for the past year have been below expectations, we retain our faith in the successful development of the East African territories.

We are recommending a final dividend of 6½ per cent. on the Ordinary shares, which represents 10 per cent. for the year, and we also recommend the payment of a bonus of 2 per cent. on the Ordinary shares, making a total distribution of 12 per cent.

STREAM-LINE FILTERS LIMITED

RECORD VOLUME OF ORDERS

MR C. S. GARLAND'S REVIEW

The annual general meeting of Stream-Line Filters Limited, was held on November 13th in London, Mr C. S. Garland, the chairman, presiding.

The chairman referred to the serious loss the company had sustained in the death of his son, Mr J. C. Garland, A.C.G.I., B.Sc., A.M.I.Chem.E., in the accident to the Dakota machine at Mill Hill on October 17th. He was technical director of the company and had, since his return from the R.A.F., completely reorganised two of the company's factories. He was on his way to a conference regarding the lubrication of a new rolling mill which was one side of the company's work in his charge. He was a very capable engineer, well versed in all phases of the company's operations and will be difficult to replace.

Continuing, he said: The volume of orders and the output from the works steadily increases—both being a record since the establishment of the business in 1923. Apart from the rearmament programme, for which it is providing essential equipment for some 14 countries, over 60 per cent. of its output is exported and a substantial part of the balance is for such important services as power stations, steel, aluminium and brass rolling mills, large-scale mining operations and shipbuilding.

The company's strength in the export markets is based on its policy of quoting fixed prices, keeping faithfully to delivery dates and selling a large volume of a high-grade product at a modest margin of profit. Stream-Line Filters are manufactured in London, Detroit, Paris, Barcelona and Stockholm and are sold through some 60 enthusiastic and energetic agencies overseas. They enjoy throughout the world a reputation for good quality and sound engineering design.

TAXATION BURDEN

The heaviest charges from the net income of £42,272 are for taxation £17,704 and depreciation £8,725, both of which arise from the same cause—high taxation. This is one of the main reasons for high prices, and these high prices in turn demand the setting aside of ever-increasing sums to provide for the higher cost of replacement of plant and tools. The company's order book ensures the full operation of all the factories for the next twelve months at prices which show a satisfactory margin over cost.

It will be noted from the consolidated accounts that the tax liability of the subsidiaries has not yet been finally determined, but the directors and their advisers believe that they have made provision for this and for deferred repairs in the sum of £165,245, of which £72,245 has already been paid on account. The cash resources of the subsidiaries are fully extended in providing out of the small part of their profits remaining after paying taxes at the present penal rates for the increased sums needed for stocks and book debts resulting from a larger volume of business and higher prices of all supplies and for the maintenance of their works and plant.

While they continue to earn reasonable profits they could make a substantial contribution to the divisible profits of the group only by the provision of fresh capital from outside sources and, in pursuance of their conservative financial policy, this is a course which your board would wish to avoid.

The report was adopted.

Mr F. H. Rogers was re-elected a director and the audit fee of Messrs Lever Honeyman was agreed.

ALLEN HARVEY AND ROSS, LIMITED

INCREASED PROFIT

The seventh annual general meeting of Allen Harvey and Ross, Limited, was held on November 14th in London.

The following is an extract from circulated statement of Mr G. M. B. Portman (chairman and managing director):—

The net profit for the year ended September 30, 1950, amounted to £87,999, against £64,357, an increase of over £23,000 above the previous year. After the same dividend appropriations as last year, £69,898 remains to be carried forward, equivalent to twice this year's appropriation for dividends.

The discounting of bills on London has lately shown a new significance—indeed, some return towards former practices. The market has increasing cause to see to it that their purchases bear authentic hallmarks upon them showing that the goods secured under acceptance credits will indeed be self-liquidating commodities. Such bills can readily be turned over by the discount houses, at the small margin of profit now generally agreed upon by all concerned as the consideration due for the discount firm's endorsement liability.

At this moment sterling is showing remarkable strength, resulting in a notable flow of foreign money into the market. It would be unwise at this stage to treat this movement as more than temporary, for we must look cautiously ahead at the consequences which may befall our economy during 1951, during which year international war debts to Canada and U.S.A. start to fall due, and deposits in sterling recently made by foreigners mature.

The report and accounts were adopted.

LEETHAMS (TWILFIT), LIMITED

RECORD TURNOVER

The twenty-second annual general meeting of Leethams (Twilfit), Limited, was held on November 16th at Portsmouth, Mr C. H. Reynolds, J.P., chairman and managing director, presiding.

The following is an extract from his circulated statement:—

We are pleased to report another year of progress by the company. Our turnover has been the highest in the history of the business, but whilst the trading profit is greater than that of a year ago, it has been influenced by the heavier working expenses which were expected and also by the persistent rise in the cost of materials, especially those containing cotton and rubber. We view with concern the tendency for costs to increase, the full effect of which has not yet been felt, and we can only hope the price-level of materials will not rise above that which the public both at home and abroad can pay.

We have continued to exert the utmost efforts to develop our overseas markets. We know that our prices are right and our products are acceptable; but there are many obstacles before our overseas friends can secure permission to purchase and import. Twilfit House came into production during the year, and afforded considerable relief to our other factories which were working under difficult conditions. It will also be noted we are contemplating extending another factory which we are convinced will be of benefit to future trading.

Stocks have risen by £78,194. This is attributable in part to enhanced costs of materials and in part to our decision to carry greater quantities of garments manufactured and in course of manufacture, with a view to permitting equitable distribution to our customers.

The report was adopted.

CITY OF SAN PAULO IMPROVEMENTS

RECORD SALES

MR R. G. MILLS'S STATEMENT

The thirty-eighth ordinary general meeting of the City of San Paulo Improvements and Freehold Land Company, Limited, was held on November 16th in London, Mr R. G. Mills, the chairman, presiding.

The following is an extract from his circulated statement:—

Under Brazilian law the company is not permitted to remit profits in excess of 8 per cent. of its registered capital employed in that country. In respect of the profits of the year ended February 28, 1949, the permissible remittances were £134,450, of which £120,000 has been received. In respect of the profits of the year to February 28, 1950, the company has made application to the Brazilian authorities for remittances of about £150,000 to meet its liabilities for British taxation, interest and redemption of the Five and a-Half per Cent. Redeemable Income stock, and dividends on the Preference and Ordinary stock.

The profit for the year in San Paulo amounts to £195,628, as compared with £215,233. The decrease of £19,605 is attributable chiefly to certain non-recurring expenses and to the fact that in the previous year a considerable block of land was sold, for outright payment, the profit thereon being taken into that year's accounts. After bringing into account revenue and charges in London, the profits for the year are reduced to £180,641. For the first time the company has become liable to British taxation, the amount being £20,300 for profits tax. The board feel justified in recommending the payment of the same final dividend for the year as was paid last year—namely, 2½d. per Ordinary stock unit.

LAND SALES AND PRICES

During the year under review the total sales made on the company's usual terms amounted to Cr.$75,000,000 approximately, which is by far the highest amount yet recorded. The present stock of land, developed and undeveloped, is 474 acres, and stands in the balance sheet at the amount to which it was written down on March 1, 1940, or at cost where purchased subsequently.

Prices of land are being maintained and there appears to be no slackening off in the demand, provided credit facilities are continued. The tendency of most people in Brazil to invest savings in property is very pronounced.

For commercial and other valid reasons, the board has felt for some time past that there would be distinct advantages in registering a subsidiary company in Brazil. It was decided to register on July 6, 1950, a company in Sao Paulo entitled Companhia City Paulista de Terrenos e Melhoramentos, having a capital of 20,000 contos, being the equivalent of £250,000 when calculated at the rate of 3d. to the cruzeiro.

This is a wholly owned subsidiary, but direction of the company is in the hands of its directors, all of whom are resident in Brazil. An agreement has been drawn up by virtue of which the new company will act as our agents in Brazil, and it is the intention of the directors of the new company to invest its capital in land purchases as and when the opportunity occurs. As the result of having taken this step we have further identified ourselves with the country in which we operate.

The report was adopted.

CONSOLIDATED AFRICAN SELECTION TRUST, LIMITED

BENEFITS OF NEW DIAMOND CONTRACTS

The twenty-sixth annual general meeting of Consolidated African Selection Trust, Limited, will be held on December 12th in London.

The following is an extract from the circulated statement of the chairman, Mr A. Chester Beatty:—

The combined profit for the year ended June 30, 1950, by this company and its wholly owned subsidiary, Sierra Leone Selection Trust, Limited, was £2,366,255, a decrease of £223,385, compared with the previous year. The directors recommend a final dividend of 3s., making a total for the year of 4s. per unit of stock.

ILLICIT ACTIVITIES

A factor which has a prejudicial effect on our operations in the Gold Coast is the very serious growth of diamond thefts and illicit mining activities over the last two years. There is no doubt that important quantities of diamond have been stolen from our mines and from our plants at various stages of our operations. All possible steps are being taken, with the close co-operation of the Gold Coast authorities, to reduce the loss through these causes, but the protection of our concessions from illicit mining in the thick African bush presents great difficulties, which are increased by the extremely loose regulations under which Africans are at the present time able to work and deal in diamonds. Representations have been made to the Gold Coast Government regarding this state of affairs, which urgently calls for appropriate preventive measures if serious repercussions in the economy of the colony are to be avoided.

The current contracts with the Diamond Corporation for the sale of our production were due to expire on December 31, 1950. As a consequence of the devaluation of sterling, however, their revision became necessary, and it was decided to take the opportunity which thus arose to review the whole situation from a long-term point of view. As a result, new contracts covering all diamond material produced by your companies and operatives from January 1, 1950, for a period of six years, were entered into with the Diamond Corporation and with Industrial Distributors, Limited, on terms which your directors consider satisfactory. The new arrangements will result in a substantial increase in the earnings for our industrial production, which will, however, not be reflected in our accounts until the current financial year is completed.

CURRENT YEAR'S SALES

At the end of last year, indications were that world sales of diamond for the current calendar year would be at a lower level than for 1949. In the event, however, due perhaps in part to the developments in Korea, the value of sales of cuttables and industrials reached nearly £35,000,000 by the end of September, and there is little doubt that the sales for the year will reach a new record. While the higher prices introduced as a consequence of the devaluation of sterling mean that the caratage sold has not increased proportionally to the rise in value, the long continuance of this high rate of demand has resulted in the disposal of our accumulated stocks, and present indications for the current financial year are that there will be no difficulty in finding a market for the whole of our production. The outlook for your companies continues, therefore, to be satisfactory.

EASTWOODS LIMITED

NATIONALISATION THREAT

The thirtieth ordinary general meeting of Eastwoods Limited was held on November 16th in London.

Mr G. W. A. Miller, F.C.I.S. (chairman and managing director), in the course of his speech, said: The threat of even more State control of cement and other industries had to be repeated at a time when coal, transport and practically all the nationalised undertakings are showing losses which can only be corrected at the expense of the public, that is charged to private enterprise, and there is undue haste to cover the losses before disclosure of the calamitous cost of the policy becomes inevitable.

In view of the further proposals announced at the opening of Parliament, we must now assume that out of the veiled and guarded juggle with words, out of the obvious ambiguity and double entendre one issue emerges clearly. That issue is private enterprise, personal effort and the national interest versus State control, the fostering of hatred between class and class and the reduction of the way of living, the savings and the income of those who can and will to the sub-standard level of others who cannot or will not. We will fight nationalisation at Eastwoods on the basis that a tremendous contribution to the national welfare is being made by the Cement Industry financed entirely by the savings of the people, including thousands of our own employees and stockholders.

Town planning and licensing delays are obstructive to progress, and effort has been made to short-circuit these troubles by the purchase of closed yards for re-equipment and re-opening as soon as possible.

SUCCESS OF FREE ENTERPRISE

Free enterprise need not be ashamed or afraid of its successes. On the contrary, it is from the wider spread of our many and varied activities that the larger volume of net revenue flows with which to finance social services, Government expenditure in general and the losses of nationalised industry in particular.

We can now speak with some experience about Town and Country Planning, with particular reference to the operation of the 1947 Act. In the effort to float any new project years of delay are common between the date of the original scheme and the time when the production stage is actually reached. Something must be done very urgently to streamline procedure and sweep away the ever-growing mass of new regulations and added restrictions. Unquestionably some of the provisions, besides being a bar to the very development which the Act contemplates, are *ultra vires* the Act itself—notably any consent on a fresh application accompanied by additional restrictions on land worked out in the past, not immediately contiguous and not forming part of the present application.

One of the absurd anomalies we have to meet every day, and I have no answer to give our employees, is that our bricks are being delivered in millions to build houses for agriculture, mining and police on top priorities in the centre of areas in which we cannot get allocations for the brick-making employees themselves.

In reviewing the progress during the past year of outstanding successes when the results of programmes initiated during the war are becoming apparent, we are at last able to measure the value of projecting nearly one million pounds of new capital expenditure in the past five years upon an organisation such as Eastwoods.

The report was adopted.

INDUSTRIAL FINANCE AND INVESTMENT CORPORATION

INVESTMENT INCOME WELL MAINTAINED

MR J. N. BUCHANAN'S STATEMENT

The twenty-fifth annual general meeting of the Industrial Finance and Investment Corporation, Limited, will be held on Friday, December 8, 1950, at Winchester House, Old Broad Street, London, E.C.

The following is the statement by the chairman, Mr J. N. Buchanan, D.S.O., M.C., which has been circulated with the report and accounts for the year ended June 30, 1950:—

The publication of our accounts has this year been somewhat delayed, mainly because we wished to obtain the agreement of the Inland Revenue to a change in the basis of valuing our investments.

Previously, for purposes of taxation, we used to deal with the investments as a whole, valuing them each year either at their total cost or at their total market value, whichever was the lower. In this way the depreciation on holdings valued at less than their cost was first set against the appreciation on holdings valued at more than their cost. Only if there was a net depreciation on the investments as a whole was a deduction made from our taxable profits. Following the decision in a recent taxation case, we have now arranged to value each individual holding at the lower cost or market value. This enables us to deduct from our taxable profits the unrealised depreciation on any investment and not merely the net depreciation of the investments as a whole.

INVESTMENT FLUCTUATION RESERVE

To effect a corresponding change in our accounts, we have drawn on the investment fluctuation reserve to write the investments down by £185,046. This is the amount of the depreciation on individual holdings which at July 1, 1949, had been set off against the appreciation on other holdings and which hitherto could not be deducted from our taxable profits. The investment fluctuation reserve has been restored to its former figure of £200,000 by a transfer from the appropriation account. Although there is thus a considerable reduction in the carry-forward, the margin between the market value and the book value of the investments is greatly increased. There is also substantial relief from taxation of which full advantage could not be taken in these accounts, but which will be available against future profits.

In my statement last year I pointed out that the charge for taxation in the accounts bore little relation to the profits shown. As a result of the changes set out above, a similar position has arisen this year. The profit tax represents a distribution charge and the income tax is tax deducted from dividends received for which the relief from taxation mentioned above was not available owing to the fiscal year in which these dividends were paid. In future, however, once this relief has been fully utilised, the tax then payable will bear a close relationship to the results shown in the accounts.

The board considered carefully whether or not it was desirable to make this change. Apart from any saving in taxation, we considered the new method of stating our investments to be altogether more conservative, as we deal with losses as they arise, but do not take credit for profits until they are actually realised.

THE CURRENT YEAR

Conditions during the past year have not been easy. The year began when devaluation was threatening and ended a few days after the invasion of South Korea. In view of the uncertainties brought about by these events, it is satisfactory to be able to record the results shown by these accounts.

With regard to our old continental loans—which have, of course, long since been written off—nothing tangible has so far been achieved despite continuous negotiations, but there are indications that modest recoveries may be possible in the not too distant future.

The current year has begun in a rather better atmosphere, but the economy of many industries is likely to be put to a severe test by the continuing spiral of rising costs. This may well lead to increasing demands on the capital market, but viewed as a long-term factor is a less encouraging sign. Selectivity in investments, therefore, assumes ever-increasing importance. Income from our investments has so far been well maintained.

Finally, it is my duty and pleasure to express our sincere thanks to all our staff for their loyal service for the past year.

SOBRANIE LIMITED

VALUE OF PRODUCTS

The twelfth annual general meeting of Sobranie Limited was held on November 10th in London, Mr Isaiah Redstone (chairman and managing director) presiding.

The following is an extract from his circulated speech:

The consolidated profit for the year of the company and its subsidiary is over £134,000. This result must be regarded not only as a tribute to the company's trading, but as a very remarkable acknowledgment by the public of the value of its products.

The profits earned by the company this year may prompt the thought that the shareholders should participate to an increased extent. I regret very much that your directors are unable to recommend any increase. I am sure that it is better that, for the present, we should continue this policy of placing into the company's reserves and ploughing back to its use as much profit as can be spared.

Our subsidiary company has had a thoroughly satisfactory year and has more than confirmed our original confidence in this investment.

We are continuing the policy of increasing and improving the company's machinery, and during the past year we have made important additions.

The sales policy of the company remains unaltered, namely, to stimulate public taste for the best cigarettes, and to exploit every possible market available. We have not neglected our export trade and with freer markets our products would enjoy a very great demand throughout the world.

We should always remember that there is probably no trade more susceptible to economic fluctuations beyond its control and every word of confidence one utters must be qualified by the cautionary reflection.

The report was adopted.

NOTICES

UNIVERSITY OF NATAL
DURBAN, SOUTH AFRICA

Applications are invited for the post of Lecturer in Accounting.

Salary scale—(Men) £550 x £25—£725. In addition, a cost-of-living allowance, at present amounting to £208 for a married person and £83 4s. for a single person, is payable. The initial salary will be determined by qualifications and experience.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The closing date for the receipt of applications is December 31, 1950.

VACANCY EXISTS in the Board of Trade for a Research Officer to serve at Reading or other provincial centre. London salary range, £900-£1,220 a year (men); £800-£1,050 (women), starting pay according to age, experience and qualifications, with small reduction for a provincial post. Appointment is in a temporary capacity, but there is superannuation provision under F.S.S.U. Candidates must have a University Degree in Economics, Statistics or kindred subject with at least Second-Class Honours or equivalent, and a general background of knowledge and research experience in distribution of population, trade and industry, communications and services, natural resources, etc.—Applications, giving age, particulars of experience and qualifications and posts held, including dates, should be addressed to the London Appointments Officer, 1-6, Tavistock Square, London, W.C.1, quoting JN 515, within 14 days of the appearance of this advertisement.

FINANCIAL COMPTROLLER required by leading manufacturer of toilet preparations in the London area. The successful applicant will preferably, but not necessarily, have professional Accounting qualifications, but must have had considerable experience in budgeting sales, costs and profits. He will be required to advise the Managing Director on all aspects of the Company's finances, overheads, distribution costs, etc. The position is an important one in a large and expanding Company, and the right man should find a seat on the Board in due course.—Write, giving full details of experience, education, age, to Box No. 529.

ECONOMISTS, January, 1948, to December, 1949, with indexes (January to June, 1948, bound).—Offers, Box 526.

MARTINS (DYERS & CLEANERS), LTD., of Apperley Bridge, near Bradford, invite applications for the position of Personnel Officer. Commencing salary offered from £450-£600, according to qualifications and ability. Applicants must possess Diploma in Social Studies or equivalent or higher qualifications, and must have had two years' post-graduate experience of work in this field or similar.—Write, stating age, and full details of education, qualifications and experience, to Personnel Manager.

THE TRADES UNION CONGRESS invites applications for the post of Assistant in its Research and Economic Department. Sound knowledge of economics and related subjects essential.—Further particulars of the appointment may be obtained before December 9, 1950, from Sir Vincent Tewson, C.B.E., M.C., Trades Union Congress, Transport House, Smith Square, London, S.W.1.

CHARTERED ACCOUNTANT and Management Consultant (public school and Oxford) seeks change. Specialist subjects: Standard costing, financial and budgetary control, mechanisation and administrative methods. Intensely interested in Personnel Management, at its finest, and in the Higher Management movement.—Box 524.

GENERAL MANAGER required to take charge of the hire purchase collection department of a large multiple shop Company with branches throughout the U.K. Comprehensive knowledge of hire purchase business generally and ability to choose and control staff essential. Commencing salary, £1,500 p.a.—Box 522.

MANCHESTER MERCHANT CONVERTORS handling piece goods and yarns require General Manager with seat on the Board. Remuneration to be discussed, but should not be under £3,000 per annum. Replies will be handled by the Chairman only and dealt with in strictest confidence.—Reply, Box 528.

SCOTTISH TEXTILE FIRM, selling to retail, require Manager to administer and integrate several speciality departments. Applicant should have thorough knowledge of modern merchandising. He will be required to stimulate the design and production of a wide range of quality goods, but not to sell.

The position provides interesting work, opportunity, and satisfactory remuneration. Present staff are aware of this advertisement and all applications will be treated confidentially.—Box 525.

Statistical Summary

EXCHEQUER RETURNS

For the week ended November 11, 1950, total ordinary revenue was £59,303,000, against ordinary expenditure of £52,056,000, and issues to sinking funds £470,000. Thus, including sinking fund allocations of £11,171,000 the surplus accrued since April 1st is £96,406,000 compared with £19,852,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950–51	Receipts into the Exchequer (£ thousand) April 1, 1949 to Nov. 12, 1949	April 1, 1950 to Nov. 11, 1950	Week Ended Nov. 12, 1949	Week Ended Nov. 11, 1950
	£'000				
ORDINARY REVENUE					
Income Tax	1388000	457,763	448,896	6,733	6,394
Sur-tax	120,000	40,200	41,200	900	1,400
Estate, etc., Duties	195,000	117,700	111,750	3,700	3,100
Stamps	50,000	31,100	31,100	800	800
Profits Tax	270,000	167,160	162,570	5,600	4,400
E.P.T.		27,200	8,750	1,300	...
Other Inland Rev.	500	80	80	...	...
Special Contributn.	4,500	15,400	3,380	500	80
Total Inland Rev.	2028000	856,603	807,706	19,333	16,174
Customs	870,650	499,655	546,020	22,053	22,855
Excise	713,150	454,800	456,600	12,100	16,269
Total Customs and Excise	1583800	954,455	1002620	34,153	39,124
Motor Duties	56,000	12,336	13,083	208	119
Surplus War Stores	35,000	64,906	26,016	169	885
Surplus Receipts from Trading	85,000	14,045	30,974	...	...
P.O. (Net Receipts)		...	3,400	...	2,300
Wireless Licences	13,000	5,940	6,000	...	...
Sundry Receipts	27,000	11,697	19,212	...	42
Miscell. Receipts (m. Crown Lands)	70,000	47,454	56,077	...	659
Total Ord. Rev.	3897800	1967435	1965088	54,177	59,303
SELF-BALANCING					
Post Office	172,150	98,200	101,100	4,500	2,200
Income Tax on E.P.T. Refunds	5,700	7,367	6,065	546	276
Total	4075650	2073002	2072254	59,223	61,779

Expenditure	Estimate, 1950–51	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1949 to Nov. 12, 1949	April 1, 1950 to Nov. 11, 1950	Week Ended Nov. 12, 1949	Week Ended Nov. 11, 1950
	£'000				
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	490,000	300,114	310,608	640	756
Payments to N. Ireland	36,000	21,621	21,414	...	...
Other Cons. Fund Services	11,000	6,076	4,832	...	...
Total	537,000	327,812	336,904	640	756
Supply Services	2918069	1609184	1520607	34,000	51,300
Total Ord. Expd.	3455069	1936996	1857511	34,640	52,056
Sinking Funds	...	10,587	11,171	590	470
Total (excl. Self-Bal. Expd.)	3455069	1947583	1868682	35,230	52,526
SELF-BALANCING					
Post Office	172,150	98,200	101,100	4,500	2,200
Income Tax on E.P.T. Refunds	5,700	7,367	6,065	546	276
Total	3632914	2053156	1975848	40,276	55,002

After decreasing Exchequer balances by £343,307 to £2,968,299, the other operations for the week increased the gross National Debt by £3,955,649 to £26,585 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1921	9
Housing (Temporary Accommodation) Act, 1944	4,532
	4,541

NET ISSUES (£ thousand)

P.O. and Telegraph (Money) Act, 1948	360
E.P.T. Refunds	339
Export Guarantees Act, 1949, s. 3(2)	35
Housing (Scotland) Act, 1944, s. 4(2) and Housing (Financial Provisions) (Scotland), Act 1946, s. 13(2)	483
Local Authorities Loans Act, 1945, s. 3(1)	4,800
New Towns Act, 1946, s. 12(3)	556
Cotton (Centralized Buying) Act, 1947, s. 21(1)	5,000
Overseas Resources Development Act, 1948, s. 17(1)	
Colonial Development	700
Overseas Food	48
Miscellaneous Financial Provisions Act, 1946, s. 2(1)	
War Damage; War Damage Commission	3,000
Finance Acts, 1946 and 1947; Postwar Credits	296
	15,617

CHANGES IN DEBT £ thousand

RECEIPTS		PAYMENTS	
Treasury Bills	11,657	Nat. Savings Certs.	700
3% Funding Stock, 1966–68	1,000	2½% Def. Bonds	290
Tax Reserve Certs.	1,181	3% Def. Bonds	410
Other Debt: Internal	43	Treasury Deposits.	30,000
Ways and Means Advances	21,475		
	35,356		31,400

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
Nov. 12	2900·0	2091·8	371·1	1·8	752·5	6117·2
1950						
Aug. 12	3140·0	1936·0	373·7	...	405·0	5854·7
,, 19	3140·0	1921·2	410·8	...	430·0	5902·0
,, 26	3130·0	1920·6	401·2	...	450·0	5901·8
Sept. 2	3120·0	1897·8	423·1	8·8	450·0	5899·7
,, 9	3120·0	1898·1	417·3	...	475·0	5910·4
,, 16	3120·0	1889·8	408·2	...	505·0	5923·0
,, 23	3130·0	1869·6	401·3	...	505·0	5905·9
,, 30	4,975·9		451·0	...	505·0	5931·9
Oct. 7	3130·0	1820·0	467·6	2·7	530·0	5950·3
,, 14	3140·0	1789·4	469·9	...	555·0	5954·3
,, 21	3160·0	2077·8	490·2	...	574·0	6302·0
,, 28	3170·0	2041·1	471·3	...	585·5	6268·0
Nov. 4	3180·0	1885·7	353·3	...	573·0	5992·0
,, 11	3180·0	1897·3	374·5	0·5	543·0	5995·1

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
Nov. 11	230·0	284·5	230·0	10 5·82	74
1950					
Aug. 11	240·0	304·8	240·0	10 3·32	73
,, 18	240·0	312·8	240·0	10 3·23	70
,, 25	230·0	294·9	230·0	10 3·48	73
Sept. 1	240·0	333·5	240·0	10 2·90	62
,, 8	240·0	313·4	240·0	10 3·22	70
,, 15	250·0	294·4	250·0	10 3·45	81
,, 22	240·0	310·2	240·0	10 3·21	34
,, 29	240·0	307·0	240·0	10 3·23	72
Oct. 6	250·0	312·3	250·0	10 3·23	74
,, 13	260·0	319·4	260·0	10 3·25	76
,, 20	250·0	332·3	250·0	10 2·94	66
,, 27	250·0	335·8	250·0	10 2·98	65
Nov. 3	250·0	347·7	250·0	10 2·70	60
,, 10	250·0	318·4	250·0	10 31·7	72

On November 10th applications for 91 day bills to be paid from November 15th to 18th were accepted dated Monday to Saturday as to about 72 per cent. of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million are being offered for November 17th. For the week ending November 18th the banks will be asked for Treasury deposits to a maximum of £45 million at 154 days.

NATIONAL SAVINGS

(£ thousand)

	Week Ended Nov. 5, 1949	Week Ended Nov. 4, 1950	Total, Apr. 1 to Nov. 4, 1950
Savings Certificates:—			
Receipts	1,900	2,200	53,300
Repayments	2,450	2,600	79,300
Net Savings	*Dr 550*	*Dr 400*	*Dr26,000*
Defence Bonds:—			
Receipts	480	325	10,350
Repayments	866	840	30,279
Net Savings	*Dr 386*	*Dr 515*	*Dr19,929*
P.O. and Trustee Savings Banks:—			
Receipts	13,201	13,019	386,875
Repayments	12,413	12,250	412,365
Net Savings	788	769	*Dr25,490*
Total Net Savings	*Dr 148*	*Dr 146*	*Dr71,419*
Interest on certificates repaid	500	585	17,398
Interest accrued	2,366	2,414	74,706
Change in total remaining invested	+ 1,718	+ 1,683	— *14,107*

BANK OF ENGLAND RETURNS

November 15, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1279,959,019	Other Govt. Securities	1334,272,098
In Banking Department	70,397,804	Other Secs.	638,793
		Coin (other than gold)	4,014,004
		Amt. of Fid. Issue	1350,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1350,356,823		1350,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	559,941,441
Rest	3,349,050	Other Secs.:—	61,365,387
Public Deps.:—	283,804,118	*Discounts and*	
*Public Accts.**	*17,389,996*	*Advances*	*33,970,129*
H.M. Treas.		*Securities*	*27,395,258*
Special Acct.	*266,414,122*		
Other Deps.:—	392,238,282		
Bankers	*305,782,001*	Notes	70,397,804
Other Accts.	*86,456,281*	Coin	2,239,818
	693,944,450		693,944,450

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1949 Nov. 16	1950 Nov. 1	1950 Nov. 8	1950 Nov. 15
Issue Dept.:—				
Notes in circulation	1259·6	1275·5	1278·3	1280·0
Notes in banking department	40·5	74·9	72·0	70·4
Government debt and securities*	1299·3	1345·2	1345·2	1345·3
Other securities	0·7	0·8	0·7	0·7
Gold and Coin	0·4	4·4	4·4	4·3
Value at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts				
Treasury Special Account	13·3	13·1	15·3	17·4
Bankers	54·7	266·4	266·4	266·4
Others	306·3	394·9	308·4	395·8
Total	112·5	90·2	86·7	85·5
Securities:—	486·8	674·6	676·8	676·1
Government				
Discounts, etc.	420·3	555·3	558·1	559·9
Other	12·1	32·2	30·6	34·0
Total	26·3	27·7	31·6	28·0
Banking dept. res.	448·7	615·2	620·3	621·9
	46·1	77·2	74·3	72·6
"Proportion"	% 9·4	% 11·4	% 10·9	% 10·7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,300 million to £1,350 million on June 27, 1950.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Nov. 8, 1949	Oct. 31, 1950	Nov. 14, 1950
Cereals and meat	146·8	154·6	155·2
Other foods	147·3	162·5	168·4
Textiles	200·2	282·5	282·2
Minerals	275·7	310·8	315·4
Miscellaneous	151·1	181·7	184·0
Complete Index	**176·8**	**207·4**	**209·9**
1913=100	*243·3*	*285·4*	*288·7*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 5d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Nov. 9	70	80	177 5	108 0
,, 10	70	80	Market Closed	108 2
,, 11	Markets	Closed	178 6	108 8
,, 13	70	80	178 12	107 8
,, 14	70	80	179 1	108 0
,, 15	70	80	178 15	108 2

UNIVERSITY OF OXFORD
...TURAL ECONOMICS RESEARCH INSTITUTE, PARKS ROAD, OXFORD

...ction is invited for an appointment ... University Demonstrator ... market research and analysis ... pend on University scale according to qualifications, age and experience. Maximum ...ard for University Demonstrators, £1,200. Particulars from the Secretary.

MAKERERE COLLEGE
THE UNIVERSITY COLLEGE OF EAST AFRICA

Applications are invited for the appointment of Head of the Department of Social Studies.

The person appointed will be responsible for the planning and establishment of the Department. The salary and status will depend upon the qualifications and experience of the person appointed, but may be a Readership (£1,100 ... p.a.), or a Professorship (£1,320 ... £1,430 p.a.). ... allowance, £50 p.a. per child (maximum £150). Partly furnished quarters at not more than 10 per cent of salary. Free passages (including families) on appointment, termination and leave (three months every two years).

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By Order of the Board,
H. C. RYAN, Secretary.

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Questions for Stalin

THERE appear to be quite a number of people in the free world who are now taking fright at the cost of keeping it free—the cost not only in money and work but also in patience, political courage and self-denial. Both in the British and French parliaments there are men who refuse to acknowledge the challenge of Stalinism, and whose resolution falters as they see just what is involved in that once cherished idea, "steady and collective resistance to aggression." It is natural that there should be such people, especially on the still convalescent and tormented Continent; just as it is natural that there should be only few of them in vigorous and confident America. Indeed, it is desirable that they should be listened to and argued with in a situation where military planning can easily stifle political imagination. Persistent, well-informed criticism should be directed at the policy and diplomatic methods concerted by Mr Acheson, Mr Bevin, M. Schuman and their colleagues, if it is intended to be a stimulus not only to efficiency and vigour, but also to wisdom and fresh thinking. And at the moment it is wisdom above all that the conduct of diplomacy demands.

But these critics have a clear and overriding duty not to mislead the public. It is only too easy to kindle hopes that are doomed to disappointment, and to confuse people by offering argument and prophecy as if they were authoritative information. (Mr Henry Wallace in the United States appears to have learnt and acknowledged this lesson.) It is easy, too, to be misled by the skill and persistence with which Soviet propaganda at regular intervals lures the appeaser from cover. Doubtless, behind present talk of discussions with the Russians "at the highest level," of an effort to reach a "general and lasting settlement," of stopping the cold war and the "drift to world war," there lie mixed motives and divergent ways of thinking. Lord Salisbury's speech in the House of Lords last week was a wise and humble appeal for statesmanship which, in saner days, would have found an echo in Moscow. On the other hand much of what has been said in the "Peace Congress" at Warsaw has been foolish and arrogant. And between those two extremes are groups that believe now, as they have believed periodically in the past, that another Yalta is not only desirable but possible, and that the Americans are as much to blame for present tensions as the Russians.

It is worth considering closely—so far as the scanty information available allows—what precise grounds there are for believing that Moscow would not only welcome talks but would wish them to lead to a *détente*, that is to say to conciliatory action. It is also worth considering what precisely a "general settlement" in present circumstances could or should be. The layman who challenges the advice of the State Department and Foreign Office on these two questions is under an obligation to produce his evidence and his proposals.

On the first point superficial evidence appears to support the optimists. The world-wide "peace campaign" is at its height; its

scope has been widened to include a demand for general disarmament, condemnation of all aggression and an end to the cold war. The attempt to organise opinion against the atomic bomb only has been dropped, because it was too obviously to the advantage of the Russians and to the disadvantage of the Americans. But the purpose and methods of the "peace campaign" are so patently subversive, so obviously part of a tactical development in Communist political strategy, designed to obstruct western rearmament, that they give no clue at all to the mood in which Stalin would, say, receive a visit from Mr Bevin and Mr Acheson. The tone of the partisans of peace is bitter and abusive; Picasso's dove of peace is, in fact, the trumpeter pigeon.

Then there are the recent gestures and hints by Mr Vyshinsky at the United Nations which have raised some hopes. In public he has been no less rude, little less obstructive than usual; but there have been conversations behind the scenes, and hints of co-operation in committees discussing Korea and the Acheson plan for checking aggression. He has put forward a five-point peace plan—which would be promising if all five points had not been discussed *ad nauseam* for more than three years—while furiously denouncing the Secretary-General's twenty-year peace plan, which Stalin is known to have seen. (The variety of talks on peace now going on at Uno is described on page 890.) There has been the Note to London, Paris and Washington proposing fresh talks on Germany. There has also been a revival of Stalin's phrase about the possibility of "peaceful competition" between the Communist and non-Communist world.

Let it be said straightaway that the difficulty of distinguishing the genuine from the bogus gestures arises from three facts: first, they are made by the same men who have wrecked conference after conference since 1945; second, they were first made at a time when the Korean campaign had gone wrong for the Communists and when the Atlantic powers' defence plans were going right; third, the vital words that dominate discussion of these issues no longer mean the same to both sides. Professor Bernal put the matter in a nutshell when he told his fellow partisans at Warsaw this week that "what we (the partisans) call peace they (the capitalists) call cold war." That is precisely the trouble: what Stalin calls "peaceful competition" might well turn out to be what we call the cold war. Likewise, it is clear that Stalinists everywhere persist in regarding as "aggression" what the United Nations began in Korea on June 27th, and as "war of liberation" what the North Koreans began on June 25th. Is it surprising, when one considers the men who make these gestures, their past record, and the meaning of the words they use, that Mr Bevin should ask for fresh evidence of goodwill? Is it not his duty to make sure that a meeting, say, of the four Foreign Ministers will lead to something more than an interruption in the process of building up a strong Atlantic community?

If the factual evidence of a Russian desire for reconciliation is scanty and suspect, what is to be said of the attempts to argue round the evidence? It may be said that the Russians are disturbed by talk of rearming Western Germany and are frightened by the Atlantic Pact. Doubtless they are; the risk that they would be was foreseen and deliberately taken. But if the Russians had taken action six months ago to limit or abolish the *Bereitschaften* in Eastern Germany, the influence of London—and probably that of Bonn, too—would have been thrown in with the French against the American proposals for a German contribution to an integrated force. Likewise, fair and workable proposals for a settlement of the German problem put forward before the rigged Eastern German elections of last October, would have commanded immediate attention. It may be that Mr Molotov and Mr Vyshinsky were too slow or too badly informed, to see their opportunities. It may be that they are now desperately trying to redeem past mistakes. If so, their proposals for a new conference on Germany show little improvement either in wisdom or in information, and look like nothing more than a tactical move to confuse opinion in France and Germany, and to revive at the heart of the Atlantic Pact the dormant influence of those who advocate European neutrality between America and the Soviet Union.

It may be argued that the Russians are mortified and frightened by the Communist failure in Korea. It is true that aggression by proxy has failed but it is still far from certain who wins or loses there in the long run. The United States has been stripped of its land forces, Europe has been scared—after a short spell of elation—by the scale of the contest; and much of what has been gained in Korea may yet be lost in Indo-China, an area of far greater strategic importance to the west. Is it suggested that Stalin may be prepared in Asia to negotiate from weakness, when Peking is openly saying that the Americans must be driven out of Asia? It is more likely that his gestures towards Europe are due to confidence that he holds a good hand in Asia.

*

It may, finally, be argued that Stalin sees the time approaching when any extension of the cold war—especially in Europe—will run too great risks, and that he wishes to consolidate the position so far gained. This is a more plausible interpretation. For the containment cordon, slender though it is, is now tightly drawn. Any further aggressive adventure, whether in Europe or Asia, is liable to bring the United Nations into action. But if any diplomatic action is to be based on this interpretation, its advocates must be quite sure what they want from "talks at the highest level."

There is a persistent belief that a "general and lasting settlement" would be possible. Recent history suggests that such a settlement would be loose and unstable, defining rough spheres of influence in the way that the Yalta conference did—and nobody in the West wants another Yalta. If it were, then, to be something more detailed and specific, the question arises what the frontiers of the two spheres are to be. In whose sphere, for instance, is Indo-China or Greece or Germany? At once we are back to where we started. It is, moreover, certain that such an agreement would demand from the western powers sacrifices of interest and a review of obligations. What precisely would those be? In Asia, for example, would they include the withdrawal from Indo-China of the French, of the British from Hongkong, of the United Nations from Korea and of the Americans from Japan? Would Eastern Europe—presumably minus Greece and Jugoslavia—be formally consigned for good to the Soviet sphere?

If no concessions of this kind are to be considered, what inducement would be offered to Moscow to call off a cold war which has brought such rich dividends

Would it be, for instance, an undertaking to stop Western rearmament and leave the Russians with their present superiority in the air and on land? Or would it be a pledge that the Americans should leave Europe lock, stock and barrel? it is not suggested that the advocates of talks have such concessions in mind; but it is suggested that any attempt at a "general and lasting settlement" must raise such questions, and it is important to know what answers would be given.

It may be protested that talks would not go beyond an exchange of views, a sounding of moods, and an attempt to replace distrust with confidence. But let us consider what are the minimum terms in which the free world could feel confidence. What worries it most is the Russian—or rather the Stalinist—state of mind. What specific, enforceable guarantees of a change of mind can Moscow give in exchange for the specific, geographical concessions on which the West might negotiate? There would have to be an end to the Politburo's avowed leadership of subversive action in the free world, and to the virulent propaganda by radio and newspaper that poisons the air between the peoples. There would have to be free movement of persons and ideas between the two worlds, and reasonable courtesy and co-operation from Soviet officials and officers. In other words, Stalin's "peaceful competition" must not mean simply a continuation of the cold war "by other means." If the aim of Soviet policy is to make its world safe for Stalinism, the free world's purpose is to make itself safe from Stalinism.

Is there likely to be, on present evidence, any compromise between these two demands? The answer is surely No. So long as the fomenting of strikes, the encouragement of sabotage, the preaching of subversion, the appeals to peoples over the heads of their Governments go on; so long as the invasions of Korea, Tibet and Indo-China are regarded as incidents in the "liberating mission" of the Stalinist system, so long is any real understanding and settlement unlikely. If it is against the nature of the Stalinist to be persuaded of this, if the dynamic of the Soviet system depends on this missionary spirit being kept alive, then only two possibilities remain. One is that its expansion is contained and contested in every part of the world where free peoples are threatened, until Stalinism gives convincing evidence of having abandoned aggression; that has been for two years the policy of the United States and the British Commonwealth. The other is that changes in the Soviet system eventually lead to a change in its attitude to the outside world. The first possibility is within the power of the free world to attain if it tries hard enough. The second might one day be attainable by peaceful means, but is primarily the concern of the Russian people.

The clear implication for present policy of either of these possibilities is to stand firm and wait. It will be said that this is a policy of rigidity, a counsel of despair. On the contrary, it is those who persist in thinking—as Mr Chamberlain persisted in thinking when dealing with Hitler—that the twentieth century generalissimo is open to persuasion by nineteenth century methods who are rigid; and it is those who want to abandon or modify a policy of resistance just when it is taking shape and effect who are guilty of despair. They are, surely, confuted by their own logic. If they are convinced that the Soviet Union does not intend war, then there is no point in urging the danger of war as a reason for premature appeasement. If, on the other hand, they believe that the Soviet Union will go to war rather than accept a fair and just ordering of the world's affairs, then they should be advocating the speediest and most resolute rearmament as the one way to prevent the recurrence of what has happened in Korea.

Life Without Dollars

BRITAIN is coming at the end of 1950 to the position that had to be reached by 1952. For a time, at least, the dollar accounts of the sterling area must be balanced without American grants-in-aid under the Marshall Plan. The speed with which that position has been reached inevitably means that both Britain and the United States have come to it mentally unprepared. Of this there is illustration enough in the reports of the sober New York press—officially denied in London—that Mr Bevan and some other Ministers want now to snap their fingers at the Americans and reduce the rearmament programme. However misleading the incautious remarks that prompted such reports, they show the dangers of confusion in policy, and of misunderstanding between friends, in the new situation. As little as a year ago Britain's capacity to live without Marshall aid seemed a goal too remote for any practical man to look beyond it. Now that the goal has been reached, it is necessary—however temporary the circumstances—to face what have become the immediate problems of British and American policy.

Since 1947 the British and American Governments have agreed on two policies demanded by the dollar shortage. There had to be Marshall aid to Britain, and the sterling area had by import and exchange restrictions to limit its dollar spending. On other issues—devaluation, deflation in Britain, the convertibility of the pound, tariff liberalisation and the meaning of full employment in the United States—the disagreements have often been considerable. But these two policies were common ground. This agreement was based, however, on a tacit assumption: that the two policies would also wither away together. In the mind of Congress, indeed, it was rather that they would die together. Of late neither the British Government nor the American Administration has regarded 1952 so dramatically. It has not been supposed either that all forms of American aid would then stop or that the world could in 1952 return to a pure multilateralism with convertible currencies and non-discriminatory trading; it has been supposed that the retreats from extraordinary dollar aid and from trade and exchange restrictions would go on together. Now, however, sterling has returned to strength more quickly than had been expected, and there will have to be a corresponding speed-up in the adjustment of policies. The strength of sterling makes possible a large withdrawal of aid to Britain—for which everybody in this country ought to be very thankful. The same circumstance makes it possible to reconsider the assumptions on which British importing policy is based. It may be true—it very probably is true—that there will be, in the third quarter of the twentieth century, a chronic tendency

towards a shortage of dollars. But clearly there is not going to be a shortage of the same severity all the time; and British restrictions should be reconsidered accordingly.

If this reconsideration does not arise naturally in Britain it will certainly be enforced by American opinion; of that there has already been a foretaste in the International Monetary Fund's comments on special restrictions on dollar imports imposed by the countries of the sterling area. It would be pleasant to see the British Government for once in these matters not moving so slowly that it seems to be making reluctant concessions even where it is in fact doing what it is in its own good time quite happy to do.

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To inquire whether it is time to take some of the protective wraps off the sterling area economy is in no way to imply that the present strength of sterling is anything but temporary. Three main causes have contributed to the relative softening of the dollar over the past twelve months. First, there was the sharp reduction in the world's purchases of American exports when devaluation raised their price to many buyers by 40 per cent. Second came the American boom, stimulating imports into the United States and encouraging American producers not to bother to hold their export markets by cutting prices. And, finally, the intensified commodity boom following the Korean war must by now considerably have increased the dollar earnings of the primary producing countries. This highly favourable conjunction is unlikely to keep sterling strong for years or perhaps even for many months. But it does not follow that British policy should go on as if sterling were weak all the time. The past two years have demonstrated forcibly enough how much part in determining the value of currencies is still played, in spite of all the restrictions on international capital movements, by confidence. The best way to ensure that sterling will become again a currency that no one wants to hold is for the British Government to base its policies on an evident belief that this will be so. On these grounds alone there is case enough for allowing at least a little more freedom in the international use of sterling.

But the case is far stronger than that. Whatever Britain may choose to do, the present balance of trade is highly unstable. Many countries cannot go on financing their current deficits in sterling. Either they must sell more to Britain or they must import less from Britain. In the past four months the sterling area has been running with its partners in the European Payments Union a surplus of exports over imports at the rate of £300 million a year. If this goes on, gold will soon begin, under the terms of the payments union, to pour from the Continent to Britain. The European countries cannot tolerate that for long. They are, temporarily, in the same position in relation to Britain as Britain is so accustomed to find itself in relation to the United States. The moral is the same in the new case as in the old. Either trade can be brought nearer to balance at a low level by the European countries cutting their imports from Britain while British imports from Europe are constant. Or trade can be balanced at a high level by Britain buying more and so enabling other countries to earn their imports from the sterling area.

Britain has always found it easy enough to see which of these alternatives is to the advantage of the country with a surplus in its balance of payments when that country is the United States. If the Government looks any distance ahead it can have even less doubt in the British case. It is as true as ever that Britain's ability to earn enough imports and to maintain full employment depends chiefly on the prosperity of world trade as a whole. It would be the extremity of short-sightedness to ignore Britain's interest in an expanding world economy because devaluation and the rearmament boom have temporarily enabled this country to pay its way in a world of trade restrictions. There would be few stronger reasons for pessimism about the future strength of the British economy than a retreat from such liberalisation of trade as has this year at last been achieved in Western Europe.

The argument also bears upon the needs of the domestic economy. Inflation is once again the pressing danger and a favourable balance of payments is just as inflationary a factor as an excessive programme of public works. In principle, any steps that are taken to reduce the surplus on the balance of payments help to close the gap between the superabundant flow of incomes trying to spend themselves within the British economy and the inadequate flow of goods. If imports into Britain increase, there are more goods for British incomes to be spent on. If British exports decline, then either there is unemployment in the export trades, which means smaller incomes, or else—and in present circumstances much more probably—there are more goods for the home market. What is right internationally is thus right at home.

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The argument for relaxing some of the present restrictions on imports into Britain divides itself, as such arguments so frequently do, into two parts according as the imports come from the dollar or the non-dollar areas. In the case of the non-dollar countries—or more specifically of the European countries—most private trade is already free from import licensing, and if there is to be an increase in British imports, it must be by an increase in the bulk purchasing of the Government itself, especially the Ministry of Food. There is a good case for this: there is butter and bacon to be bought in the Netherlands and Denmark if prices remunerative to the producers are offered; the British consumer would cheerfully pay those prices; and there could hardly be a better way of absorbing the pressure of inflation. But it is an interesting illumination of the narrow corner into which the British economy has planned itself to point out the practical obstacle to such action. To buy Dutch or Danish produce at higher prices would involve either raising the cost of living, which would encourage wage demands, or else increasing the cost of food subsidies, which would unbalance the budget. It may perhaps be possible to defend these policies—or at least to sympathise with the political plight of those who pursue them. But nobody should be under any delusion that the continued throttling of British imports strengthens the pound sterling for more than a short period. Before long, the effect will be to cut down British exports to Europe because the Europeans cannot afford to buy them. That is to say, the reward for continuing the policy of austerity in imports after the justification for it has passed will be, as soon as trade becomes competitive again and sterling is in fact, it will not to strengthen but to weaken the British balance of payments.

The case of dollar imports is different in form but similar in principle. Here also the choice between more imports and more reserves is, after a certain point, no choice at all—but for rather different reasons. Here also an attempt to pile up the gold reserve by keeping the screws tightened against imports would in the end result in securing neither the imports nor the balances—not, as in Europe, because the Europeans could not help themselves, but because we cannot help ourselves. The cutting down of Marshall aid itself illustrates the principle: if we had bought the newsprint and the timber that we needed when we could have got them, the reserves would not have increased so rapidly and the cut in Marshall aid would not be so severe. If the gold reserve continues to rise next year, the United States Government can quite reasonably not merely stop giving aid but can also put a positive demand on Britain: the first instalment of interest and capital on the postwar loan will be due.

The argument cannot, of course, be pushed so far as to justify lavish purchasing of luxuries. But it certainly goes far enough to justify such relaxation in the extraordinary restrictions on dollar imports as the Americans are asking for. If there were any chance that continued austerity could increase the dollar reserve in 1951 by another $1,300 million, there would be a case (though not necessarily a conclusive case) for trying it. But it is difficult to see that in the likely circumstances of 1951 marginal additions to the dollar stockpile can be of anything like the same value as commodities in hand to an economy that is (in so far as the official figures are credible) supporting a volume of industrial production 40 per cent higher than the average of 1935-38 at a volume of imports 10 per cent lower.

being done in the name of nothing more than administrative convenience.

This series of articles has covered a number of topics [illegible] attempted to make a number of points. There [illegible] trade. That would [illegible] matters which are important enough [illegible] porary strength of sterling, [illegible] and which should running a certain amount of risk. The [illegible] time comes to three legs. The first is that not all the improvement the position of sterling is evanescent; the severe devaluation has made dollar goods permanently very expensive for the sterling area. The second is that, even if the sterling area's demand for dollar goods were as large as ever, the supplies are not. It is now physically impossible to collect large immediate shipments from the United States. A relaxation of controls would not be an invitation to a flood of imports but an opportunity for British traders to do some hard looking for such useful things as can still be picked up (and how much better off we should now be if they had been allowed to do so last spring).

The final argument is that, if optimism proved to be misplaced, the relaxations could be reversed. The reversing mechanism in these matters is well established. The possibility that it might have to be used is no reason for refusing to go forward, in low or middle gear if not in top, while the road is as innocent of danger as it is at the moment. It should not be forgotten that there is an element of good faith involved. On no subject has the British Government more frequently avowed its good intentions than in this or more earnestly explained that the apparent contrary direction of its policy was a reluctant concession to *force majeure*. Now the chance has come to show that there was some meaning in those words—or else to reinforce the growing belief in the outside world that Britain under its present rulers is not isolationist from force of circumstances so much as from conviction.

The Controls—III

The Rights of the Subject

THE two earlier articles in this series have dealt with the content of Government powers. It was argued that many of the powers still held under emergency legislation should now be dropped altogether; and the rest should be sorted into various categories, for which different types of new legislation are appropriate. This final article is concerned with the administration of the powers that are kept.

Probably no one would claim to be satisfied with the methods of administration used during the past eleven years. From the constitutional point of view almost the gravest objection to many of the defence regulations is that they could not be consistently enforced. Their breach—particularly in such matters as petrol rationing and the maximum price of restaurant meals—was too widely tolerated by public opinion for more than a small proportion of offenders to be found and punished. This has not prevented the rationing schemes, particularly, from being effective enough to the administrator's eye. The black markets never reached such proportions that they could not be allowed for and tolerated without destroying the value of rationing. They caused no more trouble than the planners' own miscalculations of the future supplies available, the size of stocks, and the strength of demand. But if a regulation fairly often broken is tolerable administratively it is intolerable constitutionally. To say that a regulation cannot be enforced with a reasonable approach to universality is to say that its impact on individuals is arbitrary: many offenders go scot-free while a minority of no more unworthy citizens is severely punished. In no society is the crust of civilisation, the habit of good social behaviour, so strong that anything which brings the law into contempt can be accepted lightly. In the emergency of war such considerations must, of course, be sacrificed. They cannot be sacrificed in framing permanent legislation. The Government is entitled to take upon itself in peacetime only such powers as it can generally enforce. The test is not whether the enforcement is sufficient for practical administration, but whether it is sufficient to avoid any impression of arbitrariness as between individuals. If an offender caught and punished is regarded by ordinary, generally law-abiding citizens of his acquaintance as having had bad luck, then the law is wrong however well

towards a shortage of dollars. But clearly there is not going to be a shortage of the same severity all the time; and British restrictions should be reconsidered accordingly.

If this reconsideration does not result against existing legislation it will certainly transgression. There Britain it will certainly transgression. There In the first place, it creates a whole of that there possible crimes of which the common citizen may be completely ignorant. Secondly, it empowers hosts of minor officials to pry into his affairs and his premises. And, lastly, in some way it seems to deprive him of what he believes to be his natural right to have his quarrels with the powers that be, decided if not by the courts themselves (in which he still places a good deal of confidence), at least by some tribunal that can be relied upon to be impartial between him and the executive government.

However much the first complaint may be justified, it cannot be ascribed mainly to legislation by decree. It is an inevitable feature of the welfare state. When the state hands out many benefits it must also create many restrictions. It must prevent and punish those who attempt to take more than they are entitled to. It must even penalise those who refuse the generous offerings, as, for example, the parent who believes that his child will be better off away from a state school than inside it. Those are the thorns on the stem, and if we are all agreed to go on grasping the welfare state, there is little to be done about them.

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The other two complaints are much more substantial. If there must be new crimes, at least the individual is entitled to his old protections. First, on the right of entry into premises, one point should be made clear from the start. There are two reasons why an official should wish to enter private premises. The first is to obtain some relatively impersonal information which he lacks and which it is generally accepted he should have. The second—to enter premises at will in search of suspected offences—is quite another matter. It is remarkable how wrong the popular saying on the importance of names is. How different an enforcement officer sounds from a policeman—and how different he in fact is. For centuries the courts have struggled to lay down and enforce a code of behaviour for policemen. To enter premises the policeman needs an individual search warrant, and the law has laid it down that he must convince an independent magistrate on the *prima facie* merits of his suspicions before he can be given the warrant. On the criminal charge itself, the Judges' Rules are specific and detailed. A policeman may not question a man once he has decided to charge him. He cannot make use of any statement the suspect may make unless he has cautioned him first. These rules were devised by lawyers and Parliament, not because they had overmuch sympathy with criminals but because they cared for civil liberty and they had seen how easily it disappears in the hands of a state police.

But call the policeman an enforcement officer, give him no specific training in his responsibilities, keep him out of uniform, make him a civil servant without local control, free him from the supervision of a Chief Constable and a Watch Committee—and, then, for some reason, he may be entrusted with infinitely more power. He need not apply for a separate search warrant for each investigation; he is given a permanent warrant by his

Britain he He is under no compulsion to caution any of the interviews; on the contrary, he may demand that the suspect produce the incriminating evidence. If he is an official of the Ministry of Food, for example, he was even able until six months ago to command his victim to commit his crime by ordering an illegal meal. The policeman is trained to think of himself as impartial, to remember that he must never take sides. The enforcement officers, and the organisation behind them, are the agents of the prosecutor and think as such. They are departmental servants and that fact colours all their activities.

Some remedies for this situation are proposed by Lord Samuel's Liberty of the Subject Bill, but they do not go to the heart of the trouble. What is needed is a declaration that every official concerned with the enforcement of the law shall be subject to the same rules and customs that govern the activities of the police, from the need to apply to a magistrate for a search warrant to the need to caution a suspect before questioning him. That would not be a less valuable safeguard to civil liberty because it could be easily secured by a single clause in a Bill.

The third reason why the citizen feels that government regulations are oppressive is that they are administered through a host of new tribunals, in which the procedure is informal, in which he is denied the protection of an advocate, and from which there is no appeal. The Lord Chief Justice in the case of *Rex v. Brighton Rent Tribunal* summed up a lawyer's mistrust of such a tribunal:

> No court of law ever proceeds to hear a case without having some evidence before it. No court of law can proceed to give judgments affecting people's rights of property unless those people not only are before it but have an opportunity of cross-examining the other side. It is quite obvious here that Parliament has said that the ordinary procedure to which lawyers are accustomed shall not apply to these cases. . . . That these proceedings have not been conducted in a way which would be tolerated in an ordinary court of law is in no doubt.

Yet the court was unable to interfere.

There is no easy solution for this situation. Lawyers are inclined to insist that all such matters should be settled in the courts, according to the rule of law. But there are two arguments against such a course. The first lies in the very great burden that would then be thrown upon the courts and the delay that would be caused, since the volume of matters coming before administrative tribunals must be many times that of formal litigation. This difficulty could perhaps, in theory, be got over by a great increase in the number of courts of law; but that would hardly remove the obstacle of cost. Nor would it get over the second, and major, objection that, in the nature of many of the cases that come up for administrative decision, what is called for is the exercise of an informed discretion rather than the application of anything as rigid as a law. This would make it very difficult for a court of law to act as the tribunal of first instance, and still more difficult for it to act as a court of appeal, as it is a settled principle of law that a higher court should be loath to interfere with a lower court over the exercise of its discretion.

Yet there is real need for safeguards for the individual. Whether or not ministers and civil servants realise it, there is no confidence in the public that they can be trusted to be impartial where their departments' interests are concerned. In the case of much of the town planning legislation, for example, (and though the example does not come under the Supplies and Services Act, it will serve to illustrate the principle) the citizen who is aggrieved by a decision of the local planning authority can appeal only to the Minister of Town and Country Planning—which, in his eyes, is no appeal at all, since it is from one set of officials with a bias in favour of "planning requirements" to another set of officials with exactly the same bias. And these decisions may very gravely affect the individual's life and livelihood. How can the necessary safeguards be provided, and the desirable public confidence in the fairness of the procedure be built up, without taking away the advantages of speed, low cost and flexibility?

There can be no complete answer. But two suggestions can be made, one of which could be written into the statutes, the other of which is a matter of administration. The first is that whenever a Minister of the Crown is given power to decide any matter affecting the rights of individuals, provision should be made for the facts first to be referred to a non-expert and impartial panel of reference appointed by somebody other than the Minister concerned. This would be, in a way, the application to the structure of administrative tribunals of the principle that, in courts of law, gave rise to the jury—that unless the skilled experts can prove their case to the satisfaction of the layman's commonsense, the case is not good enough. These panels might be advisory only, but if so there should be an obligation on the Minister to reveal the fact that he was not following their advice. The citizen would at least then have the satisfaction of knowing that his case had gone before a panel of his peers; he would not be left feeling that he had been overridden by an autocratic bureaucracy. It is worth adding that no Bill drafted in the departments can be expected to contain provisions to this effect; it is a matter on which Parliament—one House or the other—will have to insist for itself.

The other possible safeguard is to set out deliberately to create a tradition of impartiality among those in the official hierarchy who have to pronounce judgments. The judges began as servants of the Crown in a most literal sense. In course of time they came to be the officers for executing the independent authority that the state itself must be deemed to possess. They freed themselves from subservience to people, even from subservience to any theory save the belief that it was their duty to hold an even balance of justice. They found that freedom only by building a tradition for their whole profession strong enough to resist all the pressures that its members would inevitably have to meet. The Crown remains their paymaster, as it is that of the civil service, but the difference is there for all to see.

Traditions are not created overnight, but a great deal can be done to foster their emergence. It should be possible to make the Lord Chancellor's Department responsible for the selection, training and supervision of all men in Government service who serve as members of tribunals in the widest sense. Similarly, the Public Prosecutor's Department should be made responsible for the selection, training and supervision of all men who are concerned with departmental prosecutions. That, more than anything else, would free those men from the unconscious feeling that they are servants of a particular department. The danger to liberty in Britain is not that the judiciary is getting less independent; it is that the judiciary is being overgrown by a crop that is neither judicial in mind nor independent in temper. And this is

being done in the name of nothing more than administrative convenience.

This series of articles has covered a number of topics and has attempted to make a number of points. There are, however, four matters which are important enough to be raised to the dignity of principles and which should be particularly borne in mind when the time comes to form an opinion on the Bill or Bills that the Government will shortly be laying before Parliament. It may serve a useful purpose to recapitulate these principles here in summary, and therefore inevitably dogmatic, form:

1. There should be no blanket extension of existing powers simply by reference to the existing enactments. If Parliament is to grant permanent powers to the executive, it must know exactly what it is asked to do.

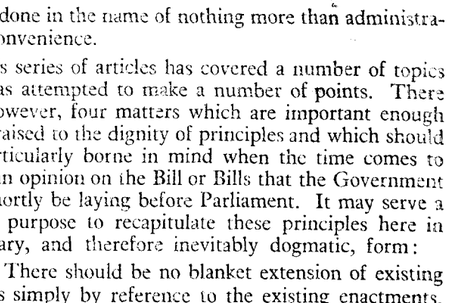
2. There should be no unlimited grants of powers. If powers are to be granted to the executive without limit of time, then they must be quite specific as to object and method. If it is decided to have in reserve general powers to attain vaguer objects, then the orders made under these powers should be limited in the time they can last before they come up for parliamentary discussion and renewal.

3. Wherever orders made under such a grant of powers provide for penalties being exacted for offences, the same safeguards of the citizen's rights should be applied as prevail within the criminal law.

4. Wherever a Minister of the Crown is empowered to reach decisions affecting the rights or property of individuals, provision should be made for the facts of each case to be reviewed, even if only in an advisory capacity, by some non-expert and impartial body.

(*Concluded*)

Fire and Water..



Harrison's Fourth Marine Timekeeper (1759)

Two significant developments occurred during the reign of Queen Anne. When John Harrison was perfecting his historic chronometer (enabling the mariner to avoid the peril of the sea), the Sun Fire Office was formed to provide insurance against fire. Today, navigators still find their way safely across oceans with the help of timekeepers evolved from Harrison's model—and the Sun Insurance Office continues to serve the community by providing insurance against fire and many other risks.

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Ring Up the Curtain

"IF your governor don't prove a alibi," said Mr Weller, "he'll be what the Italians call regularly flummoxed." As it happens, flummoxed is just the word to describe reactions in governing quarters to a suggestion that has recently travelled back and forth between Italy and this country. It was such an informal, bright idea that it could not be regarded in Whitehall as a proposal, which is something that arrives—like a *démarche*—through the proper channels. Let it, therefore, be called a suggestion—the suggestion that some 10,000 Italians should come to be trained for work in our undermanned pits. Italy, as everyone knows, has too many men and too little coal, whereas Britain has plenty of coal but is losing miners. Its exports are falling and that means Italy may have to buy more dearly farther away. Therefore the suggestion runs, let Italy provide the miners to dig the coal it wants.

One can hardly imagine anything more simple and helpful than this suggestion for mutual aid. It breathes the pure spirit of Strasbourg; it has Latin logic and spontaneity; it echoes that great liberal ideal of services, goods and people moving freely from one country to another towards which all in Western Europe are supposed to be working. One would have expected it to receive rapturous welcome, if not from the hard-faced realists of Smith Square at least from the more emotional Conservative leaders of the European Movement. Instead there has been silence. Inquiry has merely elicited the semi-official comment that an average wage of 141s. 4d. for a 47 hour week must be attractive to surplus personnel of an unplanned economy in the throes of a deflationary spiral. One gathers that Continental schemes to share such benefits need the closest scrutiny. Clearly, then, our Italian friends should be given some explanation of how an offer so obviously advantageous to Britain at this particular moment can meet such a reception.

These are—let them not forget—new and exceptional times. The days of unbridled *laisser faire, laisser venir* are over. Immigration—if it is desirable at all—must be planned with a proper balance of economic, ethnographical, ecological, sociological and political factors. Quixotism in such matters means chaos, as two examples will show. First, to bring 10,000 workers into Britain in 1951 is to thrust upon its employment policy an unpredictable factor of no less than .045 per cent (taking the gainfully employed population as 22 million). Second, owing to the Italian emigrant's habit of sending home the greater part of his earnings, a quite new balance of payments problem with Italy would be created; unofficial estimates put the likely remittances as high as £150,000 a month. Other problems, too, are raised which could be adequately assessed only by an inter-departmental committee. To ignore them would be to let the jungle creep in under Britain's paper curtain.

Lest Italians should think that mountains are being made out of molehills, let them consider for a moment what would happen if the suggestion were officially taken up with a view to producing—let us say—the Isaacs Plan. The decision having been made that no existing committee could handle the matter, a departmental committee would be originated in the Ministry of Labour. Italians may think this is a problem of getting out coal, which should fall first to the Ministry of Fuel and Power; but the British see it as a problem of getting in manpower—or keeping it out. Therefore, it is Labour's pigeon, as we say. The question then arises: which departments must be brought on to the committee and which merely brought into the picture? First, as foreigners are involved, comes the Foreign Office. It will wish to send two experts, one on economics and another on Italy. Second, as foreign immigrants (movement of) is under discussion, the Home Office must be brought in. It, too, would expect to send two representatives, one for immigration pure and simple, another for security. There must be no question of letting Pontecorvos loose in the pits. Then there must be two seats for the Ministry of Fuel and Power: one for an expert on exports, one for a consultant on industrial relations. For it cannot be taken for granted either that Britain wants to export coal, or that British miners like Italians. On the question whether to export or not the Board of Trade must also have its say about the overall long-term prospects; and the Treasury must be there to see that nobody unsettles either the Budget or the balance of payments. And to make quite sure that a system of remitting earnings to Italy could be safely worked, it would be necessary to call in the Bank of England. To watch the overall picture there would be present a member of the Central Economic Planning Staff.

So far we have the nucleus of a body that should, at any rate, take care of British interests. It is far from complete; for example, the Ministry of Transport is not included at this stage, because it is uncertain whether the miners would come in Italian or British ships. They might—like seamen nowadays—prefer to fly, in which case Transport would have to give place to Civil Aviation.

At this point it is clearly the duty of the Foreign Office to represent that the committee is well qualified to discuss coal, but ill qualified to plan for Italians. There should, at least, be some examination of the kind of services they would need. For instance: considerations of safety, discipline and morale demand that most of them should know sufficient English to be able to obey orders, follow regulations, and understand what their fellow workers think of them. Special intensive courses in English would be needed. (Their content would, of course, vary according to whether the Italians went to Fife, South Wales, or Yorkshire.) This brings in the Ministry of Education, to examine not only the teaching personnel needed but also the possibility that Unesco might help. Health, too, will want to send someone to discuss what hostels, camps—perhaps even houses—might be required for the new intake. If anything like a bold, imaginative pioneer scheme should be contemplated—a little Italy, say in Clackmannan—then Dr. Dalton, as a good European, would be interested and Town—or Country—Planning would be brought in. It might be as well to have somebody from the Ministry of Food to give consideration to the desirability of providing cereals and vinous beverages.

Here then, quickly assembled, is a committee of between 15 and 20 experts, ready to draw up the Isaacs Plan. At this stage the Minister of Labour has probably found out what is the feeling at the top level about the whole business. He has then to decide whether his committee is likely to work on the plan as a team or whether the vote may split. He might well find Foreign Office, Fuel and Power, Education and Works for, with Health, Home Office, Town and Country Planning and Treasury against. At least, this might well be the line-up on the merits of the question. But there is a complicating factor to bear in mind, of which Mr Isaacs might not be aware, so seldom is he involved in paradiplomatic matters (foreign); that is the practice of inter-departmental shuffling by which one department gives way to another over one problem in order later to get its way on another and quite different one. Treasury, for example, might vote with Foreign Office on the Isaacs Plan in order to get Foreign Office support over the Schuman Plan. Or Works, which will do anything for a standard of timber, might swap sides in the hope of later pressing the Foreign Office to squeeze Tito.

Our Italian friends will now surely understand what trouble we have to take not to make mistakes; and how even a spontaneous and friendly gesture, backed by the most logical argument, can fail if it is made in the wrong direction. If the Italian miners are to get in they must go through channels: that is to say, the last quarter they must turn to is the British miner and his unions. But their lack of success so far should not make them think the matter is ended. It has, indeed, only begun. For the suggestion has not yet become a proposal, let alone a plan. A little spirited writing here and some well-timed grumbling there by Italians will ensure that the question comes up in the Council of Europe. It then becomes a "factor" in Anglo-Italian relations. When British diplomatists in Rome have decided just how big the factor is, the chances are that a despatch will be sent to London setting out how Italian public opinion feels that the rejection of the miners' offer reveals a protectionist, non-European attitude that comes surprisingly from the natural leaders of Europe. If that paper is read by Mr Bevin—who is sensitive to such charges—and if he decides to make a Strasbourgian gesture, it will take more than an inter-departmental committee to flummox him. The Italian miners should, therefore, go on working away quietly through channels. One or two very hot sessions in Strasbourg—and one or two very cold spells in London—may one day make Mr Bevin call for the Isaacs Plan and ring up the paper curtain to let them in.

NOTES OF THE WEEK

Back to 1947

The Government's decision again to import coal into Britain—as was done in 1947 after the fuel crisis—is no doubt sensible given the mess into which the coal industry has got. If the winter is mild the present stocks and likely production may just be enough to keep industry going without quite stopping all coal exports; if the winter is hard they may well not. The small imports (about 1,500,000 tons seems to be intended) will provide some margin for safety. If they are not needed this winter, they will help to make stocks next autumn a little less disastrously low than is on present tendencies inevitable.

The sharp necessity of spending dollars on coal imports has brought the Government to consider new methods of increasing production from British mines. The announcement of these measures, which the Minister of Fuel on Monday promised "in due course," will no doubt be accompanied by an explanation of why they were not undertaken when the winter shortage of coal was merely foreseeable. But even more disturbing than the lack of foresight is the Government's patent inability to understand what the coal shortage means. Oddly enough, it was the Labour party's daily newspaper that unconsciously summed up the situation most neatly: "Booming Britain outpaces pits." For the faithful followers that may have been in some way comforting, but one might expect it to prompt the leaders to ask themselves the obvious question. What is the good, and what are before long the consequences, of a boom which so strips the essential industries of workers that the country is short of the things it most needs? The consequences were demonstrated forcibly enough in February, 1947. Reviving inflation is taking us back to the Daltonian "empty economy," to an economy so far from being planned that stocks of materials and components are chronically too low for industrial efficiency, and spasmodically too low to keep industry running even at the pace of concealed unemployment, with men kicking their heels in the factories for lack of materials to work on. Coal has again proved to be the weakest link. It provides warning not, indeed, of quite immediate catastrophe but of the way we are quickly going. The Government will not arrest the flood by piling on expedients, by plugging the dyke with a little dollar coal here and an appeal for longer hours there. The coal shortage will be relieved when the Government learns to look for the point at which full employment becomes inflation.

In the meantime it is, of course, foreign customers for British coal who must go short before the "boom" at home is allowed to suffer any check. The Government cannot be altogether unaware that over-full employment at this price of sacrificing exports is precarious. But is there anything—efficiency at home, co-operation in Europe, even the defence arrangements of the Atlantic Pact—that much of Labour opinion would not choose to sacrifice in order to keep the British economy as it is for a few months longer?

* * *

From Peking to Lake Success

The Russians have often thwarted the United Nations, but it has been left to the Chinese to spin such a cocoon of doubt and confusion round the whole enterprise, that many people, even at Lake Success, now find it hard to know just where they stand on what has been called the "vast complex of Chinese problems." The forthcoming arrival of Mr Wu Hsiu-chuan's mission from Peking to discuss Formosa is therefore awaited with intense interest on all sides. This is the greater because it will clash with the period, beginning in a few days' time, when Dr Tsiang, the Chinese Nationalist representative, will be taking his turn as president of the Security Council. How, furthermore, will the Russians treat this mission? Will they squire its members round New York like lost souls from Outer Mongolia, frigidly trying to keep them from any intimate contact with the facts of life in Flushing Meadow—as some of the British now suspect they want to do? Or will they flourish these real live Chinese Communists in the faces of the Americans, and try to treat them as if they were already members of the Uno club?

On the answers to some of these questions depends the peace of the Far East and so, perhaps, of the world. In dealing with Communist China, Uno first tried to let the sleeping dog lie. But Peking's threat to Formosa, its eleventh hour aggression in Korea, its disastrously successful support of the Viet Minh, its invasion of Tibet and its bombastically abusive radio propaganda have prevented the leading western powers in Uno from pursuing any independent policy of

pacification in eastern and southern Asia. As a result there is now great scope—as well as need—for a deal behind the scenes between, say, Washington, as representative of the western powers, and Peking. The Sino-American war which has threatened to break out from Korea—however "cold" and unofficial—is one that neither side wants, though the Chinese are certainly prepared to fight it if necessary. Fortunately, the fact that both sides have so far acted with restraint suggests that they may yet be able to compromise. If so, the Americans would do well to consider the possible advantages of accepting Communist China into Uno in return for even a partial settlement on the present basis in Korea. For this a tremendous further effort is required to reassure the Chinese about the limits and peacefulness of American intentions. The Chinese having come to Uno to talk about Formosa, their agreement might now well be sought for a western mission to visit Peking to talk about Korea and, subsequently, other problems. The British would be in a fairly good position to play a prominent part in such a mission.

* * *

Egypt and the Treaty

Year by year the King of Egypt, in his November speech from the throne, warns the British Government that the presence of its troops on Egyptian soil is an affront and must stop. This year he has done so with greatly increased acerbity: "The 1936 treaty has lost its validity and . . . my government deems it inevitable that it should be abrogated." Mr Bevin has civilly replied that the 1936 treaty is a 20-year agreement reached by common consent at a moment of grave threat (by Mussolini) to Egypt's security, and that such a document cannot be abrogated unilaterally. Later he added, under severe pressure from the House of Commons, that delivery of Centurion tanks to Egypt will be suspended pending talks with its Foreign Minister, who is due in London next week. Some Egyptians seem pleased that neither party to the argument has closed the door to negotiation.

In Egyptian eyes times have changed since 1936. They remember that the British offered to go in 1946, subject only to negotiation of dates and stages; the British ought therefore by now to be gone. In British eyes times have changed yet again since 1946. In present world circumstances the security of Egypt's Canal and wealth and, indeed, oligarchic upper class is not what it was four years ago. Times have changed so much that it is hard to understand why king and pashas should at present be wanting to jettison an arrangement which, however distasteful, affords them some shelter from chill winds from distant Moscow and from neighbouring Israel.

Much of the explanation of their seeming shortsightedness lies in Egypt's internal politics. The King is unpopular, and must constantly seek backing from other forces within Egypt. Until the elections of last January, he sought it among the anti-Wafd parties then governing the country. When the Wafd came to power he turned to the army and a chief of staff—Haidar Pasha—who had direct access to him. Now this friend has become the scapegoat of an inquiry into a widespread financial scandal connected with the supply of arms and comforts during the Palestinian war; to quiet unrest among younger elements in the army he has resigned. Already, however, King Farouk had added to himself a new and unexpected buttress—the Wafd. The first sign of this was the royal decree of June last, which packed the Senate with Wafdist senators.

Even a combination of king and Wafd, however, does not earn for throne and party the public favour that attaches to the personality of the sick Wafd leader, Nahas Pasha. Nahas is taking less and less part in politics. His prominence is waning before the rising star of the party's secretary, Serag-el-Din. Not yet 50, able, wealthy, humorous, debonair, ambitious for control of power and purse strings, Serag-el-Din is at present Minister of the Interior and, since last week, also Minister of Finance. His prospects are great and the speech from the throne doubtless helped to earn public plaudits for him as well as for the king.

But this light on Egyptian internal affairs does not clarify the dilemma which faces two governments, neither of which wishes to slam the door on the other. On the one side are the Egyptians, anxious to see the Middle East defended but insisting—in ignorance of modern defence requirements—that this be organised from no fixed address. On the other are the British hoping, Micawber-like, that something will turn up to alter relations before the present defence arrangements expire in 1956.

* * *

Farm Price Foolishness

The Minister of Agriculture has slid further down the dangerous slope of inflating farm prices. Following the recent award of the Agricultural Wages Board (which establishes a minimum wage of £5 for England and Wales), the National Farmers' Union asked for a special price review to enable farmers to recoup their increased costs of production. The union is entitled by the Agriculture Act to insist on a special review and the Minister, under the terms of an agreement he made with the union in 1946, is bound to concede an increase in prices. This, however, would not necessarily be the end of the matter. At the annual farm price review, due to take place in a few months' time, the Minister is supposed to review prices in the light of national economic requirements as well as from the standpoint of farmers' costs and profits. He might take away then, on grounds of national policy, what should be conceded to the farmers now as an automatic right.

That this is an unfortunate and invidious arrangement is obvious—to anyone but the Minister, who seems hardly able to realise that there might conceivably be a conflict between the interests of farmers and the interests of the nation. Two complicating factors have stayed his hand. It is now late in the year to adjust the national finances so as to meet the farmers' claim. Further, the Scottish Agricultural Wages Board have taken the independent course of rejecting the workers' claims for higher pay. It is hardly logical or fair that a farm worker should be paid less north than south of the Border; but, given this situation, it would be still sillier for the Exchequer to give Scottish farmers a windfall through a general increase in prices (which are fixed for the whole United Kingdom). To get out of this dilemma the Minister needs time to think; and the NFU has graciously given it to him on condition that its claims are met at the annual price review. The special review will therefore not take place.

It is regrettable that Mr Williams has, in effect, committed himself to finding another £11 million a year for agriculture. If food subsidies remain pegged, the consequence is likely to be a further rise in the cost of living—which helps to explain the Minister's preference for delay. He can still reduce the price of certain farm products (and should certainly do so) in the interest of national economy. But it will seem to the farmer a trifle Gilbertian to cut his prices for one set of reasons when an increase has been promised for another. Once again, Mr Williams has made the right course harder for himself—and his successors.

* * *

Temporary Protection for Leaseholders

Its temporary nature is the most reassuring feature of the Government Bill to give protection to leaseholders. It is a Bill designed to redress moral grievances and it will be fortunate if it does not create as many injustices as it relieves.

It applies to two classes of tenant, the tenant of a shop and the tenant of a house originally let on a lease of more than twenty-one years. No one can have much complaint over the protection given to the shopkeeper. The Bill on this point corresponds very closely to the law already in force in Scotland. If the tenancy of a shop comes to an end within the two years that follow the start of the Act, the shopkeeper may apply to the county court for an extension of his tenancy on a yearly basis. If the court is satisfied that he has been a responsible tenant it may extend his tenancy for a year. Equally, the landlord may defeat the claim by showing that he can offer alternative accommodation, or that the premises are to be demolished or reconstructed, or that greater hardship would be caused by granting the extension than by refusing it. These provisions are very much in accord with the recommendations of the last departmental committee that considered the problem.

The protection to be given to the tenant of residential property is, again, limited to two years, but it raises quite other problems. The effect of the Act will be to extend by up to two years every long lease where the leaseholder, or a member of his family, is in occupation of the property comprised in the lease. No provision is made for any adjustment of the rent and no compensation is offered to the freeholder for this compulsory extension of the original term. In fact, the main reasons for the presentation of a Bill in this form seem to be that there are a number of long leases of small houses in South Wales expiring next year, that the Government is reluctant to face all the complications of a thorough reform of the law of landlord and tenant at the present time, and that it thinks it proper to avoid unpopularity with the leaseholders of these properties by offering them a free two-year extension of their terms. The Bill is a complicated draft; it is difficult to avoid the conclusion that, as with the Rent Restriction Acts, one of the principal beneficiaries under it will be the legal profession.

* * *

Schuman Plan's Final Stage

All the reports from Paris this week indicate that the Schuman plan, after a period of hesitation, has started to swing forward again. The new momentum is undoubtedly real and is due to a variety of causes. President Truman's re-statement last week of American sympathy and interest in the scheme undoubtedly gave it a push; and at the same time the Continental experts managed to reach a compromise on one of the biggest technical obstacles—the high-cost Belgian coal mines.

The proposal that now seems acceptable to all parties is a compromise between the original French and German views. The French wanted an equalisation fund, to which low-cost producers would contribute on a scale large enough to bring Belgian coal prices into line with the lower price fixed for the single market. For the Germans this would have been an expensive proposition, since the cost price of Belgian coal was some 50 per cent higher than that of German. They therefore suggested that Belgium be left out of the single coal market.

Meanwhile the Germans have had to raise their own coal price, thus reducing the differential, and have accepted a suggestion for subsidising only a small proportion of Belgian coal. In practice, Belgium will gradually close down the least economic mines, and in return the High Authority will guarantee to deliver to the Belgians at the single market price a quantity of coke equivalent to the loss of domestic production—probably about 5,000,000 tons annually. The cost of the required subsidy will be shared equally between the Belgian Government and the low-cost producers, Germany and the Netherlands. Realists have already pointed out that this solution can only be a long-term one, arrived at to satisfy the negotiators, for in the present acute coal shortage no mines, however uneconomic, are likely to be closed down.

Two further points remain to be settled before the treaty is ready for initialling. One is a rigorous anti-cartel provision, which the French are urging over German and Dutch protests; the Germans favour a milder law such as they have already drawn up at home. Another and entirely separate issue which the French are urging in the face of determined German resistance is that the treaty should forbid vertical trusts—that is, the practice, especially widespread in the Ruhr, whereby steel companies own their sources of raw materials.

This particular French objective is no more than the introduction into the Schuman plan structure of the provisions of Law 27 whereby the Allied occupation authorities aimed to break up the German vertical trusts. So far the occupation authorities have not succeeded in fully implementing Law 27, and the French are undoubtedly preparing for a time when all Allied control and regulation of German industry will be formally abandoned. Indeed, the Germans are insisting that the essence of sovereignty lies in the absence of controls imposed by the occupying powers, and that Germany can take part in the plan only as a sovereign power.

As the plan moves toward completion, there is growing interest in the British attitude toward the experiment. Dr Dalton made it clear this week at Strasbourg that, once the plan is approved by the six governments and the High Authority exists, the British Government will consider how it can associate itself with them. This conciliatory statement is a welcome surprise.

* * *

Successes for Dr Schumacher

The vote in the elections held last Sunday in two of the smaller states of Western Germany—Hesse and Wuerttemberg-Baden—was an unmistakable indication of the present frame of mind in Germany. The total vote was low, reflecting the political inertia of the people; it was in favour of the Social-Democrats, reflecting their opposition to rearmament.

The Social-Democrats in Hesse are now twice the strength of any other party in the state. They have an absolute majority in the new *Landtag* instead of being, as heretofore, merely partners in a coalition government. In Wuerttemberg-Baden Dr Schumacher's followers also gained largely at the expense of the Christian-Democrats. The Communists lost all their seats in both states. The advocates of a German national army had no luck either. A voice in the wilderness was that of the chairman of the organisation of ex-generals known as the *Bruederschaft*, who declared in an election address that "it is time the command in rearmament should be given to the fighting men, instead of to Ministers who have never smelt powder."

Dr Schumacher greeted his victory with two mis-statements. He claimed that the results were due to the fact that the Social-Democrat party was the only one with a clear policy on rearmament, and that they represented a vote against the Adenauer Government's economic policy. It would be more accurate to say that the Germans voted against Dr Adenauer's party as the only one with a clear policy in favour of a German contribution to a European army, and for Dr Schumacher's eloquent but confused opposition. The vote was not one for Socialism, but will certainly be exploited for Socialist policy. Dr Schumacher has, indeed, been making himself the spokesman of German sentiment on defence in order to gain power for his party.

It is hard to know how far Dr Schumacher's rejection of a German military force goes, or whether he would change his policy if a Socialist party were in power in Bonn. Some optimistic analyses of the recent *Bundestag* debate on the subject concluded that he and Dr Adenauer agreed in principle. But

the Social-Democrat leader himself declared subsequently that his views differed from those of the Chancellor as black from white. The debate seemed to end in a stiffening of the fronts between the Socialists and Christian-Democrats. It would be too much to hope that Dr Schumacher's latest victories will lead to the formation of a "grand coalition" at Bonn, or to a bipartisan policy on defence. It appears more likely that the Social-Democrat leader will be encouraged to persist in his demand that the question be submitted to the people in a general election.

In the present confused state of the rearmament issue, the results of a general election would probably be highly damaging to the western cause. It is hard to understand how Dr Schumacher can be so lacking in responsibility as to demand such action for the sake of party politics. Germans at present do not know what is to be asked of them, or under what conditions. They are reacting to resentment against the idea of being used as cannon fodder to save nations which, as they feel, have robbed them of homes and property, and for years have abused them for militarism.

In some typically pungent catch-phrases, Dr Schumacher has declared that Germany has suffered much more in the last war than other countries, so should be spared in the next; that Germans must not contribute to western defence until the Western Powers can undertake to win the first battle on the Vistula; and that not a German soldier will defend foreign national states on German soil. This is the voice of the average German.

Apart from his unthinking resentment, the young man of military age in Germany dislikes at least as much as his British or American counterpart the prospect of fresh regimentation and death in battle. The Germans are an impressionable people, and this attitude could change very quickly. But for the time being, they are still under the influence of the upheavals and personal catastrophies of recent years. They would like best to contract out of the international quarrel. *Ohne mich*—or, as Mr Sam Goldwyn would say, "include me out"—is the watchword of the day.

* * *

Prising Open the Closed Shop

The Durham County Council's threat to dismiss any employees, of whatever status, who refuse to produce evidence of membership of an "appropriate" trade union or professional body, is a precise and equally repugnant counterpart to the notorious "Document" or "yellow-dog contract" of an earlier day, whereby a pledge to abstain from union membership was exacted from newly enrolled workers. The council has got itself into an awkward situation. The National Union of Teachers and the medical organisations have advised their members not to comply and have backed the resistance of non-members—no doubt from motives variously compounded of genuine liberalism and of a lively apprehension of internal troubles from an influx of rebellious conscripts. The council is thus left without allies to face the difficulty confronting any would-be dictatorial employer in a time of full employment—the difficulty that if one dismisses recalcitrant workers, whatever they are being recalcitrant about, it is remarkably hard to replace them. Doctors, nurses and teachers are scarce; essential services must be maintained. Government pressure and the facts between them indicate a retreat.

The Durham affair may do good if it shows up the closed shop for the illiberal anomaly that it is. Even apart from the special case of the conscientious objector, it puts the individual worker at the mercy of a trade union executive whose arbitrary decisions are not subject even to that economic check which restrains an employer. Capriciously sacked by one firm, a man can seek another berth; deprived of his trade union card he is, under the closed shop, permanently deprived of his livelihood. This may be acceptable to those who, with minds firmly rooted in the nineteenth century, equate the trade unionist with the under-dog—an animal which can by definition do no wrong. If this mythology is put aside, it is hard to see any reason why the closed shop and the "yellow-dog contract" should not be equally illegal. Complete enforcement would admittedly be difficult. It would be something, however, to lay down that exclusion from a job on account of either membership or non-membership of a union was illegal victimisation entitling to legal redress. A government with the courage to undertake such a reform might reap unexpected dividends of popular approval.

* * *

New Principles of Arbitration?

The National Arbitration Tribunal last week referred the engineering unions' claim for an increase in wages back to the disputing parties. This decision, or the lack of decision, seems best interpreted as another attempt to develop more satisfactory principles of arbitration. There are ample grounds for believing that the tribunal used to do little more than split the difference between offer and claim. In the past two years, with a policy of wage restraint in force, something less than half the difference—usually about one-third—has often been awarded; conceivably, if it were ever the Government's policy to encourage wage demands, something more than half the difference would be awarded.

No one could pretend that this amounted to a reasoned principle of arbitration, though in the absence of any intelligible wages policy it was probably as good a method of getting the claims settled as any. The methods adopted in the case of the engineering unions, and in that of the miners three weeks ago, are both departures from the normal types of awards. The miners were awarded a lump sum to be distributed among the workers concerned more or less as their union saw fit. The tribunal deliberately refrained from offering anything more than advice about who should be paid what, presumably having decided that the miners were more likely to be satisfied by a division of the spoils by their own leaders than by an arbitrary decision. In the case of the engineers, the tribunal confined itself to "recommending" a new basis for negotiations between employers and workers. It reserved the right to enforce an award if no subsequent agreement was reached, but for the second time the attempt was to get the matter settled out of court instead of imposing a verdict.

In normal civil litigation there is a great deal to be said for settling disputes out of court, but wage disputes have long ceased to resemble normal litigation. They involve far more people than the two parties immediately concerned, and a wages decision in one section of industry may have repercussions throughout the whole economy of the country. The former methods of arbitration may have been unsatisfactory; it may indeed be impossible to lay down clear-cut principles for arbitration under present conditions; but is it right that the National Arbitration Tribunal should reduce even its present inadequate influence on wage disputes?

* * *

Freedom of Choice for Indo-China

The problem of Indo-China has lately been discussed in Paris from three points of view, all of them fresh. First there has been the arrival of American material in Viet Nam itself; the military equipment already delivered and the promise of a great deal more to come have transformed the French supply outlook. Second, the French Council of Ministers last week accepted the recommendations discussed in the Committee of National Defence for giving M. Letourneau, the Minister for Associated States, sole responsibility for government policy in Indo-China—a considerable and statesmanlike concession by M. Moch, the Minister of National Defence, which should lead to a more vigorous direction of the campaign in Viet Nam. Third, an entirely new urgency has been given in Paris to the question of a French "declaration of intent" about the proposed future of Viet Nam, Cambodia and Laos.

This last point is very important, and it is to be hoped that Paris will soon make a statement about it. It is important because the struggle in Indo-China is, and must remain, political as well as military. Even now it is not too late to win over to Bao Dai a good deal more support from the Vietnamese than he has at present—which may be around 40 per cent of the country. It could come not only from people who have hitherto sat on the fence, but from among the supporters of the Viet Minh (the League for the Independence of Viet Nam). Many of them who are not Communists now fear the growing Communist stranglehold on the whole movement, deliberately increased during the last two months by the Lien Viet, or out-and-out policy of a Communist-controlled national front. But Bao Dai can make no further headway if the result of an anti-Communist victory would be to reimpose French rule, however carefully concealed that may be.

The present growth of nationalist feeling has gone too far in Indo-China and the danger of Communist success has now become too great—though these are two entirely separate things—for the French to have any real alternative to declaring for a policy of complete Indo-Chinese freedom of choice. At last this appears to be increasingly understood in Paris. What matters as much, therefore, as a "declaration of intent" to recognise the national aspirations of Viet Nam, Laos and Cambodia, is that the French should live up to the spirit as well as the letter of any intentions about granting independence that they may state. If the heavy Viet Minh pressure round Hanoi has achieved this, American arms may have come in the nick of time. If not, arms alone cannot save Indo-China.

* * *

War Office and General Winter

It is disgraceful that British troops should have been committed to fight in the Korean winter without proper clothing, and the statement made in the House of Commons last week by the Minister of Defence, Mr Shinwell, did not relieve anxiety in the country. He assured the House that front-line troops had already received the winter equipment they needed. From a more detailed statement on Tuesday by Mr Strachey, the Secretary of State for War, it is now learned, as reports from Korea had already indicated, that there has continued to be great difficulty and delay in delivering winter clothing to advance units of the 27th Commonwealth Brigade, although the material has now just arrived in base depots. As a result, the troops have been forced to exist for three weeks among the icy mountains of North Korea with inadequate and makeshift garments, in temperatures going down to zero fahrenheit.

The 27th Brigade is composed of two battalions from the United Kingdom and one from Australia. It has been fighting in Korea for the past two and a half months, the British units having been drawn from Hongkong—unlike the 29th Brigade which recently reached South Korea direct from this country, completely and properly equipped for all eventualities. There is therefore some excuse for an initial muddle about supplies for the 27th Brigade; its dispatch was an emergency measure. But it surely required no more than normal foresight in the War Office to remember that winter follows autumn, and that in the fullness of time severe weather would be met in Korea. The decision to dispatch adequate clothing should have been made as soon as movement orders to Korea had been signed.

The excuses are that the Brigade would have been withdrawn from the fighting by now, if the Chinese had not intervened, and that the Americans had promised to help with heavy winter clothing pending the arrival of British supplies. The Americans have indeed come to the rescue—but they have had their own problems too. And there can be no valid reason for failing to provide against the possibility of a change in the tactical situation.

Mr Strachey said that on August 25th London was informed that the Americans might want British help in providing winter clothing, and that additional clothing arrived in Korea on November 3rd. He has neither explained this delay of over nine weeks nor given any assurance that inquiry into its causes will identify the culprits.

* * *

Fourpence More on the Cards

The announcement made last week-end that the national insurance contributions paid by employees and employers would each be increased by 2d. a week in October, 1951, was merely a reminder that the present contributions are only temporary. It was laid down in the National Insurance Act that five years after the new rate of old age pensions came into force—which was in October, 1946—the contributions would be increased by 4d. The purpose of the increase is to relieve the Exchequer of some part of its future liability in respect of old age pensions.

Nevertheless, the increase is likely to intensify the pressure, already being felt, for an increase in the rate of national insurance benefits. Those benefits were roughly on a subsistence level when they were fixed by the National Insurance

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Act in 1946. To maintain them on that level the Government promised that the cost of living would be kept stable—a promise which it has not been able to keep. But it cannot raise benefits to the new subsistence level without setting up a chain of consequences that it wants to avoid. First, old age pensioners, on whose behalf the strongest pressure is exercised, cannot have their basic pensions increased without similar increases being made in unemployment and sickness benefit, for it is a cardinal principle of the social insurance scheme that the main risks it provides for should be covered by a flat rate of benefit. Another equally important principle is that the scheme should have an actuarial basis. Higher benefits would mean higher contributions, and Mr Griffiths, when Minister of National Insurance, said that an increase of 4s. a week in the standard rate of benefit would increase the total contribution for a man by 1s. 4d. a week. Since he has also said that the present contribution is already as high as it can be if the principle of a flat rate of contributions and benefits (instead of a rate varying with earnings) is to be preserved, higher benefits appear to be ruled out.

Nothing, in fact, is likely to happen until the first quinquennial review of the whole scheme takes place in three years' time. It may then be possible to increase benefits without increasing contributions if the Government actuary is allowed to assume that unemployment will be at a lower level than 8½ per cent. For the time being, the Government can offset the effects on the social security scheme of the actual and prospective rise in the cost of living only through national assistance—that is, at the sole cost of the taxpayer.

* * *

Jobs for Graduates

The Assistant Secretary of Oxford University Appointments Committee has recently returned from a busman's holiday among American universities. The difference in the approach of American and British industrialists towards the employment of university graduates is painfully obvious from his report. The American business man is normally prepared to tout his firm's attractions round the universities, and is provided with a suite of rooms in the university buildings to do so. Too often his British counterpart remains suspicious and hesitant and has to be beguiled by the university appointments officers into trying out some of these strange creatures in his works.

There is no doubt that British industry and commerce could with advantage move nearer to the American practice. The Americans have realised that with the cream of the schools going into the universities they will only get skimmed milk direct from the schools. They have also realised that the collection of potential workers at the universities is, if nothing else, a supply that the recruiting officer from the firm can tap more conveniently than the young people scattered among many schools. Most important of all, they have recognised the advantage that university education often gives for managerial positions. University appointment ("college placement") departments in the United States are consequently much bigger and more important than the modest, not to say hole-in-the-corner, organisations in some British universities

There is no need to imitate the lavish American schemes for placement. Their significance is not in their size, but in the light they throw on the climate of opinion in America about the value of university recruits. British industry needs a continuing supply of technologists who can turn the fundamental discoveries of the universities into profitable commercial channels. But it needs also young graduates whose broader education may fit them to make better managers and directors. So far, it is chiefly the largest firms that have fully grasped these possibilities. There are smaller firms that can and need to employ the greater share of university graduates.

Truman Aid for Tito

The US Administration's decision to help Jugoslavia will come up for close inspection when Senator Taft embarks on his "re-examination" of American foreign policy. Already, and without specific Congressional sanction, President Truman has put in motion an emergency programme to relieve the food shortage caused by the severe droughts. Altogether some $30 million worth of aid is being mobilised; flour will be shipped from Italy and Germany and paid for by ECA; the remainder of an Export-Import Bank loan to Jugoslavia has been released for foodstuffs; and still further supplies of food are to be purchased with funds from American military appropriations for Europe.

These sums, substantial as they sound, fall short of what Marshal Tito needs, even when allowance is made for the recent sterling credits granted by Britain. The American Administration is convinced that nothing less than a further $85 million is required and, in a preliminary effort to extract these funds from Congress, President Truman has sent a message to Congressional leaders which sets out more forcibly than ever before the importance which Washington attaches to the part that can be played by a Titoist Jugoslavia in the cold war. The policy of aid is based, the President said,

> On conclusions that (1) Tito's defection from Kremlin control represents the first setback to Soviet imperialism, and as such is an important political symbol; and (2) Tito controls the largest fighting force in Europe except the Soviet Union and that these forces constitute an important element in the defence of Western Europe against Soviet aggression.

The first challenge to this policy came from Formosa, where Senator Knowland called a press conference to protest that aid should not go to Tito while that other stalwart fighter-for-freedom, Chiang Kai-shek, remains a victim "of the State Department's policy of appeasement in the Far East." Yet another group of critical Republicans can be expected to press General Franco's claims for aid as a bulwark against the USSR. Indeed, the President's striking reversal of his policy toward loans to Spain may well have been an attempt to forestall these claimants. Almost simultaneously with his call for aid to Jugoslavia, Washington announced that the $62.5 million loan to Spain, voted earlier this year by Congress and strongly criticised by the President, would get under way immediately.

In spite of these storm signals it is probable that a number of Republicans can, in the end, be induced to come to the aid of the Marshal. They are, after all, anti-Russian above all else and not entirely impervious to the argument that Jugoslavia is of great strategic importance. But the immediate threat to the programme lies in the possibility that the opposition will hold back until there is greater evidence of a direct threat to Jugoslavia, meanwhile bargaining their support against any concessions they can wring from the Administration over Far East policy. By that time help may be too late.

* * *

Russian Grain for Europe

The grain conference in Geneva organised by the Economic Commission for Europe, which ended on Tuesday after a week's work, was further evidence—if this were needed—that in relatively unimportant matters the Russians are taking a co-operative line in Europe. There was a full house from Eastern Europe; the Soviet delegation was headed by M. Borisov, Deputy Minister for Foreign Trade, whose interest is in the practical not the polemical and the atmosphere was consistently businesslike and friendly.

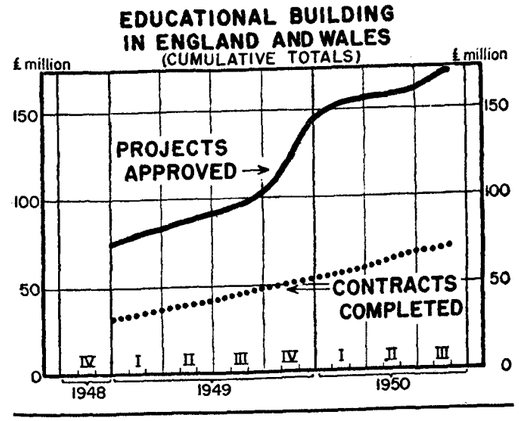
A certain amount of limited business was in fact done. The east Europeans made a total offer of no more than half a million tons of coarse grains beyond their existing commitments, against a demand for over a million tons of bread grains and nearly 3 million of feeding-stuffs. It is not clear whether this modesty was politically dictated, but there is every reason to suppose that quantities available are exceptionally low this year. On the other side, none of the prospective purchasers wanted to discuss, in public forum, what goods they were prepared to offer in exchange. Within these limits the only thing that could be done—and was done—was to reach agreement on quantities, both between competing buyers and between buyers and sellers. The French, the Dutch and the Scandinavians emerged victorious, and will now withdraw to their separate capitals—or to Moscow—to negotiate bilaterally the outstanding questions of price and counter-deliveries, which may, of course, always prove intractable. The British went to Geneva with 800,000 tons already in the bag, so their reticence may count for once as an unmixed virtue. But there was some tendency among the Continentals to construe their motives as the usual desire to stand aloof from a European venture.

If the object of the conference, which was always a little obscure, was to meet Western Europe's need for non-dollar grains and to relieve Eastern Europe of a grain surplus, it clearly was not successful. The western countries will still have to find the bulk of their grain requirements from outside Europe, and it seems highly unlikely that the eastern countries have much spare grain around. But if its object was to prove that, whatever the international tension on vital issues, there is no reason why co-operation on smaller issues should not be possible, it can be said to have succeeded admirably. The mountain may have given birth to rather a small mouse, but it may, in a number of small ways, prove quite a useful mouse.

* * *

Squeeze on School Building

The Conservative proposal to build 300,000 houses a year has so far led to very little serious discussion of the cuts in other building programmes that might make room for more houses without increasing the labour force in the



building industry. A few obvious but small cases—shops in Lambeth, offices in Westminster, and so on—do not add up to a convincing programme of cuts. There has been some tentative mention of cuts in school building, but little concrete evidence about what they might or might not be supposed to achieve. Since, however, this is obviously one of the larger possibilities, it may be worth while to examine the present relative sizes of the school and housing programmes.

Between 1945 and August, 1950, some £68 million of school building was completed in England and Wales, and about £12 million in Scotland. To have done without new schools so far since the war would not have produced many extra houses. That, however, is partly because school building started very slowly. The amount of school building under construction has risen from £26 million to £81 million during the past two years. As with the early stages of the housing programme, the rate of finishing schools has not kept pace and only £21 million worth of building was completed in England and Wales in 1949. This year the figure is likely to be something over £25 million, with another £5,000,000 or so in Scotland.

Houses are being built at the rate of 200,000 a year and the annual investment in them is not far short of £300 million. The school building programme is still small by comparison. It is confined to three purposes: to providing the extra places (some 1,100,000 between 1947 and 1953) demanded by the higher birth-rate of the forties; to schools for new housing estates; and to a modest £3,000,000 for technical education. To squeeze school building would soon involve a serious loss in educational standards. To obliterate it entirely would produce only perhaps another 25,000 to 30,000 houses a year. There is already great anxiety lest the extra school places will not be produced in time, while no resources can yet be spared to replace the many schools which have been condemned for years. A slogan of "houses before schools" would have no great popular appeal and would not in practice produce many more houses.

The Need for Peace

Peace is now the prevalent habit of society, as war was when men had no fixed homes, and fought for a hunting-ground as a means of subsistence. It is a necessity for all the industrious wealth-creating classes, for the merchant and the manufacturer, for the grower of food and of the raw materials on which art is exercised, for all the professional men who depend on them, and all these now constitute a vast majority of almost every society. They may be sneeringly described as dealers in public funds, or peace-at-any-price men; but they are not only the vast majority, they are the increasing portion of society, for whose security and advantage Government exists, and in the end their interests must be consulted, and they will give law to the whole. Governments must study their interests, and must obey them. To pique the honour of the Prussian army or the Austrian soldiers, and urge Governments into war, is not merely, therefore, to rouse the angry passions of Austrians and Prussians; it is to set the military part of society against their own peace-requiring countrymen, and generate civil contention, together with foreign war. We say not that the military profession is in hostility to the feelings, habits, and wants of the present age, for it is still required to some extent in every society, both to insure security abroad and guard against convulsions at home; but it is gradually decreasing in relative importance and will become hostile to the other classes and to the habits of civilised life, to its own injury, if feelings of honour and a passion for glory and strife be nourished at the expense of national peace.

The Economist

November 23, 1850

Letters to the Editor

German Deflation

Sir,—The recent report on the foreign exchange difficulties of Western Germany prepared for the Management Committee of EPU, which has fortunately found its way into the French press, merits the closest attention in this country. The Western German Federation has in the last two months lost some $350 million in the European clearing and has exhausted not merely its original quota of credit granted by EPU but the whole of its foreign exchange reserves. The report advocates the grant of new credits on condition that a general domestic credit restriction is forthwith initiated by the German Government, a large increase in taxation is introduced so as to produce a budget surplus, investment plans are cut, and the independent authority of the Central Bank is reinforced. Unemployment in Germany is still above the 1,250,000 level. The proposed measures would undoubtedly increase it towards the 2,000,000 level reached last winter.

This policy can hardly fail to have the most disastrous political consequences by leading to extremism at a moment when the Americans are pressing for the rearmament of that country. Nor is the case for a general deflation supported by a careful analysis of the facts. Only a small fraction of the losses of foreign exchange was due to the worsening of the current balance of payments. The bulk was accounted for by a wild bull speculation in sterling and commodities which was made possible by the dismantling of the direct controls and the liberalisation of trade by Germany. The measures proposed would not deal with this overwhelming problem. No doubt a better distribution of income is needed. But the tax reform advocated by Mr Cairncross and Mr Jacobsson has merely a deflationary aim, and would fail to do this. Only a restoration of import and investment controls to give priority to necessities and enable the rebuilding of a balanced German economic system would meet the crisis. This was expressly permitted to "extreme" debtors by the EPU agreement. The acceptance of the Cairncross-Jacobsson report would set a dangerous precedent for Britain should a turn in the world economic position lead to renewed tension in our (dollar) balance of payments.—Yours faithfully,

Balliol College, Oxford T. BALOGH

Still in the Air

Sir,—In *The Economist* of November 11th it was said that "the (Conservative) figure of 300,000 houses was conjured out of nothing better than the enthusiasm of a party conference." In fact, *before the motion on housing was put* to the conference, Commander Galbraith, M.P., who is on the Parliamentary housing committee, said in his speech from the platform that "We must set ourselves a target, for otherwise the industry cannot plan and cannot calculate the amount of additional materials required; and it is my submission that the target should never be set any lower than 300,000 houses a year."

This can hardly be said to be the hysterical outpourings of a Conservative conference. It must at least be admitted that the party leaders were aware of this figure and that the possibility of attaining it had been at least investigated by the Parliamentary housing committee.

You said that the proposal was not impossible but simply irresponsible. To begin with, a lot could be done to raise the housing figure from the money, materials and labour which are already allocated to that purpose. Surely you cannot consider that it is a sensible state of affairs when production as a whole has gone up by 30 per cent and housing production has fallen by 26 per cent? Are we to accept this as irrevocable? And is it irresponsible to suggest that building production could be raised to a prewar figure? The number of houses which could be built from this factor alone is 50,000 more a year—half what is necessary to achieve the Conservative target of 100,000 extra houses.

As for sacrifices: it may be that some things will have to be sacrificed. We could make a start, for instance, by sacrificing such projects as that of spending £200,000 in Lambeth to build new offices and shops—and I am sure that this small example could be repeated all over the country. Of course we want new offices and shops. But do we want them at the expense of the people's homes?

As for the argument that the need for housing is a "subsidy-generated need," I do not think I have ever heard a more cynical and inhuman pronouncement. What of the thousands of young families, decent, clean and self-respecting, who are now being forced to live and rear their families in slum conditions in houses unfit for human habitation? What of those condemned to live indefinitely with in-laws, who have no hope under present conditions of being rehoused before they are middle-aged—if then? In Lambeth the population increased by 2,800 last year and there were 1,291 marriages. Is this a "subsidy-generated need"?

If subsidies were taken off food the first casualties would be football pools, cinemas, beer and tobacco—not houses. And if there was any real deflation the price of housebuilding would also fall. A quarter of a million houses have been knocked down by the enemy during the war; three-quarters of a million houses have become obsolete through old age and lack of repairs; the population has gone up three and a half million since 1939. The figure of 200,000 houses a year does not overtake the rate of obsolescence, so how can it be argued that if subsidies were removed the need for more than 200,000 houses a year would not exist? Are we to have no *new* houses—no *more* houses than the total number which exists today?

If this is all the criticism which you offer against the Tory programme of 300,000 houses, then I do not think we need worry overmuch.—Yours faithfully,

House of Commons J. G. SMYTH

The Encroaching Corporations

Sir,—In *The Economist* of November 4th, you referred—under the heading "The Encroaching Corporations"—to the supposed fact that British European Airways is "squeezing out the air charter firms from the Channel Islands trade" and that "more unsatisfactory than any particular encroachment of public monopoly on private business in the same field is the absence of any impartial body to decide whether the facts do or do not justify it. The Corporations are judges in their own cause."

May I be allowed to explain the true position? We in BEA have in fact recommended to the Air Transport Advisory Council the granting of permits for the operation of 10 routes from England and Wales to the Channel Islands by private companies next year—the same number as has been operated by private companies this year.

Secondly, far from being judges in our own cause we merely make recommendations to the Air Transport Advisory Council—an independent body sitting under Lord Terrington. This council decides whether applications shall be granted, modified or refused. It is, in fact, a licensing authority. In the past it has certainly not accepted the recommendation of BEA in all cases.

In forming our recommendations we are guided not only by our own commercial prospects but also by the Minister's directive that:—

> It is Government policy, in accordance with the Air Corporations Act, 1949, that the scheduled internal and external air services of the United Kingdom should normally be undertaken by the British Airways Corporations.

Far from wishing to squeeze out the air charter firms, we have recently proposed to them co-operative arrangements for full interline agreements whereby BEA's routes and those of the private operators may be fully integrated to the benefit of both the operators and the travelling public—an approach which has been welcomed by many of the companies concerned.

I fear that some of the private operators may have hoped that we would give up some of our profitable routes to them and that such a view may have led to some misrepresentation of the facts that I have endeavoured to set out above. Much as we should like to help them all, we cannot do so at the expense of increasing our deficit.—Yours faithfully,

PETER G. MASEFIELD

British European Airways, Ruislip, Middlesex



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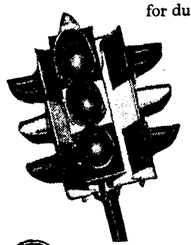
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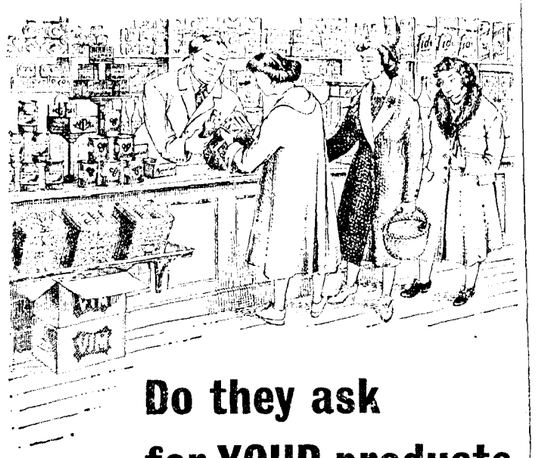
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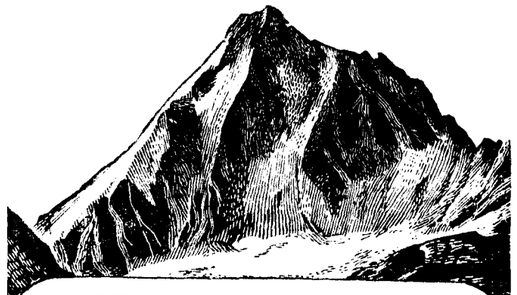
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Books and Publications

The Origins of Soviet Russia

The Bolshevik Revolution, 1917-1923. Vol. I. By E. H. Carr. *Macmillan.* 430 pages. 25s.

A hundred years ago the greatest French historians, almost without exception, were occupied with the French revolution and its consequences. Even as early as the 1820s, Thiers was leading the impressive procession of the revolution's historians; he was followed by Lamartine and Michelet, who in their turn were succeeded by Albert Sorel, Aulard, Jaurès and many others. It is a reflection on the state of historical research in Soviet Russia that, thirty-three years later, not one real history of the Bolshevik revolution and regime has been produced there. (The two great histories by Trotsky and Miliukov were written in exile, and dealt only with the events of 1917.) It may be argued that the French began to assess their revolution only from the vantage point of the post-Napoleonic and post-Restoration era, and that the Russians at present lack not only freedom for research but also historical perspective. But this does not alter the fact that the need for a full scale history, or histories, of the Soviet regime is felt very acutely. Nor can it be doubted that the Russian revolution, like its French predecessor, will fascinate many generations of historians. In years to come it will probably be a matter of pride for British scholarship that the first ambitious and comprehensive history of the Soviet regime has been attempted by a British scholar.

This is the first volume of a series of books planned by Mr E. H. Carr. "The Bolshevik Revolution: 1917-1923" is to cover, in three volumes, the period from the October revolution up to Lenin's withdrawal from the political scene. The second part of the study "The Struggle for Power: 1923-1928," will deal with the formation of the Stalinist regime. The scope of this work, if, as is hoped, it is completed according to plan, will be fully comparable to the scope of some of the classical histories of the French revolution.

This first volume is divided into three parts. Part I (The Man and the Instrument) is devoted to an analysis of the origin and the development of the Bolshevik party before 1917. Part II (The Constitutional Structure) describes in detail the early constitutional ideas and practices of the Bolsheviks and the merger of their party with the Soviet state. In Part III (Dispersal and Reunion) Mr Carr discusses the revolutionary disintegration of the old Russian empire and the reassembly of its constituent parts in a new highly centralised state, the Soviet Union proclaimed in the Constitution of 1923.

The author follows these processes, crucial for the understanding of the Soviet state, on the basis of impressive and exhaustive research into original documents. The wealth of his documentation will surprise many readers, but it is a fact that the material relating to the first decade of the Russian revolution is richer than that available to many other historians. The main difficulties of research into Russian history—difficulties created by secrecy or falsification—begin later.

Any work of the kind which Mr Carr has undertaken can be written from different political viewpoints and from different methodological angles. Mr Carr himself sums up his standpoint as follows:

> Politically, the programme [of the Bolsheviks] involved an attempt to bridge the gap between autocracy and socialist democracy without the long experience and training in citizenship which bourgeois democracy, with all its faults, had afforded in the west. Economically, it meant the creation of a socialist economy in a country which had never possessed the resources in capital equipment and trained workers proper to a developed capitalist order. These grave handicaps the victorious October revolution had still to overcome. Its history is the record of its successes and failures in this enterprise.

This, of course, is a viewpoint which invites controversy from both those who want to hear only about Bolshevik successes and those who want to be told about nothing but the failures. But any history of so controversial a period is itself bound to be controversial up to a point. What can be said in favour of Mr Carr's approach is that it is free from the extremes of apologetics and denunciation, and that the massive framework of fact he has built up is unassailable, regardless of possible differences of interpretation. It is the author's distinction that, at a time when most writing on Russia is coloured by political passions, he has throughout maintained the historian's critical detachment.

In its method, this is primarily a history of policies and institutions. Mr Carr traces, with very great diligence and penetration, the evolution of the major ideas of Bolshevism, the formation and consolidation of the central institutions of the Soviet state and their relations with each other. His analysis of the structure of the institutions is in many respects genuine pioneering work. This is not, however, a history of the social forces of modern Russia or of the Soviet way of life. These are, of course, reflected in the policies and the institutions, but they remain dimly in the background. No single history can adequately include all these aspects. The concentration on institutions and policies has this to commend it: it allows Mr Carr to trace definite processes with the maximum of precision, and it saves him from the temptation to try at any point an imaginative reconstruction of the elusive "spirit of the epoch," of the psychological climaxes and anticlimaxes, of the tensions, dramas and moral conflicts in which the Russian revolution has been so rich. Mr Carr writes in a deliberately austere but lucid style. His stylistic austerity is in keeping with his general method and testifies to the writer's self-discipline. But Mr Carr's story is so important and inherently dramatic that to the serious student it is never dull.

Foreign Policy in a Democracy

Congress and Foreign Policy. By Robert A. Dahl. Published for the Institute of International Studies of Yale University by *Harcourt, Brace and Company, 1950.* $4.00.

It is no disrespect to Professor Dahl to say that, in some ways, the most significant thing about his book is its title. Much has been published in the last hundred and seventy years about "The Senate and Foreign Relations" and many general books on the Senate have included a chapter entitled "Treaties." But it is only since the end of the war that American foreign policy has needed money—money for foreign aid programmes, economic and military, money for information services and for the expansion of the armed forces. And money can only be obtained through Appropriations Bills, which originate in the House of Representatives, a body carefully excluded by the Constitution from meddling in foreign policy, and concurred in by the Senate, whose only previous constitutional contact with the outside world was over the confirmation of the appointment of ambassadors and the approval—by a two-thirds majority—of treaties. But now, Professor Dahl says,

> the whole Congress is as deeply involved in foreign policy as it is in domestic policy; for, measured by the demand placed on Congressional power, there is far less basis today for distinguishing foreign from domestic policy than there was a centry ago.

His book is an analysis of the problems presented by this change (another book in the same series discusses the consequent problem of "The American People and Foreign Policy"), an analysis in which the evils produced by Congressional ability to interfere in what Congressmen little understand are fully and confidently stated. If he shows more uneasiness among the possible remedies it is hardly surprising.

He recognises three methods of conducting a foreign policy in modern times. The first is that of open dictatorship; the second that of a "democratic" regime (the quotation marks are his) with extensive executive discretion—on the lines of the Weimar Republic; the third "is a democratic regime under which executive policy rests upon the confidence of the legislative branch," with, in the United States, "a high degree of collaboration between executive and Congress in the formulation

and conduct of policy." It is his theme that the second alternative becomes uncomfortably close to the first in so far as it is successful and that only the third is really available to the United States.

The trouble with this view is that confidence between the President and Congress is precisely what the framers of the Constitution tried, only too successfully, to avoid; and that the American Congressman seems to be becoming more, rather than less, of a delegate, who refers home for instructions when each new problem comes up, than a representative, who votes according to his best knowledge, confident that those who elected him will trust his judgment. And, as the author admits, "the decision of means to be employed in foreign policy is a terrifying demand to place on the citizen" without a degree of knowledge which the ordinary citizen has neither time nor inclination to acquire, and without public discussion which at times "might jeopardise a proposed policy."

Professor Dahl has, in fact, expounded the problem in detail without solving it. And his attempted solution, which amounts to more education for the citizen and a greater patriotism and sense of responsibility on the part of his representatives, is put forward somewhat wistfully. Since his book was finished there have been two occasions—the vote in the House of Representatives to exclude Britain from the Marshall Plan as long as Ireland remained partitioned and that for Senator McCarran's $100 million loan to Spain—which make it look more wistful still. These were not cases when Congressmen have acted out of ignorance of the damage they were trying to do. They were cases when Congress understood perfectly well and did not care. Their country's foreign policy did not matter if they could strengthen their personal positions in their home States. As long as this happens, it is impossible to blame Presidents, as Professor Dahl does by implication, for trying to become "Constitutional Dictators" where foreign policy is concerned.

A Political History of Canada

Canada. By G. S. Graham. *Hutchinson's University Library.* 177 pages. 7s. 6d.

"This short book," says the author in his introduction, "is not so much a history of Canada as an interpretation of Canadian history; it is an attempt to approach Canadian history from outside rather than from within North America." It is generally fruitless to quarrel with an author's conception of his work, whatever criticisms may be levelled at the finished product; but one may regret in this instance that so much skill in presentation, working on such resources of scholarship, should have been used to produce an "interpretation" so overwhelmingly political and strategic, so little calculated to enable the non-Canadian readers to relate the totality of Canada's past to the living reality of her present and the promise and problems of her future. At the same time the "approach from outside," the relation at every stage of events in, or directly concerning, Canada to the moves proceeding on the major chessboard of European or world politics, gives a sense of perspective and proportion provided by no other writer.

Professor Graham does not, of course, entirely neglect the story of fur and fish, wheat and lumber, and has indeed some shrewd, and some entertaining, things to say about Canadian economic development; while the internal tension between French-speaking and English-speaking, Catholic and Protestant, Canadians is inevitably one of his major themes. Yet when he comes in his final chapter to discuss "The Future of a Medium Power" the picture seems strangely thin. Postwar Canada is "placed" deftly and sympathetically on the international stage, but there is hardly a hint of the revolutionary acceleration imposed by the second world war on its industrial development; nor, any economist is bound to feel, does Professor Graham assign enough weight to the difficulties, possibly of long duration, arising from Canada's position at the frontier of the hard-currency and soft-currency areas with a foot in both camps. Nor, indeed, does he convey anything of the curious atmosphere of mutual fear and distrust, mitigated by good sense and by an equally fervent allegiance to varying ideals of the same motherland, which characterises Canadian inter-racial relations. No doubt, however, these complaints leave Professor Graham's withers unwrung. His main theme is power politics, and that theme he handles with an effortless authority which maintains the standard of the excellent series of which "Canada" forms part.

The Geography of South-east Asia

South-east Asia. By E. H. G. Dobby. *University of London Press.* 415 pages. 18s.

The author is Professor of Geography at the University of Malaya, Singapore. His book covers Malaya, Burma, Indonesia, Siam, Indo-China and the Philippines. It is not, as he points out, "a dictionary, a gazetteer or an encyclopaedia." It is in fact a very readable geographical text-book, which should stimulate the politician and business man, the administrator and sociologist to learn more about the physical and human surroundings they work in.

Professor Dobby has divided his book into three parts. The first deals with the natural features of the area—geological formation, climate, vegetation, soil and drainage problems. However important to a comprehensive geographical survey such as this, it is perhaps the least exciting section of the book—although Professor Dobby has certainly done well to present so many facts in such a readily assimilable form. They benefit particularly from a liberal supply of really imaginative and useful diagrams and maps; indeed there are no less than 118 of these charts in the book as a whole and a great deal could be learnt from them without ever looking at the text at all.

The second part consists of studies of each individual country in turn, spread over fifteen chapters of which five are devoted to the vast territories of what is now Indonesia. These include human studies which range well outside the term geography in its narrower and older sense. Professor Dobby deals capably with such subjects as cultivation of crops for export, industrialisation, population origins and trends, and the cycle of Malayan paddy farming.

The third section of the book is the most interesting. It links historical development with present problems. The population of South-east Asia, for instance, has grown from about 10 million in 1800 to some 145 million today—an expansion equal to that of the United States but with only a tiny fraction of the capital development. There could be few better ways of understanding the current aims and difficulties of the Colombo Plan than to read Professor Dobby. For those who want to delve further—or who are not satisfied with him—he has provided an extensive bibliography.

A Diplomatic Anthology

Principles and Problems of International Politics. Selected Readings Edited by Hans J. Morgenthau and Kenneth W. Thompson. *New York: Alfred Knopf.* 476 pages. $5.00.

The idea of this stout volume is excellent—to show to Americans from the international relations of the past what is apparently recurrent in the present, to go back to principles of foreign policy and to the wisdom of great statesmen of the past—most of them British. The extracts are divided into six groups, with a concluding seventh section consisting entirely of a notable speech made in the House of Commons by Mr Churchill last March. There is first the "Science of International Politics," which includes some most salutary thoughts on the art of guessing by H. A. L. Fisher; then "What Foreign Policy Is All About," which ranges from Alexander Hamilton to Salisbury; then "National Power," in which Lenin rubs shoulders with the author of the Tanaka memorandum of 1927; then "International Order and Peace" with David Hume talking good sense about the balance of power and Mr Hugh Gibson telling home truths about diplomacy. The celebrated paper of Sir Eyre Crowe on British foreign policy comes in with the Truman Doctrine, the Harvard address by Mr Marshall and a good piece of Kennanism. Finally a section on "Present Problems of Foreign Policy" concentrates on the east-west conflict, with Fox and Burke supporting Sir Charles Webster and—it is gratifying to see—enjoying the company of a leading article from *The Economist*.

This anthology will have its uses in British as well as American universities for the study of principles and motives in international relations. But—may one say with great respect—is it not too

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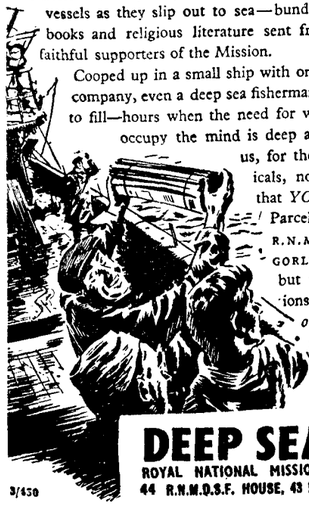
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COST OF LIVING



The most pressing domestic problem of the moment, directly affecting us all, is the cost of living. This is the subject of a new Gallup Poll Feature to be published in the News Chronicle.

A special reporter of the News Chronicle who accompanied one of the investigators engaged on this survey will amplify the final results and embody them in a series of articles beginning on November 28.

When scientifically analysed, the answers to carefully designed questions on spending habits (e.g. how much is spent on food, entertainment, education, etc.) and on people's expectations and intentions, make a fascinating and instructive study and show in detail how different income groups are affected by the cost of living.

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schematic, almost Teutonic, in its approach to diplomacy? How much more useful it would be for contemporary America, and for the growing numbers who study international relations, to study the technique and methods of diplomacy in situations which have their contemporary parallels. Here the extract method would be practicable and useful to the student. Indeed, it would be a valuable companion to such a fine book as Professor Seton-Watson's "Britain in Europe, 1789-1914."

Autobiography and Tract

Confident Morning. By Sir Harold Butler. *Faber and Faber.* 192 pages. 12s. 6d.

From its title and its publisher's blurb this book should be an autobiography. That is what its author seems to have meant it to be—a record of his working life from Oxford until the end of the 1914-18 war and his entry into international civil service at the International Labour Office. But he does not stick to his intentions. For about half the book he describes his life during the years when most people thought they were working to make the world better and better. For the other half, he uses his moves from post to post as pegs on which to hang a tract on the pitfalls of nationalisation. Much as fish and chocolate, separately delicious, are spoiled, if eaten together, so the two topics do not combine into a good book.

Because it cannot let itself go on narrative, it gives far too few snapshots of past scenes and masters. Yet the talent for evoking these is there. It comes out well in a chapter on the first international conference on air navigation in 1910, and better still in a description of the way in which the declaration of the 1914 war reached "all departments"—in a circular from the Foreign Office on which the formula was printed with a gap into which a clerkly hand could fill the name of the right enemy. Sadly, it fails to live up to this standard in a description of the part of the Paris peace conference that gave birth to the ILO.

The other half of the book—the tract for the times—contains one good and succinct comparison between the struggle of trade unions against the corporative states of the inter-war years and the struggle in which these same unions are beginning to find themselves involved within nationalised economies. But too much of the rest is nebulous or else trite. It will delight many readers over sixty; it says so many of the things that they have said all along. "With the multiplication of officials the citadels of power become more inaccessible." "Is the crushing weight of the all-powerful state now to be substituted for the rule of the feudal landlord?" "When comes such another as Mr Churchill?" The book, however, is not just a treatise on Now and Then with all the balance in favour of the Then. It sees clearly enough that the Edwardian morning was only confident for those with £500 a year. But it is content to exclaim that the extent of current political and social upheaval is too vast for human measurement. If a man of Sir Harold's experience has no more than this to say to the younger generation, he would have done better to stick to autobiography.

Textbooks by the Ton

International Relations. By Robert Strausz-Hupe and Stefan T. Possony. *McGraw-Hill Publishing Company, Limited.* 947 pages. 51s. $6.00.

Elements of American Government. By John H. Ferguson and Dean E. McHenry. *McGraw-Hill Publishing Company, Limited.* 803 pages. 36s. 6d. $4.25.

The Monetary and Banking System. By George Walter Woodworth. *McGraw-Hill Publishing Company, Limited.* 588 pages. 42s. 6d. $5.00.

Manpower Economics and Labour Problems. By Dale Yoder. *McGraw-Hill Publishing Company, Limited.* 661 pages. 42s. 6d. $5.00.

Mass production of university graduates obviously also involves mass production of university textbooks. American universities, with two and a half million students, have doubled their output in the last ten years and publishers of textbooks are working overtime to keep up with this growth in the college market and to cash in on it. The things the student learns about have been growing and changing too, so that reprints are not enough; it is a question of new editions and, more often than not, of entirely new books.

The four books reviewed here are only a selection of those coming off the McGraw-Hill Publishing Company's assembly line. They are all by working professors and are evidently what American university teachers and students expect, although questions and exercises at the end of each chapter are something the British student leaves behind with his schooldays. With the exception of "International Relations," which is of far more general interest and of greater originality than the others, these are little more than up to date factual studies, doing little to encourage the reader's critical faculty, but setting out clearly and ably everything he needs to know about the subject covered.

Shorter Notices

Conditions of Freedom. By John Macmurray. *Faber and Faber.*

THIS little book contains three lectures on a subject on which it is particularly difficult either to find something new to say or to avoid being sententious. Professor Macmurray's lectures, admirable alike in content and in tone, should be pressed into the hands of all and sundry. While raising old problems, they do so from fresh angles; while always profound, they are also always clear and often inspiring. No one need fear that he will not be able to follow Professor Macmurray's arguments, though most readers will acknowledge that without Professor Macmurray they could hardly have got so far. In his first lecture, for instance, Professor Macmurray points out that freedom, being the ability to do as we please, may be increased either by our acquiring power to do more things (the technological road) or by our limiting the number of things which we want to do (the moral road, once the main road but now unfashionable). This is so simple that one is tempted to call it obvious, until one realises how badly it needs saying at the present time. No attempt can be made here even to outline Professor Macmurray's main theses, but lest anyone should think that the argument is conducted on a remote or abstract plane, it should be added that at the end Professor Macmurray has some pertinent things to say about why our recent unprecedented efforts to create a world order have not only failed but have made things worse.

Statistical Register of Western Australia, 1946-47. *The Government Statistician, Perth.* No price stated.

THE Government Statistician has compiled from the official records tables covering vital statistics, public finance, trade, industry and transport, social statistics, local government and prices. The tables follow the pattern of previous years.

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AMERICAN SURVEY

The Future of Foreign Aid

Washington, D.C.

THE cautious replies of the Republican victors to questions about their future attitude to the Administration's foreign aid programmes is but one more proof of Lord Keynes's observation that "the power to become habituated to his surroundings is a marked characteristic of mankind." There is still no certainty that attempts will not be made to mutilate those programmes when it comes to voting in the Eighty-second Congress. But everything said so far suggests that the Republicans have become habituated, if not completely resigned, to living in a world in which the foreign policy of the United States is an expensive affair. Even five years ago a conservative of Senator Taft's stamp would have had much more to say about Mr Gordon Gray's "Report to the President on Foreign Economic Policies"—providing, of course, that any President had the temerity to publish it—than merely to observe that it went further than he would have gone.

Naturally the White House hoped that Mr Gray's report would appear just after a vote of confidence had been given to the Administration. Instead, its impact has been weakened by a fear that nothing much will come of it. But regardless of the timing, this is a study which was, if anything, overdue. And even the opposition ought to welcome its form, however little they like its content. They have often complained that it was never possible to add up the foreign aid bill because American overseas commitments were presented to Congress piecemeal and nobody would ever give them a comprehensive survey. Now they have got one. They know what an experienced group, with the advice of every even remotely interested agency of the Government, believes to be the broad lines along which foreign economic policy should develop. The report is written only in general terms and seldom gives estimates of cost, but it provides a score-card of twenty-two recommendations against which Congress can fill in the figures as this policy statement is converted into an operating programme.

While the campaign was in full swing a man from Mars might have been forgiven for summarising the Republican policy as "Let the Russians have the Ruhr Basin; give us the rice paddies of China." The changes in existing policy now being advocated by the Republicans are more modest in scope. But their main quarrel with Mr Gray will be, as it has been with Mr Acheson, about the priority which the Administration gives Europe over Asia. (The word "China" does not appear in the Gray Report until Table 7 of the Appendix.) There will be a few among them, no doubt, whose addiction to Generalissimo Chiang Kai-shek is great enough to prompt an attempt to sabotage the defence of the West on his behalf. But in general Mr James Reston is probably right in saying, in the *New York Times*, that "Republicans in Congress don't hate Mr Acheson more than they love their own country, even if some of them made a very close thing of it during the campaign."

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

★

These recommendations which involve direct aid to foreign countries, whether economic or military, will probably suffer less than those which would mean changes in domestic legislation. Mr Gray's gallant assault on the agricultural and shipping policies of the United States goes further than any member of the Administration has ever dared to go officially, and there is no doubt that it will be repulsed. So will his flank attacks on present tariff practices, though nothing but good can come, in the long run, from letting the politicians, and the businessmen who support them, know what the economists think of some of their sacred cows. Indeed, that vague area called "Wall Street," from which Mr Truman draws so many of his ablest officials and to which he directs so much of his abuse, has, since November 7th, been crowing quietly over the prospects of a successful counter-sortie against some of the measures taken, since Mr Hoover's defeat in 1932, to liberalise trade.

The Trade Agreements Act must come up for renewal in the spring, and those who think that it is un-American to buy foreign goods are already "speculating about the difficulty of getting it renewed," licking their lips over the possibility that it might not be renewed at all and hoping that, at least, the "peril point" provision, which the Republican Eightieth Congress managed to include, will be revived. They forget, however, that, if there is a subject on which the Democratic ranks close (the southerners having for once an identity of interest with the northern wing of the party), it is reciprocal trade agreements. Only Senator McCarran and six Democratic Representatives voted against the extension in 1949. And most of the Atlantic Republicans can be counted on to support it, even if some of them have previously tried to limit its usefulness. It is also likely that the Customs Simplification Act has enough support in both parties to pass in the next Congress.

Mr Gray's recommendation that the United States should become a member of the International Trade Organisation was probably no more than a necessary bow in the direction of the group which handles economic affairs in the State Department and whose Bible, Senator McCarthy notwithstanding, is the Charter of the ITO, not the Communist Manifesto. There is not the slightest chance of the Senate ratifying the Charter and, apart from the little band of State Department faithful, there will be none to mourn it. Once it is out of the way the United States will doubtless stop chiding other countries for breaking the rules of a club to which it has itself refused to belong.

When it comes to loans and grants, "the long, hard look" will be fashionable, and, to quote Mr Reston again, "every Senator to the west of Pittsburgh and the right of Senator Wayne Morse will be all for investigating French foreign policy back to the days of the first Napoleon." In this atmosphere the kind of help which Jugoslavia needs so desperately might be a forlorn hope if the Jugoslavs had not been more astute than the Spaniards in spending their entertainment account. The Administration's sudden decision to grant the loan to General Franco which Congress authorised in the summer will provide a handy parallel and precedent.

The underdeveloped areas, especially those in South and South-east Asia which are uncomfortably close to the borders of Communist China, may do better than was expected before the need became so urgent to expand their production of strategic raw materials and keep the Chinese out of them. The "Point Four" approach to these areas, which seemed to infuriate many Republican opponents of "do-goodism," has been forgotten and "the security and well-being of all free nations" will be the yardstick against which their needs will be measured in future. On this practical basis, and in this part of the world, the Republican doctrine of "less for Europe, more for Asia" can be fitted into the Administration's plans.

The Administration will not accept the "less for Europe" part of the doctrine, however, except to the extent that it believes the Marshall plan has done its job of promoting economic recovery. Mr Gray concluded that, "except for possible emergency situations," the readjustment from the distorted balance of payments position is nearly complete. But the chief struggle in the next Congress will come over his proposal to continue supplying aid, apart from military equipment, for another three or four years to meet the short-run burden of the military production of the Western European countries "in so far as it exceeds the sacrifice which it is within their ability to make." There is likely to be sharp debate over the point where this ability ends, and it will not only be among Republicans in Congress that a flattering, if uncomfortable, confidence in European capacity for self-sacrifice will be noticed.

Western Europe, partly because it has already received so much under the recovery programme and partly because it is suspected of being more cunning and devious than less developed areas, will be required to demonstrate unceasingly the efforts it is making to help itself. But, though Senator Taft has promised "a greater caution about money," there are other members of his party who, in the present world situation, would favour as great a caution about cutting it off.

American Notes

Drafting Dollars

The Democrats in the House of Representatives are doing their best to force the Senate to a decision on an excess profits tax before the end of the lame-duck session. The Ways and Means Committee rushed through its hearings in a few days and hopes to write the necessary Bill in little more than a week. It might then reach the Senate by December 6th or 7th.

The hurry is inspired more by the wish to make a political point, before the present Congress gives place to the new, than by any serious expectation that the Bill will in fact be made law before the end of the year. The chairman of the Senate Finance Committee, Senator George, seems determined to stick to a cautious attitude: he insists that, while a tax to capture abnormal profits made from defence production is wanted, it would require lengthy hearings and executive sessions to write a satisfactory Bill. The Senate as a whole is very likely to agree with him. Though trade union pressure for EPT is strong, the election results suggested that it was not quite so popular a cry as some Democrats had supposed. Since the election the opposition from business groups has become open and even vociferous. No one opposes in principle a defence tax on corporation profits. "If you draft men, you draft dollars" fairly expresses the common view. The disagreement is on how the drafting should be done and how severe it should be.

The Bill produced by the House Committee seems likely to follow President Truman's recommendations pretty closely. It would impose, that is to say, an excess profits tax with bite. Corporations would be allowed to reckon as "normal" only three-quarters of their average earnings in the three best of the postwar years 1946-49. A tax at the rate of 75 per cent would fall on all net profits above this standard. The yield of such an EPT is estimated at $4 billion and, since it would be retrospective to July 1st, corporations would have $2 billion to pay out of their current profits.

The criticism of the EPT proposals would sound familiar in Britain. It is argued that EPT encourages waste and extravagance and makes corporations lax in granting wage and salary increases, over-manning factories, and so on: in such ways it feeds inflation and defeats its own purpose. Secondly, EPT is inevitably unfair as between firms that have been doing well in the postwar years and those that have been doing badly; in the form proposed, it would be no more a genuine "war" tax on defence profits than a tax on the automobile and housing boom of 1949-50. And, most serious objection of all, EPT is bound to penalise new and growing firms; no practicable alternatives to the "base period" formula for assessment can make adequate allowance for their special case. Such a check to economic progress may be tolerable in war, but it is quite intolerable, the argument goes, if the nation has to settle down to a decade of rearmament in a time of half-peace.

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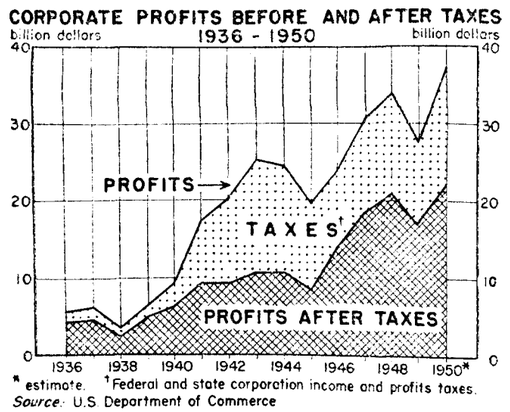


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The critics' alternatives to EPT vary in form, but most commonly boil down to some kind of special increase in the rates of ordinary income-tax and surtax on corporation profits. The case has been made sufficiently well for the Senate probably to feel that it can put off legislation until January without fearing that charges of toadying to big business will stick. The Secretary of the Treasury, Mr



Snyder, has himself estimated 1950 profits at $37 billion. As the accompanying chart shows, this is $3 billion above the 1948 peak, but much of the increase was generated by the boom before Korea. There would be no enormity in letting the 1950 profits go and spending more Congressional time on devising a better tax than EPT for 1951.

* * *

To the Victors . . .

The lame-duck session of Congress, which opens on November 27th and winds up in time for Christmas, was so badly crippled by the election results that little is expected of it; as Senator Taft said when asked what it might accomplish, "it can adjourn." The real interest is in the organisation of the new Congress in January, which will reflect the balance of power inside the two parties. Thanks to Senator Benton's hairsbreadth victory in Connecticut, which the Republicans have at last conceded, the Democrats will enjoy —if that is the word—a majority of two. But the distribution of the spoils is likely to prove unusually slow work.

There are few contenders for the posts of majority leader and whip left vacant by the defeat of Senator Lucas and Senator Myers. Since the first days of the New Deal, the majority leader's function has become that of White House spokesman to the Senate, rather than the Senate's to the President It was awkward enough for Senator Lucas at times. But to sponsor the President's programme when the real power so clearly lies with a coalition of conservative Democrats and Republicans is a prospect to daunt any candidate, particularly if Mr Truman is determined, as he says, to continue to wave the Fair Deal flag before the conservatives. The last word, among Democratic Senators, lies with the Southerners, but few of them would undertake to speak for the President, since it would earn them black marks at home. Mr Truman's advocacy of Negro rights caused a Southern rebellion two years ago and it is still simmering. The most likely choice is a middle-of-the-road Democrat, such as Senator McFarland, of Arizona, who has voted with the Southerners on the race issue.

Unlike the Labour, Agriculture, and Services Committees, the Foreign Relations Committee did not lose its chairman in the election, but it has lost three of its Democratic members and will have to be recast. In 1949 the Democrats shortsightedly celebrated their victory by reducing the Republican representation from six to five, and increasing their own from seven to eight. In view of Republican gains this year, it will hardly be possible to deny them this coveted extra place any longer, but the candidate put forward by the Republican leadership is Senator Knowland, one of the earliest and most persistent critics of the Administration's Far Eastern policy, who is even now in Formosa for a refresher course. Had the Democrats been less grasping two years ago, they might have had Senator Morse, to whom the place belongs by right of seniority, and who is a firm supporter of bi-partisanship and a close follower of Senator Vandenberg.

The solitary ray of light in this picture is the announced intention of Senator Vandenberg, if his health continues to improve, to take his old place on the Foreign Relations Committee. Already he has taken up the cudgels for Senator Morse. But the determination of his colleagues that the critics of Mr Acheson's Pacific policy should have a spokesman on the committee may be hard to overcome.

* * *

Men in Uniform

The Korean fighting has shown, to the Army's satisfaction, that it is not the anachronism the devotees of strategic bombing imagined, but as much cannot be said of the methods which had to be taken, in that emergency, to fill the ranks. One of General Marshall's first tasks was to safeguard the morale of reservists by assuring them of fairer treatment in future. The need for experienced men meant that many were sent overseas, with scant warning, although they had jobs and dependent families which would have exempted younger conscripts who had never done any military service. Employers even began to refuse to hire members of the reserves who might be snatched away at any moment.

Korea has thrown a hard light, not only on the injustices of the system, but on its inefficiencies. Service reserve rolls were shown to be inadequate and out of date. The dual reserve system, which organises some men in reserve components of the forces and others in the states' National Guards, is being re-examined in a more critical spirit. Two years ago the Gray Report suggested that consolidation would save money and improve the quality of training, but the National Guard was outraged at the prospect of absorption into a federal organisation, and the report was pigeonholed. There is also an evident need for reclassification of the reserves into two groups: men immediately available in a limited emergency, and those who should be ordered up only in a full crisis.

*

A well-trained reserve is of the utmost importance in a country which refuses to contemplate a large standing army, and one of the consequences of Korea has been to revive interest in Universal Military Training. Mr Truman, who has unsuccessfully urged such a scheme on Congress eight times, argues that compulsory training for all would reduce the "disgraceful" rejection rate of the services, which, though drastically modified under the stress of war, still stood at 35 per cent in September.

In the past, the effective objections to UMT have been that it would militarise and corrupt the youth of the country, and interrupt its education. Now, military considerations alone seem to rule out UMT, in its proposed form, for the duration of the crisis. The trainees would not become part of the services; they could not be sent overseas. In August General Bradley pointed out that the Army could not spare

80,000 instructors to turn out half-trained men with no obligation to undertake regular service. What is beginning to be realised now is that the men, as well as the instructors, for UMT cannot be spared. If the services are to have 3,000,000 men, more or less, in uniform, yearly replacements alone will take 750,000 a year, and more will be required during the period of expansion from the present level of about 2,000,000. There are only just over a million 19-year-olds each year, reflecting the low birthrate of the thirties. With deferments and rejections, the margin will be narrow.

Senator Johnson, who is in charge of the Senate hearings on UMT and conscription, and Mr Vinson, of the House Services Committee, would like to turn UMT into a feeder for the forces, civil defence, and the factories by requiring training of some kind for all and by sending military trainees into the forces for two years' regular service. This ambitious plan for turning UMT into UMS—universal military service —is more likely to be achieved by enlarging the conscription net than by a new and controversial start. There is no doubt, as there has sometimes been in the past, that the Selective Service Act will be extended when it expires in June, but the new emphasis will lie on service, rather than selectivity. General Hershey, the administrator, believes that the Army, which alone needs conscripts at present, must lower its physical and mental standards even further. The present generous scale of deferments for reasons of dependency will also have to be restricted if the Army is to have the men it needs in the 19-26 age group—and the forces strongly oppose the suggestion that the upper age limit should be raised. The President can close some of the loopholes: for example, he can rule that a dependent uncle or aunt is no cause for exemption. But only Congress can authorise the conscription of veterans, which is now forbidden even in the case of single men under 26, and lengthen the period of service from the present 21 months to the 24 or 30 months the forces favour.

* * *

Aluminium Called Up

Cries of distress, not only from the producers and fabricators of aluminium, but from the electrical workers, have greeted the order that use of the metal for civilian production in 1951 must not exceed 65 per cent of each company's average production in the first six months of 1950. This is the first of a series of call-up notices for metals, and the most stringent order yet issued by the National Production Authority. The makers of saucepans, ashtrays, buses, window-frames and fishing rods argue that the limitation is even severer than it appears, because consumption has been rising steadily throughout the year. Inventories, also, are to be held strictly to 60 days' supply. But worse may lie ahead: the NPA is considering a complete ban on the use of aluminium in non-essential products, and by next summer all consumption of aluminium, copper, and steel may be controlled.

The excuse of the NPA is that the defence spending already authorised will take 30 per cent of the available aluminium next year and perhaps more, if further appropriations are voted by Congress. In fact, it is likely that most of the aluminium saved, at least in the first six months of 1951, is destined, not for aircraft and guided missiles, but for the neglected stockpile. Military orders are not expected to reach their full flow until the middle of the year, and by that time it is hoped that 200 million pounds of aluminium will have found its way into the reserve. In the second six months, 100 million pounds is scheduled for the stockpile, with 300 million pounds a year for the following four years bringing the grand total to 1.5 billion pounds. This is equal to about one year's production of aluminium in the United States at present capacity working, and some businessmen fear such a rate of hoarding will pinch the arms programme as well as the housewife.

*

Not all the stockpile will be at the expense of the nation's saucepans and cigarette foil. The Aluminium Company of America—the industry's giant and consequently the target of the trust-busters—has at last been asked to put to use idle facilities which in six months' time should be producing about 158 million pounds a year for the government. The rest of the idle capacity has already been taken up by smaller producers. Expansion of the domestic industry—largely at government expense—was the alternative favoured by the aluminium industry when the government was debating whether it should accept an offer from the Aluminium Company of Canada of 440 million pounds for the stockpile over the next three years. The offer was allowed to lapse last month, after long consideration, on the ground that too little would be delivered in the first year and that, if waiting there must be it would be preferable to wait for the expansion of the home industry. Meanwhile the industry may wish it had not protested quite so vigorously against the Canadian purchase for, although the fabricators are the immediate victims of the cut in consumption, the producers will find the supply of ingots to the stockpile less profitable than the production of prefabricated shapes for furniture and insulation.

* * *

In the Governor's Mansion

After see-sawing for a week, the Michigan governorship has been decided, for the moment at least, in favour of the incumbent Democrat, Mr Mennen Williams. The Republican candidate, in Florida celebrating the victory he was told he had won, is expected to demand a recount. He would



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certainly be justified in doing so, for the check of the election returns found confusion and irregularity in practically every one. Mr Williams owes his present majority of 1,152 votes to the discovery that, in one polling district, ballots which had been counted in favour of the Republican candidate had actually been cast in favour of coloured margarine.

Even if Governor Williams eventually loses, he has done much better than might have been expected in what has turned out to be a Republican year. This is a tribute to his constructive record and to the positive campaign he fought. Governor Lausche's victory in Ohio, in spite of the Republican triumph in the senatorial contest there, can be explained in the same way; in addition he very wisely dissociated himself from the inadequate candidate and violent attack with which his party tried to defeat Senator Taft. The Democrats also managed to hold the Massachusetts and Rhode Island governorships, and came near to winning in Pennsylvania, where their candidate was a young man with a reputation for exposing Republican corruption in Philadelphia.

Elsewhere the Democrats can find no more cause for self-congratulation in the gubernatorial results than in the Congressional—rather less, in fact, since control of the governor's mansion carries with it the long-term advantage of controlling state patronage. Not even the magic of the Roosevelt name—Mr James Roosevelt had little else to conjure with—could defeat Governor Warren in California. There was no hope of defeating either Mr Dewey in New York or the Democratic candidates in the seven southern states where governors were being elected this year. But in Nevada and Arizona (where their candidate was a woman), the Democrats lost governorships while winning senatorial fights. Both of these states are normally Democratic strongholds, as are New Mexico and Maryland. In the last two, the Democratic defeat is blamed on local civil wars in the party organisations. Governor Bowles, too, might have won in Connecticut if he had not had a Socialist opponent as well as a Republican.

As things now stand, the Republicans won 6 of the 33 state governorships which came up this year and lost none, so that they now hold 25 in all to the Democrats' 23, instead of 19 to 29. The pendulum swung farther than in the senatorial contests, but the moral is the same: where the Democrats had a united party, a good candidate and a clear record, they usually did well; where they lost, it was often their own fault.

Shorter Notes

The cotton farmer cannot lose and the government cannot win. This year's short crop has enabled all the surplus cotton in the government's store to be sold at a profit, amounting to about $50 million. All of this must be returned to the cotton farmers, even though, if there had been a loss, all taxpayers would have had to foot the bill.

*

The Reconstruction Finance Corporation, losing "Fannie Mae" (the Federal National Mortgage Association) to the Housing Finance Agency, has lost one of its chief sources of revenue. In order to get back on a self-sustaining basis, it is raising its interest rate on business loans from 4 to 5 per cent and is making a charge for processing all loan applications. Administrative expenses are also to be reduced, by about a third, to $11 million a year.

*

The Commodity Credit Corporation, which bought 600,000 tons of sugar from Cuba last August to convince hoarding Americans that there was no shortage of sugar, was so successful that it has been left with half the emergency purchase on its plate. It is now trying to sell it for export, but not much interest is being shown in the trade.

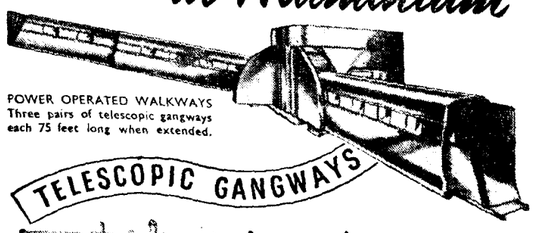
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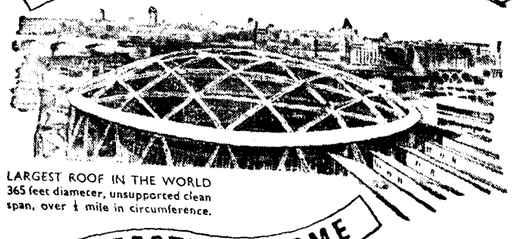
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THE WORLD OVERSEAS

Shaking Down in the UN Army

(From a Correspondent lately in Korea)

TO the United Nations soldier who happened to be British, grinding his way up a country that apparently begins in the tropics and ends in the Arctic, the climate was not the only aspect of Korea full of upsetting contrasts. From that August day when the *Ceylon* and *Unicorn* put him ashore at Pusan—with a Negro ragtime band competing exuberantly with the Argylls' pipes—his relations with his American opposite number presented many situations that were not in the book. They caused little friction, but many misunderstandings. The last months of fighting have brought the Tommy and Doughboy closer; nothing, however, will eradicate a few firm impressions, of which the least harmful is the conviction that the opposite number lives in the one case on tea, in the other on coca-cola.

The men of the 27th Brigade who were Britain's first, and it must be agreed belated, contribution to Korea were for the most part too young to have served with Americans in the previous war, and there were few Americans with European experience among the base troops at the time. Both sides watched with professional criticism the two quite incompatible conceptions of discipline. The cultivated American slouch and the casual acceptance of orders seemed bizarre to the British. The crisp regimental way the British "square-bashed" round the docks (showing off, as was natural and proper) and maintained drill-order even in that American free-for-all, the "chow line" was a constant wonder to the Americans. These were superficial differences, possibly symptomatic of something more basic. For all that, on the CO of the Middlesex Regiment the initial welcome to the war produced a shattering effect in the first five minutes. He was approached by a correspondent at the foot of the gangway. "Hi, Colonel," said the correspondent, "What's your strength, would you say? Which sector you heading for? And when do you figure on reaching the line?" The scandalised officer, shaken beyond articulation, could only make threatening gestures and gaze wildly around for MPs. "Why, Colonel," said the correspondent, baffled, "I don't get it. If you don't want to talk, I guess I'll have to go ask the General." Which he did, and, of course, received every satisfaction. It was many weeks before the British adjusted themselves with a violent effort to a casual system of security that seemed—as they would proclaim in amaze—fantastically lax.

Yanks and Limeys

It was inevitable that to the British every American soldier was a Yank, even if he chanced to come from Georgia; likewise Limey was a generic epithet even for the soldier wearing the bonnet of the Argylls. It implied no sort of comment. That was reserved for later, when the widely diverse methods of campaigning became apparent. For a long time it had been recognised that the Americans and the North Koreans were fighting two wholly different wars on the same piece of land. The American Army, with its vast technological and industrial resources, has probably always been the most road-bound fighting force in the world; many of the early disasters were due to that simple fact: the American soldier, anchored immovably to his jeep or his weapons-carrier, was helpless against the uninhibited North Koreans, who swarmed invisibly among the hills around. One of the first actions of the British troops on arrival in Korea was to look around at the steep slopes and shoulders of the mountains, decide that it was no worse than the New Territories of Hongkong in which they had been training, and resolve that the only way to fight North Koreans was to get in among the hills after them. They paraded, in their first assembly-camp near Kyongsan, with experimental variations of battle equipment. Passing Americans stared in compassionate amazement at the clanking load of picks and arms and entrenching-tools and assorted ironmongery borne by one small soldier. In their army, they explained, all the oddments went in the truck.

Mutual Respect

On one such occasion an American master-sergeant arrived to demonstrate the new 3.5 rocket-launcher, the "better bazooka," that has proved itself possibly the best anti-tank weapon in existence. Among the many virtues claimed for it by the sergeant was not only its lightness, but its destructibility. "For when you have to run out on the fight," he said, "you can smash it to bits by jumping on it." "When you have to do what?" asked the British CO politely. "When you have to quit. When you get cut off." The British officer went through the motions of a man who has not heard aright, and finally explained that he was not developing his plans on the initial assumption of quitting, and that he had always been taught that if you were cut off it meant equally that you had cut off the cutters-off, and so on. Two fundamentally conflicting attitudes were exposed and, in that interlude, not resolved. It was not until later that a basis of mutual respect was reached for two widely differing approaches to the soldier's trade.

From the start the brigade subsisted almost wholly on the American economy. The transport—very soon to be known, as part of the process of linguistic infiltration, as "transportation"—was mainly American; the bren-carrier turned out to be conspicuously a failure on Korean roads. The British soldier had to accustom himself immediately to American food, which is to say "Chow." The first impression of the American C-Ration was, inevitably, of extravagant opulence and luxury, with its Christmas-stocking variety of compressed essences and canned fruit and cigarettes and toilet-paper and plastic gadgets. Very soon it was felt that its very *luxe* was cloying; the smart tins of veal-and-spaghetti were abominable eaten cold, and many soldiers were heard to appeal for the return of the less exciting, but more solid, "Compo" packs. The only British supplement was tea, and that was late arriving. A squad of Clydeside Jocks crouching in a Korean orchard, trying to do a traditional brew-up with little bags of coffee-essence, dried milk and concentrated sugar, was one of the more heartrending spectacles of the war.

In view of the deplorable confusion that appears to have arisen in the matter of winter clothing-issue to the British troops, it is remarkable to recall the open-handed, almost profligate lavishness of the American quartermastering. The American uniforms were good, and the supply apparently inexhaustible. A man had only to apply at the stores or replacement-depôt for any article of clothing and it was readily available in what seemed to be limitless quantity.

In the early days, when our representation was infinitesimal —two battalions alone—it was hard for the British soldier to escape the feeling that he was lost in the crowd, and his presence unnoticed by the world. For many of the first weeks the British brigade did, in fact, work completely without publicity. This was not due, as was felt, to a deliberate American policy of playing-down ; it was at least largely caused by the British command's excessive resistance to publicity, to a half-hearted and inadequate PRO system that was the most bleakly minimum concession—and, of course, to the fact that the British saw practically no significant action for a long time. Yet there were Commandos at the Inchon-Kimpo operation, and their presence was about the only aspect of that boisterous invasion that was kept prodigiously secret, for what reason no one ever knew.

The British, now reinforced, and with a core of Korean veterans, have taken their correct place as an important cog in the UN machine. What difficulties and incompatibilities there were have probably been largely ironed-out by the spiritually welding experience of shared battle. The problem of solidifying the structure of a United Nations Army has not been solved, but at least it has been attacked. It is now left to the late starters—the Turks, the Siamese, the Greeks—to recognise the difficulties and curiosities of being a minority group in the all-American way.

Uno Plans for Peace

ALTHOUGH the UN General Assembly at the beginning of this month passed Mr Acheson's "United Action for Peace" resolution, it is as busy as ever with ways and means of preserving peace. This is hardly surprising, since Uno is at the moment confronted with a genuine case of aggression—in the western sense of the word—by the Chinese Communists in Korea and by a mythical aggression committed, according to the Chinese Communists, by the Americans in Formosa. If El Salvador has its way, aggression in Tibet will be added to the list. The discussion of Korea and Formosa is greatly complicated by the problem of Chinese representation at Uno ; and it has been delayed by the leisurely journey to Lake Success of a delegation from the Peking Government.

At the moment the General Assembly is able to leave both Korea and Formosa in the hands of the Security Council. It has not yet been asked to consider Korea, and its Political Committee has relegated Formosa to the bottom of its agenda, in order to run no risk of prejudicing by a rash or hasty word the extremely difficult negotiations about to begin in the Security Council. The Assembly has, therefore, been able to relieve its feelings on the general subject of aggression by passing a bewildering number of resolutions, all designed to help in preserving peace and unmasking aggressors.

Attempts to Define Aggression

The anti-Soviet majority in the Assembly has probably been spurred on by the persistence with which the Russians have put up their peace plan and by the feeling that if it is knocked down—as it has been—something must be put up in its place. The Soviet peace plan contains the familiar proposals of a one-third reduction of armaments, the prohibition of atomic weapons without—in the western view—any adequate safeguards and controls, and the condemnation of war propaganda. The Assembly's countermove to this last point is a resolution which condemns propaganda against peace and includes in its condemnation "measures tending to isolate peoples from any contact with the outside world." In a "Peace through Deeds" resolution passed on November 17th, the Assembly called on member states to demonstrate by their deeds their will to achieve peace, and proposed a gradual reduction of armaments through a system of United Nations supervision and control.

The Assembly has also been anxious to place on the record some cut and dried definitions which will enable it more easily to counter the maddening Communist evasion and double-talk which confuses all discussion of breaches of the peace. The "Peace through Deeds" resolution, for instance, carefully includes in its definition of aggression the fomenting of civil strife in the interests of a foreign power. This typically Communist form of attack by proxy was not included in the five-point definition of aggression, based on the Soviet proposals to the League of Nations in 1933, for which the Soviet Union has been unsuccessfully seeking support in the present Assembly.

Another resolution accepted by the Assembly on the "Duties of States in the event of the outbreak of hostilities" is designed to provide yet another means of fixing the guilt for any aggression. In the words of the Jugoslav Foreign Minister, who originally proposed it, it "enriches the existing arsenal of struggle against aggression with a new weapon." His particular motive in proposing it must have been the fear of an invasion of Jugoslavia by Soviet satellites which would be proclaimed to all the world as a Jugoslav attack on the satellites The original Jugoslav plan was felt to place too much reliance on the good faith of the aggressor ; and in its final form the resolution laid down, among other things, that warring states must, within twenty-four hours of the outbreak of hostilities, announce their willingness, if the enemy will do the same, to order a cease-fire and withdraw any invading troops. They will also invite the Peace Observation Commission (set up as part of the Acheson plan) to examine the situation on the spot. In this way it is hoped speedily to unmask the aggressor, protect the victim and invoke the UN machinery for the peaceful settlement of disputes.

Yet one more design for peace has been before the Assembly—Mr Trygve Lie's 20-year, 10-point peace plan for which he sought support in the capitals of the four great powers during his "peace mission" last spring. The proposals in this plan include periodic high-level meetings of the Security Council, a new attempt to set up an international armed force, a new effort to control armaments and atomic energy, universal membership of Uno and technical assistance to under-developed areas. Mr Vyshinsky made a bitter personal attack on Mr Lie and asserted that his peace plan had first been approved in Washington, London and Paris "by that whole company of plotters against peace". He announced that the Soviet Union was willing to join in high level meetings of the Security Council provided Communist China was given a seat. But the Assembly decisively rejected a Soviet resolution which set forth the conditions for Soviet co-operation in the Lie plan. Instead it approved a resolution put forward by nine of the smaller states, which called on the various organs of the United Nations to carry out a study of Mr Lie's memorandum.

Tito's Liberalism

[BY A CORRESPONDENT RECENTLY IN JUGOSLAVIA]

"SOCIALISM before democracy" was the guiding principle of Tito's revolution in Jugoslavia at the end of the war. This principle was strictly followed as long as Jugoslavia was on good terms with the Soviet Union. But since the break with the Cominform, and particularly in the past twelve months, Jugoslav leaders seem to have modified their ideas about revolutionary change ; and today the principle is "socialism with democracy," or rather, in Tito's own words, "socialist democracy." This new aim has resulted in many changes which are claimed to be of a liberalising nature.

The first indication of a change of policy was when it became apparent early this year that Jugoslavs were being allowed much greater freedom of speech than they had enjoyed since the war. Criticism of the regime, or consorting with foreigners from the west was no longer a reason for putting people in gaol. Rankovic's secret police had clearly received a new directive. The Jugoslavs, great talkers and confirmed critics of authority, have taken full advantage of this new freedom. Yet freedom of speech is still not unrestricted ; Jugoslavia's best known satirist Copic, who used the new freedom to write witty and biting articles on the regime's policy in general, has recently been severely reprimanded in a public speech by Tito and in two articles in the official newspaper *Borba*. It seems that criticism is free only up to a point. It is also certain that this freedom is not extended to supporters of the Cominform.

The most extensive change in economic and political life, which has been developing throughout this year, was launched in February and March by a series of laws providing for the decentralisation of the greater part of government control. As a result the central government in Belgrade now retains direct control only of the Ministry of the Interior (security and police), foreign affairs, economic planning, and defence. Almost everything else, including education, heavy and light industry, agriculture, food, internal trade, and even a great part of foreign trade is being handed over to the governments of the six federal republics which make up Jugoslavia. In these matters the central government's power is reduced to direction through co-ordinating committees. The process of devolution is still going on as ministries and committees are set up in the provincial capitals to deal with the new responsibilities.

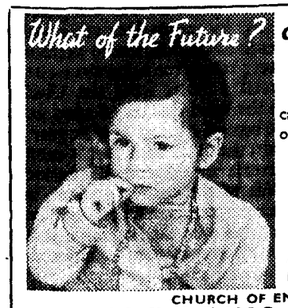
Learning From Mistakes

Decentralisation has coincided with an economic crisis resulting from the difficulties of the past two years, the strain of the extensive Five-Year Plan, and this year's disastrous harvest. Measures dealing with the economic emergency are designed to fit the new ideas. A law of October 9th handed over the responsibility of price-fixing for consumer goods to the local authorities. Its aim is to bring down prices within the reach of the lower paid workers. A new measure announced in September abolished the system—originally copied from the Soviet Union—of special privileges to purchase food and consumer goods from the "diplomatic shops" which had been enjoyed by all high-ranking state employees. It has also been announced that certain enterprises belonging to small artisans (including some hotels) which had been nationalised are to be given back to private enterprise. The reason for this latter move seems to be to promote efficiency, and there is no indication that private enterprise is to be re-established in bigger concerns. But it is obvious that in the highest Jugoslav communist circles there has been a reaction against excessive and too rapid socialisation, and against many aspects of state organisation which were copied directly from the Soviet Union. "Our party," said Tito to parliament on June 26th last, "had too many illusions, and was too uncritical in taking and replanting here everything that was being done in the USSR, even those things that were not in harmony with our specific conditions or in the spirit of Marxism-Leninism." It is also claimed that decentralisation and the measures that have followed it will make government more democratic ; it will break up the unwieldy over-centralised bureaucratic control of Belgrade, and more of the ordinary people, either through local committees or administrative posts, will be brought to take part in responsible decisions of government. In the speech quoted above, Tito claimed that decentralisation "is not only democratic, but has inherent in it the seeds of withering away not only of centralism, but of the state in general as a machine of force."

Workers' Control of Industry

Another essential part of this process is the handing over of the control of industry to the workers. A law passed in June stated that factories, mines, transport, commercial, agricultural, forestry, communal and other enterprises should be run by elected workers' councils—the councils to be elected by secret, direct and equal ballot of all workers of the enterprise. The new system prescribed by the law is highly complicated, but it allows lists for the whole council to be put forward by "the trade union branch or a defined number of workers," depending on the size of the enterprise. The voter then exercises his choice between these lists. The councils are elected for one year, and only one-third of their members may be put up for re-election ; they sit every six weeks and deal with planning, finance, general conditions and the appointment of a management board. It is this latter smaller, separate body on which sit both a chairman and a manager as well as technical representatives which is responsible for the day-to-day running of the enterprise. Workers' councils had to be elected all over the country by last September. They are only just beginning to work and it has yet to be established that the system can be both democratic and efficient in practice.

Another change of equal importance, which is more in line with the interpretation of democracy as it is understood in the West, is the projected reform of the criminal code. For some months past, a committee under the chairmanship of Moshe Pijade has been engaged in recodyfing the laws. The present criminal code is based on that of the Soviet Union. It allows great powers to the political executive (which is above the law) and to the public prosecutor, who is in a privileged position compared with the defenders of the accused. It also allows powers of arbitrary arrest and punishment outside the competence of the courts for certain "administrative" and political offences. It is this which makes the Minister of the Interior with his secret police such a sinister and powerful figure in the communist states that have adopted the Soviet system of justice. It is claimed that the reformed Jugoslav code will liberalise both law and justice ; that the executive will be subordinated to the law,



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the power of the public prosecuter diminished, and administration of justice taken out of the hands of ignorant or prejudiced amateurs (as may be the case in Peoples' Courts) and the powers of arbitrary arrest and punishment withdrawn. Laws embodying these proposals are to be laid before parliament next spring, and in the meantime the proposals are being debated all over Jugoslavia. But, as in the case of freedom of speech, there appears to be a line beyond which Jugoslav leaders are not prepared to liberalise the laws. They have been careful to tell the public that Jugoslavia is still a revolutionary state and measures will be taken to prevent any subversive activity designed to overthrow the state. Much will depend on how this is interpreted.

Can these changes be made effective, and what is their real purpose? Both questions are difficult to answer. The changes have been launched at a time of serious crisis, and they may be designed to distract attention from that crisis. They will certainly be affected by internal economic conditions in the next twelve months. If Jugoslavia receives sufficient credit, food and consumer goods to maintain or improve the present standard of living, it is possible that Jugoslav vitality will make some success of the new system. If present economic conditions—stark beyond anything in our western experience—are allowed to deteriorate, it is most unlikely that the government will be able to make a success of liberalisation.

Relations with the Church

It has been alleged that the Jugoslav government has launched these measures as a sop to Anglo-American opinion, because they must have economic aid. This has been roundly repudiated by Jugoslav leaders themselves, who point out that few of the measures have much in common with western democracy. They claim that the changes should be taken for what they are intended—measures against the evils of bureaucracy of the type that has developed in the Soviet Union, and as an interpretation of orthodox communism applied to present conditions in Jugoslavia. There are few signs so far that the new ideas can be applied to the basic problem of the relationship between church and state in Jugoslavia. It is probable that the regime would welcome some kind of *modus vivendi* with the Catholic Church which remains implacably hostile to Communism, in spite of the "socialist democracy" which is the present aim and policy of Tito's government.

The question of the release of Archbishop Stepinac has been raised on several occasions lately by American visitors to Jugoslavia. The official Jugoslav point of view appears to be that he could be released—as other prisoners condemned on similar convictions have already been released—but that he cannot be allowed to become Archbishop of Zagreb which would be the automatic result of his unconditional release. Yet even if some kind of compromise on this question is eventually reached—which seems possible—this is a special issue and it is unlikely that any of the churches in Jugoslavia—Catholic, Protestant, Orthodox or Moslem—will be allowed any increase in independence.

Warnings from ECE

THE Economic Commission for Europe (ECE) published on Sunday its economic bulletin for the second quarter of 1950. In a world where it has become the fashion to blame rearmament and the raw materials boom for frustrating an otherwise smooth recovery in Europe after devaluation, it is refreshing to hear someone saying that all was not quite right even before the Korean war broke out. This is what the ECE has said in a gentle but well-documented way.

Since the devaluations in September, 1949, European gold and dollar balances have risen by $1.35 billion, and, furthermore, have risen more steeply in the second than the first quarter of this year. But this, the ECE points out, cannot be taken at its attractive face value.

In the first place, about three-quarters of the increase has been in assets held by the United Kingdom, and include a substantial net contribution of gold and dollars by the outer sterling area during the first half of the year. Second, though total exports from western European countries have increased by about 10 per cent since the end of 1949, the rate of increase has flattened off considerably. For ten major west European countries total exports in the last quarter of

VOLUME OF EXPORTS OF TEN EUROPEAN COUNTRIES AND THE UNITED STATES BY AREA OF DESTINATION
Index Numbers: October 1948 to March 1949 = 100

Area of Origin	Ten European Countries (a)				United States			
	1949		1950		1949		1950	
Area of Destination	April-Sept.	4th Qtr.	1st Qtr.	2nd Qtr.	April-Sept.	4th Qtr.	1st Qtr.	2nd Qtr.
Europe	106	126	133	139	102	91	81	81
United States	72	120	116	122	...	...	...	...
Other countries of the Western Hemisphere	84	114	110	111	97	91	85	101
Rest of World	103	107	107	110	106	94	80	78
TOTAL EXPORTS	101	115	121	125	100	89	81	86

Sources: The figures have been taken from national statistics. *Note*.—It has been assumed that changes in the export prices of each of the countries included in the table were identical for each of the areas of destination. (a) Belgium-Luxemburg, Denmark, France, western zones of Germany, Italy, the Netherlands, Norway, Sweden, Switzerland and United Kingdom.

1949 were 14 per cent higher than the rate for the first three quarters; but in the first quarter of 1950 they increased only a further 6 per cent, and in the second quarter by 4 per cent. This trend is even more marked in exports to the United States and other Western Hemisphere countries. After an increase of nearly two-thirds in the last quarter of 1949 over the first three quarters, they actually dropped in the first quarter of 1950 by 4 per cent, though they rose again slightly in the second quarter by 6 per cent to the United States and 1 per cent to the rest of the Western Hemisphere.

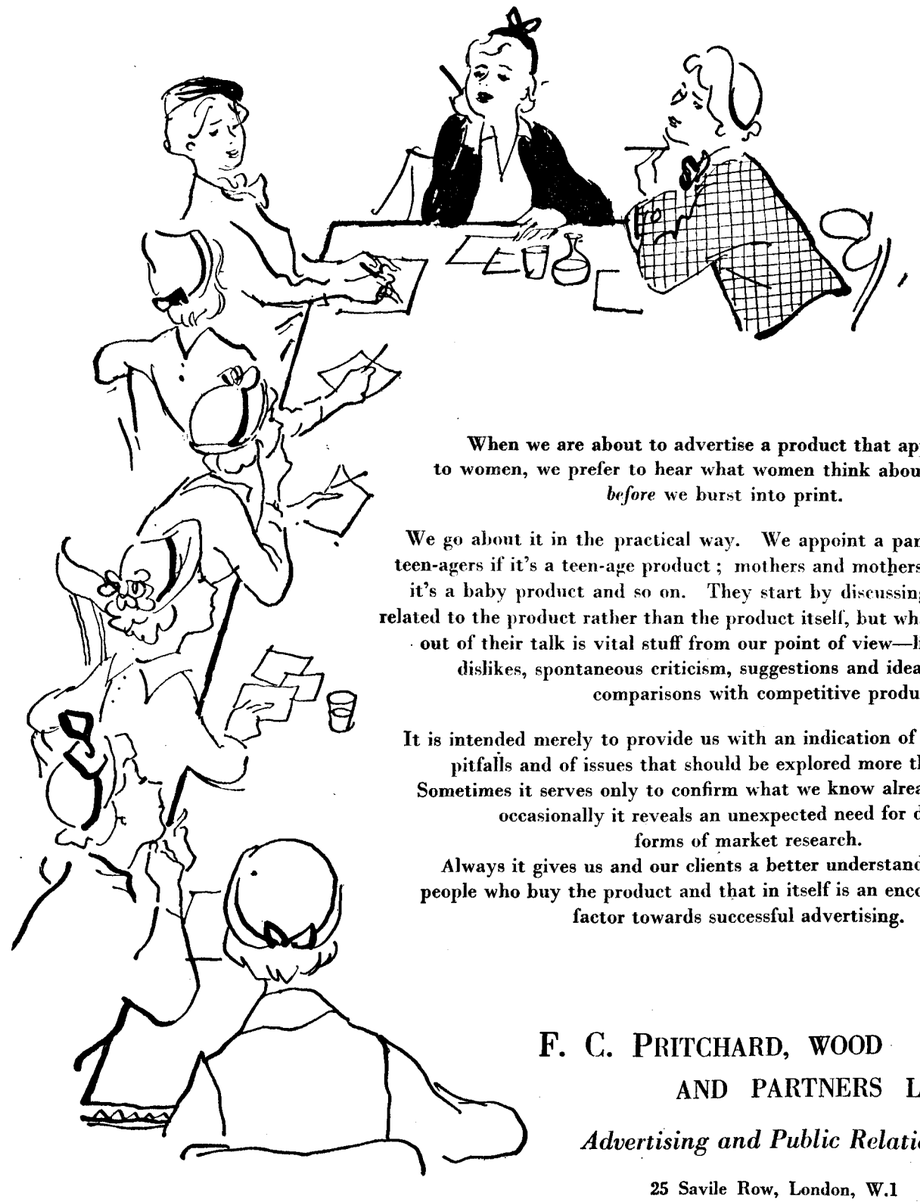
Simultaneously, Europe's terms of trade with the rest of the world have deteriorated since devaluation by about 10-15 per cent. British import prices had risen by nearly 20 per cent by the middle of 1950, and, while export prices generally have risen slightly, they still remain well below the price before devaluation. The ECE thus concludes that the increased cost of imports in relation to the value of exports has roughly offset the relative increase in the volume of exports as compared with the volume of imports.

All of which casts a somewhat depressing shadow over the encouraging increase in Europe's gold and dollar balances. The ECE attributes the steepening rise in the second quarter not at all to a faster improvement in current trade, but partly to an unexplained increase in the net balance in services, and partly to some modest rise in American Government aid over the first quarter. On the general improvement since devaluation, its conclusions are equally reserved. Over a third appears to be due, not to increased exports but to reduced imports; taking the same ten western European countries, their total imports from the United States and Canada, which in the third quarter of 1949 were $1.3 billion, were cut in the second quarter of this year to $750 million. But beyond this, the ECE finds that it cannot fully account for the actual increase in gold and dollar balances by developments on either side of the current account, and it is convinced that a further important element has been the stemming of capital flight, and even the homing instincts of flight capital from Europe by strengthened confidence in European currencies.

But if the ECE has reservations about the past, it has worse for the future. It finds that the deterioration in Europe's terms of trade up to the middle of 1950 has been almost entirely the result of devaluation, and is scarcely a

women matter . . .

even when they natter



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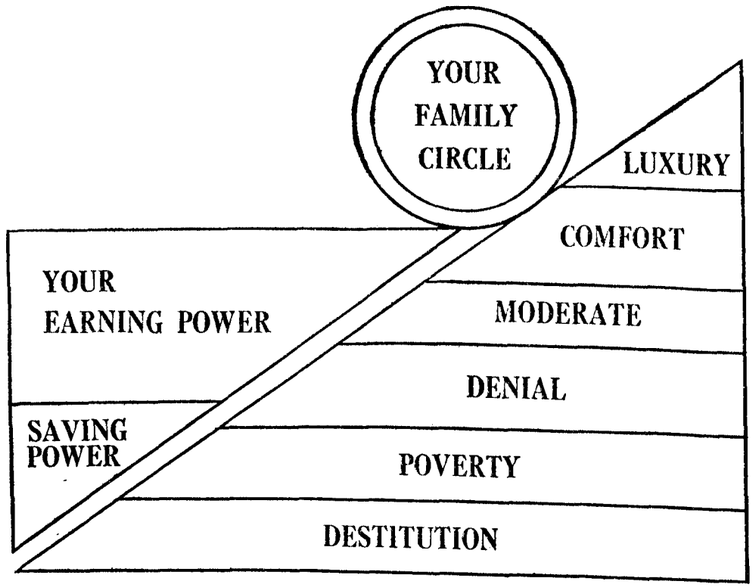
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taste of what has and is to come as a result of the boom in raw materials. The increasing cost of Europe's raw material imports has been discussed at length elsewhere. While on the export prospects, ECE confirms the general fear that not only will the value of Europe's exports not rise to anything like the same extent, but their volume will be reduced by the demands of rearmament and the shortages of raw materials.

In a general survey of industrial production, Eastern Europe—according to its own figures—acquits itself best. In the second quarter of this year the value of industrial output as a whole was 10 per cent above the corresponding quarter last year. But in all the Eastern European countries, including the Soviet Union, output was claimed to be well over 20 per cent higher, the single exception being Jugoslavia, "which has met with special difficulties," particularly in finding the money to pay for its raw material imports. An interesting reflection on the trend in "socialist" economies is the marked shift of production towards heavy industries even, as in Russia, at the expense of falling short of production targets for consumption goods.

Into the Laager

[FROM OUR JOHANNESBURG CORRESPONDENT]

"A MILLION new enemies" was the Johannesburg *Star's* terse comment on the Malan-Havenga agreement to take the civilised, urbanised coloured people off the voters' roll. What are the forces driving the Nationalists, and now their Afrikaner Party allies also, into taking the grave risk of a "united front" of Indians, coloureds and natives—9,000,000 people—against the 2,500,000 whites in South Africa? The easy answer is party political advantage. The United Party in 1948 polled almost 90,000 more votes than the Nationalists. The Government is still a minority one and needs all the seats it can get. With the coloureds off the common roll, the Nationalists might win eight seats in the Cape—a net gain of four, even if the proposed four European representatives of the coloured community in the House of Assembly voted with the Opposition. The same motive was at work in granting South-West Africa six seats in the Union Assembly, which the Nationalists felt sure of winning, and did.

But the real truth lies deeper. The Cape natives were taken off the common roll in 1936. Dr Malan's followers said then that this was only a "first instalment" and that the next logical step was to do the same to the coloureds. Mr Havenga stands to gain nothing politically from virtually disfranchising the coloureds. He hesitated for two and a half years before taking the plunge. By doing so he has incurred much odium and his motive must have been strong.

It is. He believes with the Nationalists that to preserve "white supremacy" there must be an entirely new pattern. He discounts the risk of a non-European united front, because he thinks that is coming anyway. The whites are retiring into their *laager;* the age of compromise is nearly ended. White southern Africa is at last face to face with the basic problem of disparity of numbers. Even in Southern Rhodesia, it is proposed to raise the qualifications for the vote: a different method to achieve the same end, which is to keep non-Europeans out of politics.

In the Union, the position is complicated by the Nationalists' desire for a quick accession of political strength, a reflection of their determination to stay in power over their white opponents as well as over the non-Europeans. To disfranchise the coloureds will mean tampering with the constitution. But the constitution has already been criticised by Dr Malan as something foisted on South Africa by Britain. Another part of the constitution prevents a still further loading of the rural against the urban vote. The Minister of the Interior, Dr Donges, nevertheless told the Cape Nationalist congress at Kimberley that the Government was "considering" giving the *platteland* more political power.

Some Cape delegates to the national convention in 1908 hoped that after union the Cape non-European franchise would be extended to the other provinces. When the South Africa Bill was debated in the House of Commons, the Colonial Under-Secretary, Colonel Seely, confidently repeated this hope, declaring it inconceivable that the contrary would happen and the Cape non-Europeans be disfranchised. The Union constitution prohibited a change in the non-European franchise save by a two-thirds majority in Parliament, with both Houses sitting together. General Hertzog at least scrupulously observed the two-thirds majority, working years to secure it before taking the Cape natives off the common roll, in 1936. Dr Malan and Mr Havenga, however, now propose to ignore that provision in their treatment of the coloureds.

Their excuse is that as the coloureds will be put on a communal roll and not stricken off altogether, the constitution is not being violated. But a Supreme Court ruling (Ndlwana *v.* Hofmeyr) laid down that even if people taken off the common roll were given other political rights in compensation, such an action still required a two-thirds majority in Parliament. The judgment was delivered by Judge-President van Zyl, with the concurrence of two other judges, one of whom was Mr Justice Centlivres, the present Chief Justice of the Union.

Mr. Havenga's Broken Pledges

Dr Malan, and still more Mr Havenga, are also breaking former personal pledges. Before General Hertzog took the Cape natives off the roll, he assured the coloureds that they would not be next. Dr Malan joined in that assurance. When Dr Malan changed his mind, General Hertzog accused him of "disloyalty and faithlessness." Because of the Nationalists' *volte face,* General Hertzog issued a new assurance to the coloureds, on behalf of the Fusion Government. Dr Malan was not a member of that Government, and so was, of course, not bound by the new assurance; but Mr Havenga was, and he actually helped to draft the document. Now Mr Havenga has joined Dr Malan in repudiating all past promises.

The Nationalists think General Hertzog was chicken-hearted. They believe that a higher principle than past promises of constitutionally "entrenched clauses" demands that there must be no halfway house. That higher principle is "white supremacy."

General Hertzog regarded the coloureds as belonging with the Europeans. The coloureds, unlike the natives, have no language or culture they can call their own. The Europeans helped beget them, and they have taken everything they have, little as that is, from the European side. But they are still coloured, and that is enough for the Nationalists. There is, as in the old republics, to be no equality, not even a vestige, between white and non-white in Church or State. At the same time, the *platteland* is to be entrenched as the chief seat of political power among the whites themselves, as was also the case in Kruger's day.

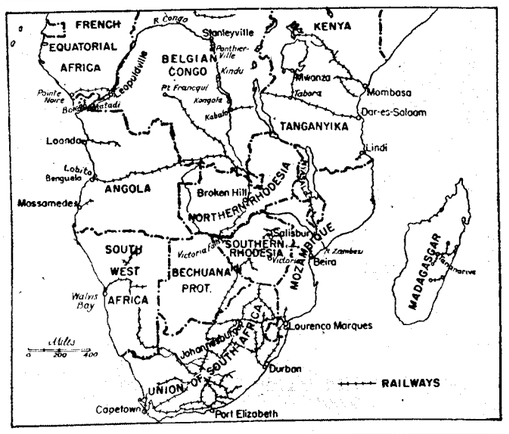
This drive back into the past is a deliberate and conscious retreat from present realities: the rapid movement of population away from the rural to the urban areas, the emergence of an industrial proletariat, the awakening of the non-Europeans to political and other grievances. But the greatest reality of all is the disparity of numbers between black and white, and in regard to it the other white communities in southern Africa are sharing in the retreat to some degree. If ordinary political democracy is inapplicable even in the long run to a multi-racial society, then the Nationalists, in taking away the ordinary vote from all non-Europeans, are being

perfectly logical. They may even have something to put in its place. But so far they have shown no evidence of that, and the vacuum may be filled with revolution.

Transport South of the Sahara

THE African Transport Conference which has just ended after some three weeks of deliberation in Johannesburg has not achieved any spectacular success. But this was hardly to be expected of it; at least another useful exchange of views has taken place. The conference was the successor to the Lisbon conference of May last year and the less formal meeting in Paris in February, sponsored by the Organisation for European Economic Co-operation (OEEC). Representatives were present from Britain, France, Portugal, Belgium, South Africa, Southern and Northern Rhodesia, the British East African High Commission, the British High Commission in Southern Africa, Nyasaland, Angola, Moçambique, French Equatorial Africa, Madagascar and the Belgian Congo. Observers were also invited from the United States—the American ambassador in South Africa—from the International Bank and from OEEC.

Two of the outstanding subjects on the agenda were the proposal to establish a permanent organisation to co-ordinate the development of transport between the many different territories in Africa, and the familiar problem of



increasing the carrying capacity of rail outlets from Southern Rhodesia. The establishment of a permanent organisation was opposed by the Portuguese, who hesitated to accept a body which looked like making its headquarters at Johannesburg. Rather than put the Union of South Africa in what they regarded as too influential a position, they proposed that the permanent organisation should meet in each of the member countries in turn. In the end final consideration of the project was deferred; but it will probably reappear at the next conference, by which time governments will have had time to mull over it more fully.

Some of the specific problems, presented by the extent to which the rapidly growing economy of Southern Rhodesia is bursting its seams, were discussed in detail. They include improvements to the port of Beira and the Beira railway, following the recent agreement between Britain, Portugal and Southern Rhodesia, whereby the Portuguese government took over from the British company which built the line and operated it until last year. They also include the possibility of building a new Rhodesian rail link either with the Portuguese port of Lourenço Marques, or with the west coast, or through Beit Bridge to make a second connection with the South African system.

Little hard news has come out of the conference on these questions. But reports from Johannesburg suggest that there was a collision of interest between Southern Rhodesia and the Union of South Africa on the Beit Bridge project. The construction of only a hundred miles of track to make this link would probably be at least as economically rewarding as any of the immediate alternatives. From the point of view of the Union it would certainly mean increased revenues for the South African Railways and render operation profitable in the northern Transvaal; it would also relieve congestion on the long single track through Bechuanaland, which is at present Southern Rhodesia's only rail link with the south. The government in Salisbury, however, is not only very chary of putting more of its essential communications in the hands of the Union, but also dislikes the idea of increasing the economic importance of the long haul to Durban or the Cape. South Africa, it may be noted, is genuinely suspected of imperialism by some of its neighbours.

Other leading topics discussed were the communications of the Belgian Congo and of Northern Rhodesia, the extension of Tanganyika Railways to the new groundnut port of Twala, and the role of air and road transport in the development of Africa as a whole. The Belgians have a ten-year development plan for the Congo, covering road, rail and river transport. But, like the Rhodesians, they are also deeply concerned about external communications. The first priority, in the Belgian view, is to bring Beira 500 miles nearer Broken Hill by constructing a direct line cutting out the Victoria Falls loop; wagons could still make the round trip to pick up coal from the Wankie field on the way back. The Belgians are also interested in an outlet to Dar-es-Salaam; they already have a special Belgian section in the port with deep-water facilities. The proposed rail link with Dar-es-Salaam would be stategically important in forming part of a west to east line across Africa, in conjunction with the Benguela Railway. Expansion of traffic on the Benguela line, incidentally, is also a problem; the bottleneck consists of the port facilities at Lobito. As Dr Malan, the South African Prime Minister, pointed out at the opening of the Johannesburg Transport Conference, no one territory can risk a policy of isolation. Africa south of the Sahara is a single geographic and economic unit; it is in the interest of all that these present difficulties should be overcome.

Inflationary Pressures in Canada

[FROM OUR OTTAWA CORRESPONDENT]

IF Britain is now brooding about the rise in prices rather than the shortage of dollars, Canada is certainly in the same mood. Official reserves of gold and US dollars reached $1,800 million at the end of September, which means they quadrupled in the short space of three years. In 1946 and 1947 when reserves were falling fast as a result of huge trading deficits with the United States and severely curtailed dollar-earning from overseas trade, the Government did not feel bound to take conservation measures until they had fallen to $480 million. Then in late November, 1947, drastic import restrictions were imposed and an official attempt was launched to increase Canadian exports to the United States. The rise, which started at once, was fairly steady until the middle of this year. Then it shot up by $65 million in July, $184 million in August, and $285 million in September.

At the end of September the Canadian dollar was freed. It rose almost immediately until the price of a US dollar was about 105½, and it has stayed steady at about that level. The next official statement of the Canadian reserves will not be

made until the end of the year. But it is already clear that the American money which poured into Canada during the summer is in no hurry to get out again. However "hot" it may have been when it came in, it seems to have cooled off since the freeing of the dollar. One can only speculate what the movement would have been if the dollar had been raised to a new fixed value; but obviously the temptation for the speculator to take his profit at once would have been much greater. The drop in reserves would probably have been much sharper than it is understood to have been so far. No financial authorities here are banking on the confidence in Canada being maintained at the same high level indefinitely. New York clearly has had a wave of extremely "bullish" sentiment about this country. There seems no reason why it should change; but Canadian authorities remark that when the New York sentiment does change at all it is liable to change violently. "In New York," said one financier here, "they're all bulls or all bears."

The movement of capital was primarily responsible for Canada's dollar revaluation, and it may be held to be at least partly unreliable because of the large psychological element involved. But the solid facts of commodity trade support the trend. Domestic exports to the United States in September reached a new high level, bringing the total for the first nine months of this year to $1,444 million compared with $1,035 million for the same nine months of 1949. But imports from the United States are only about $50 million higher than last year. The American rearmament drive seems to promise a continued high level of demand, and the Government is obviously now basing its policies on the assumption that the exchange position is relatively secure.

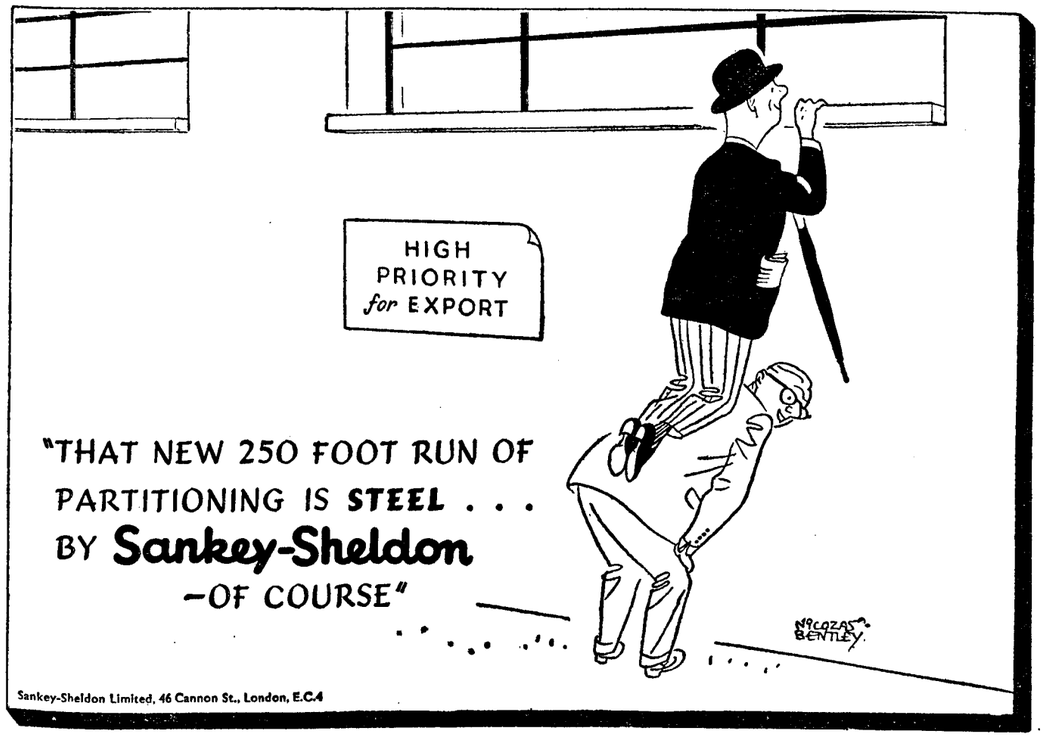
This is most clearly shown in the realm of defence purchases. In appropriating $300 million for defence aid to Europe, the Government is not only accepting that amount of unrequited exports; it is preparing to spend a considerable part of that sum in the United States, since only there can it obtain replacements for equipment shipped to Europe, as well as many other things needed for its own forces.

But rising prices are a matter of increasing concern. The public has watched the cost of living index rise throughout the year to a peak on October 2nd of 170.7. There is some ground for thinking that it may level off through the winter months as a result of a seasonal decline in some food prices, particularly meat. On the other hand it is clear that recent rises in wholesale wool and cotton prices will be reflected in clothing prices by the New Year.

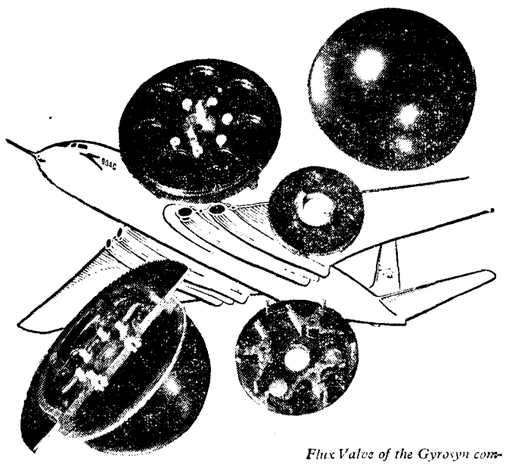
In the field of wholesale prices, particularly industrial raw materials, Canada is tied to the world level; and even less than other countries can it escape the effect of the American price level. On this question Government experts are resigned and only partly hopeful. If American prices rise further Canadian prices will rise too; and Canada can do nothing about it without a detailed and stringent system of price controls which is held to be entirely impossible except in time of war. Indeed the years 1939-41 proved that it is not easy even then.

Canada, then, is in for the same degree of inflation as the United States, and, in the Government's opinion, will have to be very watchful to make sure that inflation does not go further here than there. The safeguards which the Government is trying to apply are the traditional ones. Consumer credit has been restricted; interest rates, with official encouragement, are gradually firming; Government influence over the distribution of scarce materials (it is hoped that "influence" will be enough, but control will be used if necessary) will be used to discourage all non-essential capital investment; and the national budget will be strictly balanced.

From now on rearmament will be making an increasing impact on the economy; and no one can foretell that these measures will be enough to restrain the inflationary pressures. But at least it is hoped to keep them within limits.



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THE BUSINESS WORLD

Road Haulage—I

Trucks and the Act

FEW subjects have evoked so much heat without light in recent months as the road haulage industry. Exaggerated claims for the advantages of nationalisation have been matched by a campaign for "handing the industry back to private enterprise." Assertion has supplanted evidence. Attacks have been made up and down the country against the system of permits for private hauliers often couched in such a way that the ordinary person would never suppose that the system—whatever may be said for or against it—stems from the Transport Act of 1947. A private member's Bill, the second reading of which was carried against the Government in the House of Lords last Tuesday, seeks to extend the range of operations of private hauliers as restricted by the Act by such an extent as to threaten to deprive the nationalised section of the industry of the traffic that is—or should be—most profitable for it to carry. There is on the one hand a blithe disregard of the public expense of forcing a nationalised undertaking to operate under uneconomic conditions; on the other hand, there has been great haste to get nationalised road transport working for the assistance of nationalised transport as a whole. Political pressures combined with the high speed with which the acquisition of long-distance road haulage has been carried out have created conditions of immense difficulty for those who are trying to bring about some semblance of order in road transport.

The most important fact about the road haulage industry—so familiar that it is necessary to repeat it—is that, unlike all the other industries that have so far been nationalised, it is made up of a very large number of small independent units. Before the Transport Act of 1947 there were approximately 20,000 small hauliers. Large firms, such as the Hays Wharf Cartage Company, Pickfords and Carter Patersons, were the exception rather than the rule. Very few hauliers operated more than two or three lorries, and the system of licensing introduced by the Road and Rail Traffic Act of 1933 ensured a strict control over the free expansion of the industry. There was no established basis such as that provided by the four main line railway companies on which to build the structure of a nationalised industry. Nationalisation of road haulage meant in effect the merger of several thousand small undertakings with all the attendant difficulties of legal settlement, with little or no standardisation either of plant or service, and without the support of an organisation in being with experience of running road haulage on so large a scale. A Napoleon of transport might have attempted such a task—there were always obvious financial and operational advantages to be expected from a merger of this sort—but he would at least have given himself several years in which to complete it.

Instead, the expansion of the Road Haulage Executive has been as dramatic as any supporter of nationalisation could have wished. The total commitment for the undertakings already acquired or to be acquired is approximately £65 million, quite apart from the road haulage companies which were previously owned by the railway companies. The corresponding increase in the size of British Road Services (the trade name of the nationalised section of the industry) is shown below:—

	End 1948	End 1949
Undertakings acquired ...	248	1,880
Staff	23,195	67,289
Motor vehicles	8,208	34,894
Trailers	1,717	4,045
Horse-drawn vehicles ..	1,867	2,753
Horses	979	1,410

During the present year, approximately 400 more undertakings have been served with notices of acquisition, making a total of 2,300 undertakings and a fleet of nearly 40,000 vehicles. In addition, a proportion of the holders of the 5,300 "original permits" which are to be revoked by February next and about which there has been so much clamour will probably exercise their right under the Act to require the Transport Commission to take over part or all of their businesses, but until these options are exercised it will not be known how many more undertakings will come into the Commission's hands. The wonder is not that mistakes and delays have occurred in the service which the public have come to expect from the road haulage industry, but that they have had a reasonable service at all. Indeed, given the fact that the speed at which they have had to work was not of their own choosing, the Road Haulage Executive have put up a very creditable performance.

The rate at which these road haulage undertakings were acquired was determined partly by the Transport Act and partly by the Minister of Transport; the type and number of undertakings to be acquired were determined partly by a complicated formula in the Act and partly by the choice granted by the Act to private hauliers themselves. The Transport Commission, working through its agent, the Road Haulage Executive, had very little discretion in the matter. The road haulage section of the Act required that all road haulage undertakings of whose business more than half was concerned with long-distance traffic should be taken over. "Long-distance" was defined as a radius of more than 25 miles, as the crow flies, from the operating base, or a distance of more than 40 miles within that radius. "C" licence holders (that is, traders operating lorries exclusively for their own use) and hauliers engaged in certain specialised traffic (meat, explosives, livestock, furniture removals, bulk liquids, felled timber and abnormal indivisible loads) were specifically excluded. The Minister of Transport ordered notices of acquisition to be served on all undertakings which qualified for acquisition under this section of the Act before February 1, 1950, the "appointed day," leaving the details of compensation and in many cases

the actual date of the transfer to the Commission to be determined later. In addition, any haulier whose business qualified for acquisition under this section of the Act but who nevertheless did not receive a notice of acquisition could require the Commission to take over the whole of his business and to pay compensation for it. Since February 1, 1950, no haulier has been allowed to engage in long-distance traffic unless he obtained permission in the form of an "original permit" (for which special conditions were laid down to be discussed later) from the Road Haulage Executive.

This section of the Act had two important effects which may or may not have been intended by its framers. First, to place the dividing line between "short-distance" and "long-distance" at only 25 miles from the operator's base meant that the Commission was to acquire a monopoly over a profitable part of the industry which to lay minds is hardly "long-distance." This is the traffic between big neighbouring industrial centres—Liverpool and Manchester, Manchester and Stockport, Manchester and Birmingham, Birmingham and Coventry, Luton and London, Glasgow and Edinburgh, Durham and Newcastle, and many more. The distances between these centres are more than 25 miles but most are less than 60 miles; they are, in fact, distances which are ideally suited to the economical running of a road haulage business and over which the railways cannot hope to compete on equal terms—hence Lord Teynham's attempt to reopen this sector of the road haulage industry for private hauliers and the Government's determination to keep it for the Commission. It must indeed be said that without such traffic nationalised road haulage would find it extremely difficult to run at a profit. Furthermore, if the integration of road and rail services is to mean anything it is precisely in this sector that road transport should be able to relieve the railways of uneconomical short distance working and serve as a feeder to the longer trunk routes over which road transport is neither as economic nor as quick as rail transport.

The second important effect of this section of the Act is that the Commission had had to acquire undertakings concerned with much more than long-distance road haulage. Few road haulage undertakings confined themselves entirely to long-distance or short-distance traffic; nearly all engaged in both types of traffic. Thus the acquisition of an undertaking which engaged predominantly in long-distance traffic—that is, an undertaking which could be compulsorily acquired and which was not allowed to retain any part of its activities connected with road haulage—involved also the acquisition of vehicles, stores and equipment which were only suitable for short-distance work. The result has been that although it was presumably the intention of the Act that long-distance haulage only should be nationalised, the Road Haulage Executive has had to engage in short-distance traffic rather than write off a large proportion of the stock and premises it had acquired and for which compensation had been paid. Moreover, once it was committed to taking part in short-distance traffic, it was its public duty, imposed by the general policy laid down in the Act, to make a profit—which meant, among other things, doing its utmost in all the ways open to it to secure terms on which to compete with private hauliers. Licensing restrictions and the control of permits have undoubtedly given the Road Haulage Executive an advantage over private hauliers and this fact lends some support to Lord Teynham's second plea that the nationalised sector of the industry should be subject to the same conditions as apply to the private hauliers. But this argument involves complicated questions about services and charges, the grant of permits, and the organisation of British Road Services, which must be left for a second article.

(To be concluded)

Copper Belt Boom

THE accounts of the Rhodesian copper companies for 1949-50 reflect little of the great prosperity that has recently come to the industry. By the standards of many earlier years, these reports are impressive. Output was higher; profits per ton of copper have risen; and dividends have been raised, though there are still disappointed shareholders. The latter are no doubt making the most of the view that the results are no more than a curtain raiser to much higher profits and dividends this year. There is a good deal in their case. Early in 1949, the Ministry of Supply's selling price for electrolytic copper was £140 a ton. The price was successively lowered until by July 12, 1949, it had fallen to £104 a ton. Since that day prices have not looked back. Devaluation brought an automatic increase to £140, and by the end of March the price had risen to £153 a ton. But the really spectacular jump to £202 a ton has occurred since the end of the companies' financial years, and it is this that carries the implication of unprecedented profits.

The chairman of Roan Antelope has pointed out that the accounts for last year showed no great response either to the benefits or to the disadvantages of devaluation; this observation applies to Rhodesian copper companies generally. In practice they sell their copper output forward, and at any one time they may carry sufficient stocks to meet a considerable part of their commitments. The profits of Roan Antelope and Rhokana for their financial years to June 30th reflected the benefits of devaluation at least at the end of their accounting period and are thus rather more impressive than those of Nchanga, whose financial year closes on March 30th. The Mufulira year also closes on June 30th, but in this case the profit and loss account was less affected by the post devaluation rise in prices. This was partly because Mufulira sold less copper than in the previous year, and put the whole of its increase in output and more into stock to build up adequate copper reserves to supply the electrolytic refinery when it comes into operation. Yet despite the damping action effects of forward sales on realised prices, average prices realised per ton showed a useful improvement compared with 1948-49. Thus Roan Antelope sold 62,059 long tons of copper (against 54,662 long tons in 1948-49) and realised an average price of £127 4s. 7d. per long ton of blister copper f.o.b. Beira, an increase of £6 16s. 10d. per ton; costs only rose by 6s. 3d. from £72 14s. 11d. to £73 1s. 2d. a ton. Stocks were raised from 16,500 tons to 18,000 tons, "which completes the present stock-building programme."

Mufulira's copper sales declined from 71,166 tons to 69,550 tons, and realised an average price of £126 7s. per ton, or £4 18s. 3d. more than in the previous year. Production costs rose from £54 12s. 2d. per ton to £54 19s. 6d. Stocks were built up by 7,498 tons to 18,525 tons.

Rhokana and Nchanga, the two companies in the Anglo-American Corporation group, do not provide average revenue and cost figures, and it is possible to estimate these only very broadly. Nchanga in 1948-49 sold 30,053 long tons of copper for £3,513,478, an average per ton of £116 18s. 2d.; in the latest year sales rose slightly to 32,062 tons, but the average revenue was in fact somewhat lower at £113 16s. 9d. per ton. If this is at first sight surprising, the explanation may well be that Nchanga's trading year ends in March and that higher prices after devaluation were not sufficient to counterbalance the effect of many earlier months during which copper prices were below the 1948-49 level. Production costs in this case, however, seem to have fallen, from £53 12s. 10d. to £48 17s. per ton. Again, this is quite conceivable; of all the four mines, Nchanga is the youngest, and some regard it as potentially the cheapest producer on the copper belt. It may well be that the great strides in production that Nchanga has made in recent years are now beginning to bear fruit. During the year, Nchanga raised its stocks of blister copper from 6,690 tons to 13,449 tons, and its stocks of copper concentrates from 7,529 tons to 10,098 tons.

The experience of Rhokana conforms more closely to the results shown by Roan Antelope and Mufulira, though the estimates are very rough. Rhokana does not publish sales figures; it gives information only about production, which rose from 74,982 tons in 1948-49 (62,720 tons electrolytic and 12,262 tons blister) to 80,540 tons in the latest year (64,864 tons electrolytic and 15,676 blister). Since Rhokana put little of its output to stock, the absence of sales figures might not be thought to matter. In fact, the premium on electrolytic copper and the intrusion of cobalt sales makes it difficult to strike an average selling price per ton that would be useful in comparing Rhokana's figures with those of other mines. Subject to these qualifications, average revenue would appear to have risen from about £126 10s. to £131 12s. 6d. a ton. This roughly tallies with the experience of Roan Antelope and Mufulira. But whereas average costs for these two companies have risen less than average revenue, it appears that Rhokana's average costs have outpaced the rise in average revenue, for such figures as are available suggest an increase in costs from £63 to £70 12. 6d. per ton of mixed output.

So much for the operating results of the past year. The outcome has been a general rise in profits, and this has attracted a substantially higher tax bill. United Kingdom taxes, as shown in the table, have carried the full relief allowable against Rhodesian tax under the existing double taxation agreement. The net impost of United Kingdom tax shows roughly how much the companies could have expected to save in taxation on the basis of last year's profits if they were to transfer their seat of control and management to Rhodesia.

So far, only the companies in the Anglo-American Corporation group have sought and obtained approval from the Treasury to move to Rhodesia. The scale of tax "savings" has undoubtedly led others, including the Selection Trust group, to consider such a transfer, though conceivably with the reservation in mind that such transfers may not represent pure gain. It is thought that for Rhokana and Nchanga the move will become effective before the end of the calendar year, and that at least six months of the current year's profits might then enjoy freedom from British taxation. These tax "gains" will not be automatically transferred to the British shareholder: dividend policy may stand in the way and the British tax collector will certainly do so. Nor are they to be measured by detailed study of the results of the past financial year. Since that closed, trading has been based on an altogether different price level.

The quarterly figures of Mufulira and Roan Antelope show how startling the transformation has been; in the September quarter alone Mufulira's profit (subject only to taxation) was £2,021,000, equal to one half of the profit earned in the whole of 1949-50. In the June quarter of the full trading year Mufulira's profit was £1,635,000 from sales of 22,537 tons; the latest quarter's profit resulted from the sale of 20,863 tons. Costs are rising, but in no particularly alarming fashion. The quarterly figures of Roan Antelope are quite as impressive. In the September quarter profits amounted to £1,601,000, two-thirds of the profit of £2,434,533 recorded for the whole of 1949-50. The projection of a single quarter's profits to an annual rate is fraught with uncertainties—some £236,000 of Roan's September profits arise from a special sale—but nothing short of a major reduction in output of the kind that might, for instance, be caused by a full-scale coal shortage or a complete reversal in the present trend of prices can prevent copper profits this year from completely dwarfing those of last year, and they were by no means negligible.

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Looking ahead, the inquirer must first ask how copper prices in the United States will behave. Sterling prices for copper move in step with American prices. A year ago the copper producers agreed with the Ministry of Supply that in future the price to be paid for copper sold to the Ministry would correspond as nearly as possible with the price f.a.s. New York. At present the American export price is 24½ cents per pound, which corresponds with the current sterling quotation of £202 a ton. Last year the American price moved between 16 cents and 22½ cents per pound, but much copper is currently being sold in the "grey" market at prices well above 24½ cents. Many producers have booked orders for future delivery at substantial premiums. Copper scrap is being bought at prices that can only be justified if recovered metal can be sold at 28 cents or more. The strength of the copper market in the United States owes much to private and official stock purchases. Monthly deliveries from fabricators are running at present at 137,000 shorts tons—barely below the peak wartime level. Industrial consumption would appear to be around 120,000 short tons a month, leaving only a modest margin. The reductions imposed on civilian consumption will reduce demand by several thousand tons a month, but official stockpiling purchases seem to be heading towards 30,000 tons a month and military demands may require between 10,000 tons and 15,000 tons a month. Thus, apart from any curb upon civilian requirements, consumption plus official stockpiling will be running at the rate of fully 160,000 short tons a month compared with current supplies of 130,000 short tons. The latter consist of 80,000 tons from home production of new metal, 10,000 tons from scrap, and about 40,000 tons from net imports. This lack of balance between supply and demand suggests that for a year at any rate copper prices are likely to be firm.

If so, the outlook for the sterling copper industry would seem fair enough. But there is a second, and important, question: will the copper belt be able to take full advantage of this prospect of continuing high prices? In the short run, the answer depends on coal supplies. These are inadequate and the shortage has already cut the output of blister copper in some mines by as much as 10 per cent. Coal supplies to the copper belt have been barely maintained in the current year, and the industry may be forced to use even more wood fuel than it had to find, at considerable expense, last year. Inadequate coal supplies may, indeed, affect the running in of the electrolytic refineries, the construction of which is proceeding most satisfactorily. The building of Mufulira's electrolytic refinery was started at the end of last year, and production of cathodes is expected to commence in April, 1952. The plant's initial capacity will be 36,000 long tons of electrolytic copper a year. Extensions to the capacity of Rhodesia Copper Refineries are almost complete, though the commissioning of the fourth section which could have taken place in September this year had to be delayed as a result of the coal shortage, and the remaining extensions may also have to stand idle until more coal becomes available. This construction programme has been carried out during years of high prices, and its economic results will depend very largely on the chances of writing off much of the capital cost while the high price of copper holds. It would be unfortunate for these important projects if lack of fuel prevented the companies from reaping the full benefits of the present copper boom. As for additional supplies of blister copper, the most substantial additions to output may come from Nchanga. By the end of the current year potential output could be at the full rate of 64,000 tons a year against about 45,000 tons now. Roan's output—given fuel supplies—could be raised by a further 10,000 tons to 72,000 tons.

*

Given this background, copper shares have rightly been firm for several months past. The boost to share quotations from successive increases in the price of copper was further encouraged during the summer by the prospects of the tax exodus. Rhokana has this year advanced from 11⅞ to 18½ and Nchanga from 2⅞ to 5½. Roan Antelope shares at 19s. 1½d. compare with 11s. 3d. earlier this year. Rhodesian Selection Trust, whose shareholders benefit at one remove from the copper boom through the holding in Mufulira, have risen from 24s. to 34s. 7½d. At these prices, the return on Rhokana is £6 9s. per cent, on Nchanga £3 10s. per cent, on Roan Antelope £6 10s. per cent and on RST £7 1s. per cent. Some of the buying that has produced these rises in share prices would not have taken place in the absence of the relaxations earlier this year on switching by non-residents. This has no doubt enhanced the already considerable American interest in the Rhodesian copper companies.

After a price movement on the recent scale, it is hardly surprising that American and British interest in copper shares has slackened somewhat in recent weeks. There is an obvious presumption that dividends in the current year will be further raised. After years of relatively meagre returns, higher dividends would be well justified. But it is necessary to remember that present prices of copper shares go a fair way towards discounting such prospects.

RHODESIAN COPPER PRODUCTION AND PROFITS

	Rhokana		Nchanga		Roan Antelope			Mufulira			
	Year ended June 30		Year ended March 31		Year ended June 30		Three Months to June 30, 1950	Three Months to Sept. 30, 1950	Year ended June 30		Three Months to June 30, 1950	Three Months to Sept. 30, 1950
	1949	1950	1949	1950	1949	1950			1949	1950		
Tons Produced	74,382	80,540	33,687	41,300	59,152	65,557	16,859	17,795	70,360	77,048	23,487	20,763
Tons Sold	N.S.	N.S.	30,055	32,062	61,662	62,057	16,859	20,145	71,166	69,550	22,537	20,865
Sales Revenue £	9,489,555	10,597,497	3,511,478	3,649,350	6,540,645	7,896,695	2,568,000	3,334,000	8,617,868	8,762,398	3,114,000	3,410,000
Profit before Tax £	5,425,175	6,687,155	1,509,921	1,551,310	1,854,965	3,134,535	854,000	1,601,000	4,193,086	4,176,735	1,635,000	2,021,000
Net UK Taxes £	1,188,502	1,515,886	281,855	332,102	342,522	472,591	...	...	754,724	805,563	...	...
Rhodesian Tax £	1,777,500	2,097,421	540,750	592,500	944,000	1,135,050	...	...	1,715,000	1,765,000	...	...
Free Reserves £	1,193,581	1,395,979	787,309	114,756	18,179	135,379(a)	...	...	544,888(b)	427,698(b)	...	...
Ordinary Dividend £	1,375,001	1,650,002	Nil	770,000	617,994	686,660	...	...	1,142,774	1,142,774	...	...
Dividend %	100	120	Nil	20	22½	25	...	...	42½	42½	...	...

(a) Excluding provisions for replacement and obsolescence: 1949, £709,000; 1950, £900,000.
(b) Excluding provisions for replacement and obsolescence: 1949, £500,000; 1950, £700,000.

Business Notes

Importing Coal

How much coal will the National Coal Board need to import to satisfy home consumption, to meet its reduced foreign commitments, and to bring distributed stocks to the safety level? In announcing the decision to import coal, the Minister of Fuel and Power was purposely vague, putting it as "part of one week's output" (i.e., less than 4,000,000 tons) in order not to inform the market. But the market can easily follow the simple arithmetic of the figures he had already given. Deep-mined production will not be more than 205 million tons this (calendar) year, and opencast supplies are expected to be 750,000 tons lower than the 13 million tons aimed at; thus this year's prospective supply from home production may be 217¼ million tons. Home consumption will need 202 million tons, 6,000,000 tons more than last year; exports and bunkers in the Minister's last estimate were put at 18 million tons (though even at the time this appeared optimistic). Thus total demand could be put at 220 million tons for the year. And the gap would be nearly 3,000,000 tons, apart from the extra 750,000 tons that would be needed to bring stocks up to the "planned" figure of 16½ million tons. Bunker supplies are to be reduced: these have been running at roughly 75,000 tons a week, plus possibly the same amount for foreign bunkering. In the six remaining weeks of this year, to halve these supplies would save less than 500,000 tons. To fulfil an export commitment of 18 million tons, therefore, would call for imports of about 3,000,000 tons; both figures, however, may turn out to be perhaps half a million tons lower.

Most of the imports of coal will have to be obtained from the United States, where coal delivered to Atlantic ports has recently been quoted at just under £4 per long ton. Shipping charges would add £2 to £2 10s. per ton so that the Coal Board, after diverting coal from foreign to home use (and losing approximately £1 per ton thereby) is faced with the further prospect of buying American coal for £6 per ton or more and shipping it to European customers at its own current price of about £4 a ton. Coal supplies are to be had in the United States, but provision of ships may prove difficult; to transport a million tons of coal would require about 100 ships. Britain's contribution to the European coal economy has already been drastically curtailed by part cancellation of certain contracts and by running into arrears on others; and in their negotiations for 1951 the Board is unwilling to carry forward arrears from this year. Cuts in British supplies, through inability to produce the coal, are proving as effective in bringing about a coal crisis in Western Europe as the partly political diversion of Polish coal from the west to markets behind the Iron Curtain.

* * *

Full Employment to Blame?

Full employment, according to Mr Noel-Baker, is doubly the culprit in Britain's coal crisis: it is responsible for the rise in inland consumption, and at the same time it is affecting production by drawing labour away from the mines. The most recent figures for consumption, for the 45 weeks to November 11th, show that increased consumption is fairly generally distributed among most classes of consumers; only railways, iron and steel, water and the collieries themselves were using less than a year ago. The largest increase was for electric power stations, which have taken about 8 per cent more coal; engineering and metal and other industries used just under 5 per cent more.

Last week's production from the mines showed a slight increase compared with the previous week, but output was still well below that of the corresponding week last year; opencast production was also much lower, and the week's total was 86,000 tons below last year. During the week recruiting equalled labour wastage, and the labour force remained intact at 686,500; since the beginning of the year the industry has lost 22,400 workers, of whom 10,000 have left the coalface. Output per manshift remained stable and absenteeism was slightly lower. Thus the production deficit this year is largely a matter of manpower. Lord Hyndley was no doubt right when he expressed a preference this week for importing miners instead of coal; but the absence of any positive statement after the Minister's meeting with the industry this week offers no confidence that the Board will be able to bring in more foreign workers.

* * *

Dunlop's Rights Issue

A major issue of ordinary capital made as of right to ordinary stockholders is something of a rarity in these days. The Dunlop board has eschewed new-fangled devices such as an issue of unsecured loan stock or a private placing with the institutions and is raising its new capital in a way that was traditional long before the idea of a profits tax entered a Chancellor's head. The response has certainly justified the decision; unless something goes violently wrong with the market between now and December 12th the offer will be an overwhelming success.

Technically, the issue consists of 13,412,837 new 6s. 8d. ordinary shares offered at 13s. 8d. to existing ordinary stockholders in the proportion of eight new shares (that is £2 13s. 4d. nominal, expressed as stock) for each £5 nominal of stock held. For a total expenditure of £21 13s. 4d. (taking Dunlop £1 units at 65s. 6d. on the eve of the offer) a stockholder could thus obtain £7 13s. 4d. nominal stock at an average price of £2 16s. 7d., leaving the rights to be worth a shade under 9s. per unit. The issue will provide nearly £9 million of new money, or nearer £8,750,000 after underwriting and other expenses have been met; this sum, the board believes, should cover the capital programmes in sight in this country and for the manufacturing subsidiaries abroad. Such an operation would have been impossible under the absurd discipline formerly imposed by the Bonus Issues Tax; but it is still worth marking the fact that consent has been given by the Capital Issues Committee to the terms, in view of the perceptible bonus element in the price. Nor, on the prospects held out by the directors for the current year's profits and dividend, is this element illusory, for stockholders have been given reason to expect that profits for 1950 will leave room for substantial transfers to reserves and for the maintenance of the present dividend rate of 15 per cent (despite the heavier incidence of profits tax). In effect this will imply that a stockholder will receive 23s. of gross dividend on a total investment of £21 13s. 4d.—a yield of £5 6s. 3d. per cent compared with £4 11s. 9d. per cent on the eve of the issue.

This prospect has not excited the market in Dunlop ordinary shares, which have shown only a modest movement of a few pence at 57s. ex rights. On a broader point, the issue is to be welcomed because it reverses the recent tendency to choose fixed-interest or prior charge securities as a means of raising new finance and thus to dilute the importance of equity finance for industrial concerns. If this tendency has not assumed major dimensions, it is because companies have been expanding their effective equity out of reserved profits. Thus for the 586 companies whose balance sheets appeared in the last quarter (details are given in this week's issue of *Records and Statistics*) total capital and reserves rose from £1,203 million to £1,321 million; but of the increase in their issued capital from £698 million to £747 million, as much as £25 million was represented by debenture capital.

Dividends and Profits

The recent tendency towards an increase in dividend distributions has not escaped the Chancellor's notice. In a written reply this week, he has stated that "it is too early yet to say whether the tendency will persist to an extent which will make it desirable to consider other methods of checking it." Perhaps a careful student of nuances in official statements might detect some faint evidence of a changing attitude in this reply compared with Mr Gaitskell's observations in the debate on the Address three weeks ago. On that occasion he joined in one comment his views on wages and dividend restraint, and his observations need to be recalled:

> It is inevitable and natural that the increase in the cost of living resulting from the high import prices following the longish period of stability should lead to increased pressure for wage and dividend increases. It is common knowledge that a number of claims for wage increases are now being made, and it would be too much to expect that the remarkable stability of wages over the last twelve months can be continued indefinitely. Equally, I may say, we must recognise that there is a disinclination in some quarters to accept the indefinite control of dividend limitation.

The Chancellor then proceeded to argue that if "the increases" took place on anything more than a moderate scale they would have the effect of pushing up prices still further. This practice of regarding two quite separate economic quantities as being of the same essential substance, so that each is assumed to call for the same attitude of mind, has never seemed to have much to commend it, though it has its uses for political purposes. But there are other fallacies than this. Does a pound of profits distributed as a dividend necessarily exert a greater inflationary potential than a pound of profits retained and invested in new plant or set scrambling after raw materials by a company? The dividend may attract tax at 19s. 6d. if it goes to a shareholder in the highest tax bracket. Or it may be saved and reinvested in support of public or private capital expenditure, which again will be to the positive assistance of the disinflationary policy that the Government professes. Or its residue (after payment of income tax and surtax) may be spent by the shareholder who receives it. No one can measure the balance of these possibilities, but it is at least justifiable to assert that the impact of increased inflationary pressure from higher dividends, even if these had exerted a full effect, would be very small indeed. Figures published by companies reporting last quarter show that the net value of the increase in dividends of the 586 companies concerned was £1.3 million in the latest year, from £29.1 million to £30.4 million. The increase for 2,752 companies whose reports have appeared in the past twelve months is just over £2 million, from £131.3 million to £133.4 million. The trend is perceptible, and no doubt will become more evident in future. But to argue that it is generating a rabid wave of inflation would be absurd. Inflation cannot owe very much to expenditures of two parts in ten thousand of the national income.

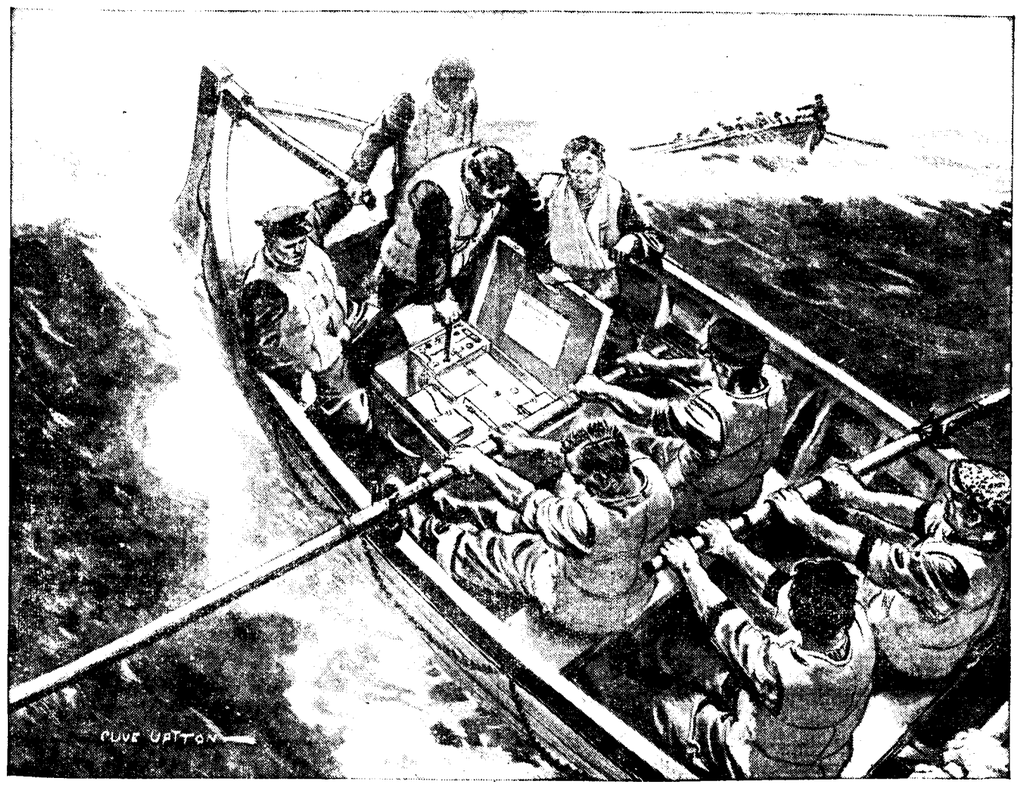
PROFITS, PROVISIONS, AND DEPRECIATION
(£'000)

	Reports Published July—Sept., 1950			Reports Published Oct., 1949—Sept., 1950		
	585 Companies		601 Cos.	2,752 Companies		2,839 Cos.
	Previous Year	Latest Year		Previous Year	Latest Year	
Gross trading profit	*271,800*	290,041	293,946	*1,079,473*	1,135,834	1,156,547
Income from investments	*17,069*	17,778	17,831	*78,913*	80,846	81,517
Other current income	*1,290*	1,417	1,417	*8,712*	7,916	7,939
Non-recurring credits	*8,918*	14,766	14,810	*38,551*	44,568	46,768
Total Income	**299,077**	**324,002**	**328,004**	*1,205,649*	1,269,164	1,292,771
Repairs and maintenance	*2,097*	2,832	2,832	*8,646*	8,979	9,144
Depreciation	*41,123*	54,121	54,620	*148,718*	179,812	182,724
Income tax (excl. profits tax)	*91,516*	95,442	96,533	*366,380*	375,222	382,706
Profits tax	*26,339*	28,297	28,788	*118,218*	121,224	123,583
Directors' emoluments	*8,250*	8,640	8,894	*39,277*	41,396	42,515
Administration charges, etc.	*4,746*	5,181	5,295	*33,220*	34,128	34,736
Contingencies, provisions, etc.	*59,165*	26,085	25,613	*87,950*	99,144	102,607
Pensions	*2,464*	2,452	2,452	*17,803*	16,855	16,955
Minority share in profits	*4,208*	4,449	4,458	*15,968*	17,131	17,173
Profits retained by subsidiaries	*12,524*	21,211	21,501	*61,514*	77,243	78,509
Debenture interest	*4,327*	5,131	5,295	*22,284*	24,173	24,410
Preference dividends	*9,492*	9,683	9,827	*34,285*	34,463	35,278
Ordinary dividends	*29,055*	30,464	30,779	*131,255*	133,355	135,132
Revenue reserves	*22,619*	25,484	25,934	*86,934*	89,869	91,085
Brought in (parent company)	*29,956*	44,928	45,522	*192,864*	226,058	228,784
Carried forward (parent company)	*44,928*	49,518	50,214	*226,056*	242,228	244,998

"Metaphysical" Housing Subsidy

The Public Works Loans Bill, which was given a second reading by the House of Commons this week, represented little more than the customary annual renewal of the system of local loans that has been in force since 1945. The Bill leaves the ceiling for advances by the Public Works Loans Board at £500 milion, but raises its ceiling for advances plus commitments from £680 million to £850 million; this increase is to allow local authorities to plan further ahead and to take cognizance of the rather higher proportion of school building and other longer term projects now included in local authority programmes. Mr. Jay revealed that total advances by the PWLB in the first 10½ months of this year amounted to £240 million. Of this, housing accounted for £172 million, education for £16 million, and transport, water and other items for £32.5 million.

Two useful points emerged from the debate. The first was a query by a Labour backbencher whether the Public Works Loans Commission, for whose administrative expenses a sum of £46,000 was provided in the last annual estimates, is serving a function commensurate with expenditure upon it. He alleged that all that the Board did in the financial year, 1949-50, was to knock one application of less than £2,000 out of a total of £292 million advanced. All proposals that come before it have already run the gauntlet of at least one Government department and the Board does not usually regard it as its function to tell Mr Bevan to think again. The second point that was raised was, of course, the perennial one of whether it is advisable to subsidise the housing programme by pegging the rate for long-term PWLB advances at 3 per cent—still ½ per cent lower than the relevant rate for gilt-edged. Mr Jay's answer on this point was by no means explicit. He maintained, first, that after consultation with Government departments, local authorities had given up their old habit of borrowing from the PWLB at 3 per cent merely in order to re-invest in gilt-edged at 3½ per cent; the level of borrowing was now down to the level of cash requirements. Mr Jay went on to maintain that the rate of interest would be a very bad regulator of local authority investment programmes and asserted that the Government's policy was to keep rates charged for loans to local authorities "as low as we reasonably can"; it was, however, impossible to predict what would happen "in varying circumstances." Mr Jay then put forward the rather surprising thesis that it would be "metaphysical" to apply the term "subsidy" to the provision by the Government of any service below market cost, so long as the budget was in overall surplus. Perhaps the taxpayer who provides the surplus would be able to distinguish more readily than the Financial Secretary between metaphysics and plain English.



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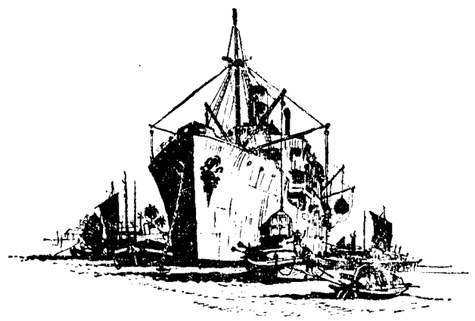
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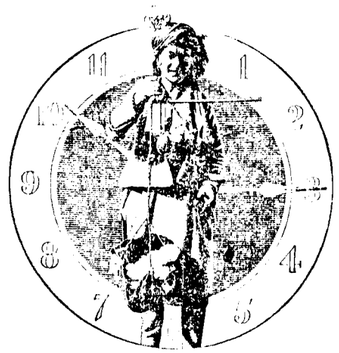


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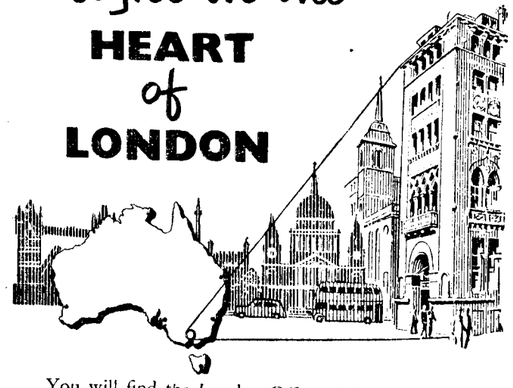
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Directors and Trustees

"Boards of Directors are self-appointing and self-remunerating bodies; this is undesirable; independent trustees should be appointed to engage them and fix their salaries." This, succinctly stated, was the proposition put by Mr G. S. A. Wheatcroft (himself partner in a London firm of solicitors) to one of the best-attended specialist discussions at the Harrogate conference of the British Institute of Management last weekend. Few shareholders, said Mr Wheatcroft, attend company meetings except in cases of financial difficulty or dispute; those who do attend either confirm appointments to the board made by the directors between meetings, or accept directors' nominees. Now that many directors are full-time managers of their companies, he added, their individual remuneration tends not to be questioned; a director whose own contract is soon due for renewal is unlikely to criticise that of a colleague. Without suggesting that new appointments are necessarily bad or that remuneration is inevitably excessive, Mr Wheatcroft felt that "justice should not only be done but also seem to be done"; and his way to seem to do it is to appoint trustees (who would be paid a fixed remuneration themselves but would otherwise be bound to remain entirely independent of the company) to fill vacancies on boards of directors and approve directors' contracts of service.

And who would appoint the trustees? Mr Wheatcroft answered that the directors might nominate one, the shareholders two, and the employees another two; or that the trustees should be the holders of certain public offices. "It may sound heretical," he added, "but there is no real reason why a vacant directorship should not be advertised (say in *The Economist*)." Such a heresy, it need hardly be said in these columns, has its attractions, like the whole proposition; but it is doubtful whether either would tangibly improve present practice. In many firms, the remuneration of "functional" directors is already handled by a sub-committee of the chairman and the "outside" directors. The trustee system, elegant in theory, would prove extremely cumbersome in practice: to man an entirely new hierarchy for every company in Britain from the country's not unlimited reservoir of administrative talent would probably involve "taking in each other's washing." And the ideological advantages its author suggests it would offer seem insubstantial; propagandists who manage to build up a wholly distorted picture of the way in which the joint stock system works would find no difficulty in fitting trustees into their misconceptions, and the general public would not notice the change.

Finance and Banking

EPU Debated

During the past week the House of Commons has been giving its attention to what Mr Oliver Lyttelton called that "repulsive subject," the European Payments Union. The occasion was the second reading debate and committee stage on the Money Bill which provides the necessary accounting machinery to enable the United Kingdom to play its part in the operations of EPU. The mechanics of this participation are dull and make unrewarding study. They involve the use of the Exchange Equalisation Account to provide the resources needed for the credits that Britain is extending to EPU. The only change of substance which emerged from the committee stage of the Bill was the acceptance by the Government of an Opposition amendment limiting Britain's commitment to EPU to 60 per cent of the United Kingdom's quota, that is, to £227 million; this limitation is to apply indefinitely unless a larger amount is authorised by Parliament.

The second reading debate provided an opportunity, admirably used by the new Economic Secretary to the Treasury, to make a wider retrospect of the working of EPU to date and of the ancillary arrangements made by the United Kingdom in dealing with pre-July 1st debts owing to and from other members of the Union. The most striking item of information provided by Mr John Edwards was that the United Kingdom had accumulated a surplus of no less than £80 million with the EPU countries in the month of October alone. This figure reflects not only the United Kingdom's own balance with Europe, but also that of the whole sterling area and the net figure arising out of transfer of sterling between European and other "third countries." The net credit of £80 million was financed as to £4¾ million by the use of sterling resources by other members, leaving a final figure of about £75 million to be settled through EPU. Adding this figure to the net surplus of £28½ million accumulated in the previous quarter, the United Kingdom has now reached a position at which it has discharged the whole of the initial debit of $150 million with which it was charged at the beginning of EPU, and in addition stands as creditor for about £50 million in the books of EPU. Converted into EPU units, the cumulative position of the United Kingdom for the four months is 320 million units (each equal to a US $1), of which 30 million has been met by the use of pre-July 1st sterling resources of other members, 150 million units by the initial debit, leaving 140 million units as a credit to the United Kingdom in the books of EPU. This credit position will have to grow to 212 million units before gold begins to flow to the United Kingdom. The position at the end of October for all the participants in EPU is given in the following table:—

REPORTED CUMULATIVE POSITION OF EPU COUNTRIES AT END OF OCTOBER
(Millions of Units of Account after four months' Clearings)

	Surplus(+) or Deficit(−) set against Initial Debit or Credit	Cumulative Position at end October	Cumulative Position at which Gold Payments or Receipts become Operative	Total Quota
Austria	− 10·7	Nil	14	70
Belgium Luxemburg	Nil	Nil	72	360
Denmark	Nil	− 28·6	39	195
France	Nil	+161·7	104	520
Germany	Nil	−289·5	64	320
Greece	− 53·3	Nil	9	45
Iceland	− 1·6	Nil	3	15
Italy	Nil	− 17·1	41	205
Netherlands	− 30·0	− 42·7	66	330
Norway	− 25·3	Nil	40	200
Portugal	Nil	+ 22·3	14	70
Sweden	+ 13·8	Nil	52	260
Turkey	Nil	+ 10·6	10	50
Sterling area (excl. Iceland)	+150·0	+140·6	212	1,060
				3,950

The astonishingly large credit accumulated by the sterling area in October is in part the reflection of a genuine surplus in the balance of payments, but it also reflects anticipatory purchases of sterling by European importers encouraged to make such operations by expectations of a revaluation in the sterling rate. Even allowing for this fact, however, it is evident that the sterling area's balance of payments with Europe is now running at a considerable and perhaps an undue surplus.

* * *

Europe's Sterling Balances

Mr John Edwards, in the course of the debate on the EPU bill, brought up to date the published data on sterling balances held by other members of the Union. The total of these balances amounts to some £200 million, representing the sterling held by central banks and monetary authorities, but excluding balances held by or with commercial banks. The French balances now amount to some £28 million. They will be used for meeting instalments of French governmental debts to the United Kingdom which fall due in 1950 and 1951. Italy's balances of nearly £60 million are to be repaid by £20 million over two years in accordance with a plan which, however, will only be put into operation if the

Italians so wish. Portuguese balances amount to rather more than £80 million, and discussions are now in progress regarding their disposal. The only other substantial holder of sterling is Sweden, whose balances amount to about £22 million. No decision has been made as to its disposition, the position being held for review next year. Mr Edwards reminded the House that all these balances could be used by the members concerned to meet their deficits with the EPU and he referred to the undertaking of the Economic Co-operation Administration that it would indemnify the United Kingdom against any loss of gold that might be incurred through EPU as the result of such use of these resources. Given the extent to which the United Kingdom has been building up surpluses in Europe it is improbable that this guarantee will have to be implemented.

On the other side of the account the amounts owing to Britain by other members of the Union include debts of £24¼ million by Denmark, £8 million from the Netherlands and £2½ million from Norway. Satisfactory arrangements have been made for dealing with the repayment of these amounts. One of the more interesting items of information given by the Economic Secretary to the Treasury related to the reversal in the United Kingdom's payments relations with Switzerland. On June 30th last an appreciable sterling balance was held on Swiss account in London. By the end of October this had been converted into a debt of £4¼ million owing by Switzerland. This is the most striking illustration of the way in which sterling has recently hardened in those parts of Europe where previously it was most soft.

* * *

French Budget Crisis ?

By well-established postwar tradition, December and January are the months in which the shadow of the budget brings French Government crises to a head. This year promises to be no exception. According to present estimates, the French Treasury will have to meet a deficit of not much less than 550,000 million francs (over £550 million), next year. This estimate is apparently largely independent of an expected increase in defence expenditure (which, it is hoped, will be largely financed by American aid). The deficit will be caused by the two usual thorns in the Treasury's side—the growing salary bill for the Civil Service and losses on the railways and other nationalised enterprises. The proposals that have passed the Ministerial Council, the first and easiest hurdle the budget has to surmount, aim at raising £194 million of new taxes (mostly by higher company taxes and death duties) and at securing the other £326 million by loans.

There are three points that should be emphasised at this stage before the issues involved become lost in the cloud of political battle. The first is that France does not necessarily need to run a genuine budget surplus in order to bring intended savings and investment into the present state of tolerable (though inflexible) equilibrium. Although some industrial enterprises may be drawing upon accumulated savings for new investment, this net dis-saving in one sector of the private economy is probably more than offset by private savings that are still disappearing into peasants' stockings and other unproductive repositories. The second point is that although a small French budget deficit might be economically justifiable this year (and a still smaller one justifiable next year), such a deficit is not easy to square with the French constitution. There is a rigid limit on Government borrowing from the Bank of France. In recent years, the strains that would have been imposed by this limit have been lessened by the expedient device of ploughing Marshall Aid counterpart funds into the budget as governmental receipts. This device will again be resorted to in the year ahead, but it will not erase the whole deficit. M. Petsche, the Finance Minister, hopes to cover the deficit by raising new loans from the public ; in view of the weak state of the French capital market it is improbable that he will be able to raise such loans at home, and he may, therefore, be expected to press forward with his proposal for the floating of a common defence loan in the capital markets of all the countries joined in the North Atlantic Pact. The third point is that any attempt to close the budget gap by increased taxation has to steer clear of two perennial French fiscal rocks: first, in a country with so high a proportion of self-employed, income tax is widely avoided ; secondly, and in consequence, indirect taxes have been pushed in recent years beyond the point of economic returns. The crisis is likely to be more than usually serious this year, for if inflation is to be avoided the budget gap must be whittled down or France's hard-won price stability will go by the board.

* * *

Permanent Settlement with Egypt ?

A financial delegation from Egypt is due to arrive in London this week-end to negotiate a " permanent settlement " of the problem of Egypt's sterling balances; it will be joined at the beginning of next week by the Egyptian Foreign Minister now on his way back from Washington. Since negotiations with Egypt for a temporary settlement (for the year 1950 only) dragged on for nine weary months until September, there is a certain dread in London of what the word " permanent " implies. This dread may, however, underestimate the beneficial effects of the removal of the negotiations to London from the more highly charged atmosphere of Cairo.

Egypt's sterling balances have been falling rather sharply this year. At the end of 1949 Egypt held £64 million in its free account and £253 million in its blocked account; about £30 million of these blocked balances, however, appear to have had release rights still attached to them. At the end of August, 1950, Egypt's holding in its free account had fallen to £42 million and that in its blocked account to £238½ million ; the interim agreement finally reached last September allowed Egypt to draw up to £18 million from its blocked account in 1950—or such less amount as might be needed to maintain its unblocked balances at £45 million. The September agreement did not extend to Egypt the right to buy any dollars from the sterling area central pool, as the 1949 agreement had done (to the extent of £5,000,000). In the last year, however, the Egyptians have devised a new scheme for securing imports from hard currency countries. The latest bulletin of the National Bank reveals that turnover in the Egyptian " export accounts " system reached £5,000,000 in the first half of 1950. The greater part of this turnover, according to the bank, represented imports of hard currency goods brought into Egypt through soft currency markets—and paid for by credits to export accounts; the funds in these export accounts, which were being traded in Tangier at a discount of only 6 per cent in August, can be used in payment for Egyptian exports. The " export account " system is not intrinsically important but the fact that Egypt still finds it worth while to buy dollars at a discount in this way lends colour to reports that sterling convertibility, and not sterling releases, may be the first demand on its delegates' agenda.

* * *

German Debt Moves

The Bonn Government has recently been informed of the proposals made by the allies for modifying the Occupation Statute. The implementation of these proposals is conditional upon an assurance from the Federal Government that it acknowledges its obligations regarding the external debts of the former Reich, and also those incurred through the aid which the Republic has received during the past four years from the Western allies. These debts include the German bonds held by British holders and the standstill debts owing to British banks. The total external bonded debt amounts to £90 million, while standstill debts are still outstanding to the amount of above £46 million. In the recent financial negotiations with Germany, considerable pressure has been exerted by British negotiators for a reasonable settlement of these two items. After the first world war Germany recognised and paid in full the principal on its bonded and banking debts, but was forgiven arrears of interest. Similar treatment would be well up to the most hopeful expectations of Germany's creditors on this occasion. A considerable change, however, will be needed in Germany's balance of payments if the service on these pre-war external debts is to be resumed and the capital debt honoured.

* * *

Part Payment by Brazil

The Chancellor of the Exchequer announced in the House of Commons this week that the Brazilian authorities were about to devote £10 million of their sterling resources towards the liquidation of commercial debts owing to firms in the United Kingdom and that Brazil hoped to settle the remainder of these arrears early next year. This is a welcome announcement but it raises two questions. How have the Brazilians put their hands on £10 million of current sterling? And what is the bigger fish the Brazilians hope to hook with this large bait? Brazil certainly appears to have nothing like £10 million of current sterling though it may have nearly three times that figure in the remnants of the blocked account of £50 million which was immobilised following the financial agreement of 1947. By that agreement £10 million was to be released from this blocked account in the four-year period to April, 1951. In addition to this release Brazil has utilised over £17 million of blocked sterling to repatriate its sterling bonds. These expenditures after the operation of the exchange guarantee would leave almost £30 million in the blocked account to be used for further repatriation of Brazilian bonds and for any other purposes sanctioned by the British Government.

The £10 million needed for payment of overdue commercial debts has been mobilised partly out of Brazil's current account, by a special release of £1,000,000 from the blocked account, and as to the balance of about £6,000,000 by dollar swap operations arranged with banking houses in London, involving spot sales by Brazil of dollars against sterling matched by a six months' repurchase of those dollars. In order to provide sterling to repurchase the dollars six months hence, Brazil will take measures to add to its sterling resources, including the diversion to sterling markets of goods now exported against dollars. The operation suggests that Brazil is at the moment more flush with dollars than sterling, which is not surprising given the recent orientation of its foreign trade. Dollar income from exports of coffee at the present exceptional price for the commodity is running at a high level even allowing for the small size of the latest crop. The main obstacle to an expansion of Brazilian exports to sterling countries is not that the goods are " inessential "—for they include cotton, coffee, cocoa, timber and hides—but that at the present artificial rate of exchange for the cruzeiro they are inordinately expensive. The best measure that Brazil could take to restore order in its balance of payments would be to adjust its rate of exchange closer to the economic parity.

* * *

£1,000 Million in Trustee Savings

The Trustee Savings Bank movement has this week been celebrating the attainment of £1,000 million of deposits. During the past three years, while other forms of small savings first flagged and then fell, the Trustee Savings Banks have been going from strength to strength. Their remarkable performance has been due to a variety of factors. In the first place they are particularly strong in Ulster and Scotland, both areas where present prosperity shows an especial advance above prewar levels. Secondly, Trustee Savings Banks are essentially the " home town " bank of the small saver ; their disadvantage against Post Office Savings Banks has been that money cannot so easily be withdrawn in areas other than those in which it was originally deposited. It is not surprising that the large floating population in the war years tended to save instead through the Post Office Savings Bank, so that the Trustee movement then fell relatively, though not absolutely, in importance.

Thirdly, and most important, the Trustee Savings Banks offer many more subsidiary banking facilities than the Post Office Savings Bank can provide. Many accounts in Trustee Savings Banks are held by friendly and charitable societies and by trade unions. Some Trustee Savings Banks accept securities and valuables for safe custody and others will handle payments of rates on behalf of local municipal authorities. In addition, withdrawals can usually be effected on demand without the short notice that is required by the Post Office for sums in excess of £3 ; and the special investment departments of the banks (in which many depositors who have exceeded the £2,000 ceiling on deposits hold their savings) maintain close touch with their own localities through mortgage loans to local authorities. It is in fact on the " local " touch that the strength of the movement is largely based. Each bank is under the direction of local —and unpaid—trustees and managers. These trustees have considerable personal discretion in the banking (as distinct from the central investment) activities of the local banks and it is largely on their initiative that a countrywide scheme is now successfully in operation whereby banks in established areas put out funds on loan to banks in areas where the association's activities are not so fully developed.

Industry and Commodities

Shortages Already?

Material shortages due directly or indirectly to rearmament are already affecting some sectors of industry, and certain firms are also meeting direct competition for labour from defence production. For sufficient reasons that it is now fashionable to condemn, any industrialist who can lay hands on supplies is building his own stockpile. Such buying can have made only a small contribution to the international shortage of base metals, but it is beginning to produce a shortage of most forms of steel, apart from sheet and strip which have long been short. Metal supplies are being guaranteed to the Royal Ordnance factories—and presumably to other factories handling defence orders—and these, in preparing for capacity production, are beginning to attract workers from light engineering firms in areas such as Leeds and Nottingham.

Despite the Government's insistence upon priority for dollar exports, material shortages are making it impossible for certain firms to fulfil orders gained at Toronto this year ; and two firms in Yorkshire are reported to have decided to close factories for lack of materials. The present spate of restocking leaves the small firms with limited liquid capital less able to compete with bigger manufacturers building up inflated stocks, and some are beginning to look back wistfully to the days of controls. To starve smaller firms of materials and labour to assist rearmament would be an intelligible policy, if hardly a reasonable policy at this stage. But industry in general is receiving no indications that the Ministry of Supply is pursuing this policy, or indeed any other. As Sir Robert Sinclair, President of the Federation of British Industries, emphasised last week, industry as a whole feels the need for the fullest information about the

broad implications of defence production that is already being provided for some sectors. Present difficulties are enough without any accentuation caused by lack of timely guidance.

* * *

Questions from Knockshinnoch

On August 29th, when a shot fired in No. 5 Heading of Knockshinnoch Castle Colliery blew through the top of the coal seam into clay, nobody at the coalface, or in the colliery office, knew that the heading, which was being driven upwards at a sharper angle than planned, was only 45 feet below ground level. A survey was taken and the depth ascertained ; but the survey did not show that in the 38 feet of cover above the rock there was an unusually thick layer of soft, dangerous peat moss. Operations were therefore resumed, with extra safety pillars ; water leakage through the shothole did not appear to those in charge to indicate any danger. On September 7th, after an exceptionally heavy rainstorm, the heading roof fell and 50,000 to 80,000 tons of moss and liquid matter poured into the mine workings, burying 13 men and entombing 116 others until they were rescued through an adjoining mine two days later.

The full story of the Knockshinnoch disaster, as outlined in the evidence of witnesses at the inquiry which concluded last week, contained reminders of the everyday heroism that the miner can always be counted upon to produce at appallingly short notice. It also raised important questions about colliery planning and control. It would be most improper to anticipate in any particular the report which the Chief Inspector of Mines, Sir Andrew Bryan, will produce, but it may be useful to refer to some of the points that it is his duty to elucidate and weigh.

It appeared from the evidence that planning of this working—completed without taking into account the Geological Survey map's markings of surface moss in the area—assumed that the heading would stop 100 feet below the surface. According to the colliery manager's account, this plan was altered by "higher-ups" who decided to work the coal to its limit and take the heading through to the surface as an airway. Questions concerning liaison and responsibility in such matters seem inevitable. Apart from the special circumstances of the Knockshinnoch disaster, however, the Chief Inspector has to consider its bearing upon mining practice and regulations. If the presence of moss in surface strata is suspected, the law requires that the nature of the cover must be established (usually by boreholes), when workings approach within 60 feet (or ten times the thickness of the seam) of the surface. If moss is not suspected, there are no such working limits ; and evidence tendered at the Knockshinnoch inquiry alleged that there were no surface clues that would have led even a trained geologist to deduce its presence from walking over the grassy surface. The Ayrshire inspector of mines, asked what steps should be taken to prevent any future disaster of this sort, suggested that surface testing should be carried out above all workings within 150 feet of the surface. The specific depth required is a question for experts, but it is hard for an outside observer to quarrel with the principle suggested. Knockshinnoch is only the third disaster arising from working under moss since the beginning of the century ; but subsidence—fortunately less dangerous in most cases—is no new phenomenon in mining districts.

* * *

Scarcity of Sulphur

The sulphur shortage may well be the most pervasive—and perhaps even the most serious—raw material shortage at present confronting industry. Output of sulphur largely determines the supply of sulphuric acid, and any shortage of sulphuric acid would be quickly felt in industry. The United States is the largest producer ; it accounts for 90 per cent of world output and for almost the whole of world exports. According to official statistics, output has expanded from 2,600,000 tons in 1940 to nearly 7,000,000 tons this year, though trade circles suggest that present output may in fact be running nearer 5,000,000 tons. Existing deposits of sulphur are being rapidly exhausted, and despite the search for new deposits none has been found. Last year American sulphur producers suggested that exports should be curtailed but the warning went unheeded.

Meanwhile, the new rearmament programmes have further boosted the demand for sulphur and the American Government, again under pressure from the producers, is considering the curtailment of exports next year. This reduction, if it is ordered, is unlikely to be less than 35 per cent, and a cut of this size would mean total exports of less than 800,000 tons; Britain alone has purchased 460,000 tons from the United States this year. One American producer of sulphur has already cut supplies to domestic users by 20 per cent, and American stocks at the mines are believed to be little more than 2,000,000 tons—say half the quantity held at the outbreak of war.

Next year Britain will have difficulty in securing more sulphur for acid production than roughly 250,000 tons due under existing contracts with American suppliers. The acid producers are using 380,000 tons this year, and the 120,000 tons of "regular" sulphur used for purposes other than acid production may be cut even more severely. Nearly 60 per cent of the sulphuric acid output in this country is produced by burning sulphur ; a 35 per cent reduction in sulphur supplies would cut the present output of acid from about 1,800,000 tons a year to roughly 1,450,000 tons. This vital reagent, which has its use in almost every industry, has been informally rationed for several months and some users' orders have been cut by as much as 50 per cent. This step was taken to remedy a localised shortage of capacity on Merseyside, where certain plant is being rebuilt and converted to use alternative raw materials. The Government's reaction to the sulphur shortage itself has been to close certain of its own acid plants and to suggest economies in the use of acid for fertilisers (which ordinarily take nearly half of acid output) by importing superphosphate. A general conversion of the sulphur-burning plants to use pyrites has been the Government's long-term policy for the industry since the war ; but production from pyrites is costlier than production from sulphur, requires twice the capital investment and takes up twice the ground area, which is often a limiting factor. Moreover, conversion may put a plant out of production for the best part of eighteen months.

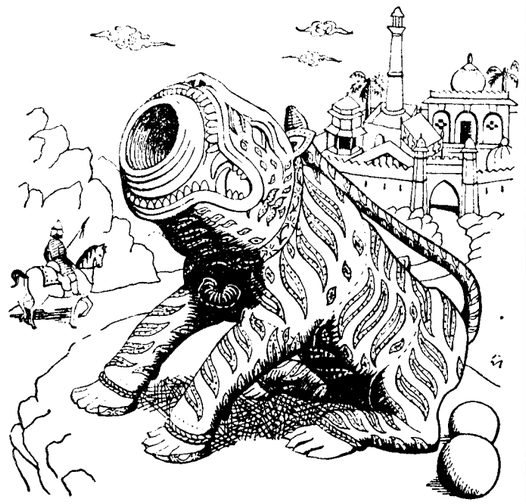
Britain's present degree of dependence upon sulphur dates from the war, when new capacity was set up to handle sulphur from Allied sources and to reduce the dependence upon pyrites from Spain. Certain large firms like Courtaulds, which produce sulphuric acid for their own industrial purposes, are switching back to production from pyrites in accordance with the change in Government policy. But firms producing for sale have in general been unable to invest large sums for conversion to this less efficient process. These are the suppliers whose lower output will affect the wider range of industrial customers, and even if conversion to production from pyrites is actively started immediately, the sulphuric acid shortage and its repercussions upon industry are not likely to be overcome in less than two years.

* * *

Buoyant Exports

Exports last month achieved a new record of £202 million. This total reflects in part the seasonal recovery after holidays, but the steady rise in the value of exports since the last quarter of 1949 shows that the impetus of the export drive has been well maintained. This rise is reflected in the

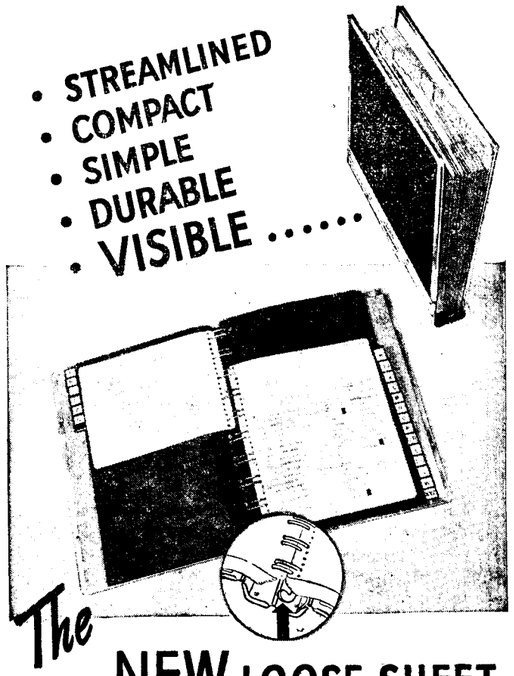
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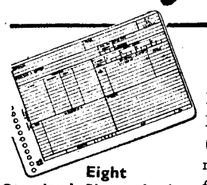
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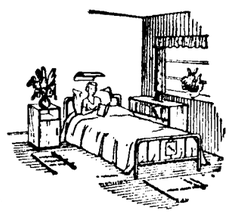
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following table which recalculates the value of British exports on the basis of a standard month of 26 working days:—

BRITISH EXPORTS (£mn)
Recalculated on 26-day month.

	1949	1950
Jan.-March average	153½	174
April-June average	152	178½
July-September average ...	141	181
October	156	202

The daily rate of exports in October was 12 per cent higher than in the third quarter of the year and 15 per cent higher than in the first half of the year. The volume of exports for October has been provisionally estimated at 177 per cent of the 1947 average compared with 161 per cent in the third quarter and 155 per cent in the first half of this year.

The most encouraging feature of the export drive in recent months has been the expansion in overseas sales of textiles. Exports of wool manufactures totalled £14.4 million, a little over 30 per cent higher than the monthly average for the first nine months of 1950 and 66 per cent higher than the average for 1949. Canada has remained the chief market followed closely by Australia and the United States. Cotton exports totalled £15 million, representing a rise of 13 per cent on the monthly rate achieved in earlier months of this year but still 6 per cent smaller than last year; Australia, British West Africa and South Africa are the three largest markets. Exports of other textiles and apparel have also increased, particularly to dollar countries. The United States has in fact become Britain's largest market for apparel and is followed closely by Canada.

Vehicles and machinery, the two main export groups, are still showing ability to expand. Vehicles alone totalled £36.7 million. The number of new cars and chassis exported last month was 36,791 or 15,000 more than the monthly average for 1949; Australia and Canada continue to be the two principal markets and take between them nearly half of the total export. Machinery exports at £27 million were 16 per cent higher than last year's average; machine tools and textile machinery were the only classes of which exports last month were lower than in the third quarter of this year. Among the smaller export groups, the outstanding achievement was in iron and steel. In October 302,000 tons were exported valued at £14.7 million. This was the largest quantity shipped abroad since 1930. Canada became the second and the United States the fifth largest market during the month.

* * *

Scramble or Control?

The continued scramble for commodities which has now spread from the staple products to the minor minerals and metals might well cause serious disruption to the rearmament programmes of Western Europe. The Organisation for European Economic Co-operation has been reviewing world commodity supplies for the past month and its report will be presented to the Council of Ministers on December 1st. This study covers all the major commodities including those which the United States imports on a large scale. The ministers when they meet are expected to take action on the recommendations of the report and private discussions between member countries have already taken place.

This week Mr Petsche, the French Finance Minister, has visited London to elucidate Britain's attitude to the possible introduction of allocation schemes. So far the Government has been content to support proposals for investigating shortages, but has been careful not to commit itself to any specific policy. It shrinks from the idea of a joint commodity policy and prefers to negotiate about each commodity separately at different conference tables. This has certain conveniences. It is possible to present one view on, say, wool and an entirely different one on, say, tin. Two months ago Britain in conjunction with the main Commonwealth wool exporters offered the United States preferential treatment for the purchase of wool for military purposes. Last week at the tin conference in Geneva, Britain refused to accept the principle that defence purchases should be treated differently from ordinary market purchases.

Few countries want to see the international commodity markets closed. But there is at present a clear argument for easing the prevailing strains on the price mechanism by some measures of domestic regulation and international allocation of key materials. Such measures, however, are only likely to be effective if co-ordinated action is taken by all members of Western Europe and by the United States, and if they cover domestic supplies and also exports to other countries outside the area of agreement. The Government will clearly have to make up its mind within the next few days whether it prefers to see the scramble for commodities continue or whether it is willing to lead Europe towards some concerted policy. British industry itself has none too large stocks at its diposal. Mr Gaitskell has recently admitted that stocks of raw materials (excluding petroleum) in Britain fell by £30 million in the first half of the year and even if stocks have since been built up, much higher prices have had to be paid for them. It may well be that physical stocks of raw materials are now much lower than they were a year ago.

* * *

Tin Talks Break Down

The tin conference has failed. Four weeks of hard bargaining in Geneva on the draft agreement (which was intended to stabilise the tin market by regulating exports and production and by a buffer stock) has merely shown more clearly the opposed views of producing and consuming countries on how a commodity control scheme should work in the postwar world. Malaya championed the producers' cause—with the support of Britain. The United States championed the consumers' cause. Disagreement persisted on the three main issues that the conference was intended to reconcile: the operation of the agreement, the size of buffer stocks and the range of prices to be aimed at.

In the eyes of tin producers, export quotas and restriction of output were the mainstay of the agreement, and the buffer stock was intended to be no more than a useful mechanism to achieve final adjustment between supply and demand. The United States held quite the contrary view. The American delegation argued that the buffer stock should be a governor relating supply to demand, and that export quotas should provide the necessary reserve of control to prevent the buffer stock from becoming unwieldy. Thus, the American delegation considered that the buffer stock should be large—30,000 tons—and that only when this stock had accumulated should output be curtailed. Malaya and other producing countries first thought of a buffer stock of about 10,000 tons and finally went up to 25,000 tons, but they would go no higher.

Disagreement on the proposed price ranges was even sharper. The United States proposed a minimum price of 70 cents a lb and a maximum of 80 cents, compared with the current market price of 145 cents a lb. But it must be remembered that the scheme, if it had been accepted, was intended to operate for five years, and the present market price probably bears no relation to the price that might obtain in 1956. Producers thought in terms of 110 cents a lb minimum price and 125 cents maximum, although the Belgian Congo delegation at one point conceded 90 cents a lb as their lowest offer for the minimum price.

But the hardest bargaining of all was about stockpile requirements. The United States is worried about its small reserve of strategic materials, despite an annual expenditure of nearly half a billion dollars in the past four years. It contended that stockpile purchases should be made from

the buffer stock at current market prices, with the corollary that output could not be restricted until defence requirements had been met. Britain and the producing countries refused to accept the principle that defence requirements should receive any preferential treatment over civilian requirements. Britain's attitude is surprising, for it comes very soon after the United States had been offered pre-emptive buying rights for wool used for military purposes.

* * *

Reconsideration for the Rubber Tax

With the cautious air of a man who has just backed into a hot stove, the Malayan Government is now prepared to re-examine the new export tax on rubber, which it announced a fortnight ago. The rubber trade has registered strong disapproval of the new tax, which could jump as much as 700 per cent in one year, and which operates in such a way that it might easily exceed the total cost of production in any one quarter. The Singapore Chamber of Commerce, the United Planting Association of Malaya, the Rubber Growers' and Rubber Trade Associations of London and other rubber groups have bitterly protested against the levying of a tax with such a delayed impact on a commodity which comprises 60 per cent of all Malayan exports. As this issue was going to press, a hitch was reported in the negotiations on the modification of the tax. But it is unlikely that the tax will be imposed in its present form.

The new tax might well be the final straw for Malaya's overloaded transport and warehousing facilities. Exports of Malayan-grown rubber are running at about the same rate as last year, but total exports of all types of rubber in October hit a record level of 120,000 tons. Much of the increased volume comes from re-exports from Indonesia, where growers

RUBBER PRODUCTION AND EXPORTS, 1950

	Malaya		Indonesia	
	Production	Net Exports	Production	Net Exports
January	61,967	58,092	32,188	22,185
February	50,194	51,941	34,779	24,932
March	49,751	62,225	47,845	49,670
April	48,172	56,948	55,309	60,039
May	55,721	46,088	57,841	62,086
June	56,659	32,031	66,445	65,551
July	67,665	62,135	63,584	71,985
August	64,694	61,325	66,972	67,212
September	60,872	55,678	64,340	65,251

who had been hoarding their rubber until the government stabilised the currency have been selling their accumulated stocks on the market. If this flood of rubber is further swollen by a rush on the part of Malayan growers to export their stocks before the new tax goes into effect on January 1st, there may be neither ships nor warehouses to handle it all.

So far, ocean-going liners which normally carry rubber from Malaya to Liverpool have been able to take the extra tonnage. But much of the increased exports from Malaya has been carried in coastal vessels to China, which has sharply increased its purchases of rubber since the outbreak of the Korean war. Shipments from Malaya to China last April totalled only 250 tons; by October they had jumped to 12,000 tons a month. But, as shipping space is limited, London agents of the rubber-carrying lines are advising importers to make reservations for cargo space now.

Meanwhile, Indonesian production, aided by high world prices, continues to expand. The rate of increase in both production and exports is shown in the accompanying table. Next year Indonesia will be a serious competitor to Malaya and its producers will not be burdened with a high export duty of the kind proposed for Malaya.

Aviation Insurance Losses

Four aircraft disasters in quick succession—two of them in the London area—at the very beginning of the winter are a sharp reminder of the continuing hazards of flying in poor weather. Some 160 passengers and crew were killed in these four catastrophes and the loss to the aviation insurance market has been substantial. The Dakota which crashed a month ago at Mill Hill was insured for £15,000; the Viking wrecked in dense fog at London Airport a few days later for £35,000; and the Skymaster lost this month in the French Alps for $175,000. The Air India Constellation which was wrecked on Mont Blanc was insured in the first instance in India, but the London market was interested in the surplus over the original high value cover. An even more costly loss was that of the Tudor V aircraft which crashed at Llandow last March with a very heavy loss of life. This machine was valued for insurance at £80,000.

These accidents will cost aviation underwriters much more than the insured value of the aircraft alone. Aviation cover normally includes third party liability (including damage to property on the ground) legal liability to passengers and the insurance of freight. The importance of the freight risk is illustrated by the disappearance of diamonds worth £75,000 from the wreck of a Skymaster which crashed in the Middle East last spring. When aircraft are flying between two countries the liability for injury to passengers is limited by the Warsaw Convention of 1932 to a maximum of rather less than £3,000. Personal accident policies are also commonly effected for substantial sums. The full extent of these additional liabilities will not be known for some time, but it will undoubtedly be large. The present-day capacity of the market is, however, adequate to absorb a succession of losses such as those which have recently occurred.

The British aviation insurance market now comprises two specialist companies, owned by a number of the largest British insurance companies, a number of underwriting syndicates at Lloyd's and a few of the insurance companies which maintain specialist aviation departments. Other insurance companies and Lloyd's underwriters cover part of each risk, which must as a matter of prudence be reduced to quite small sums for any one insurer.

Some modern aircraft are very valuable. The Boeing Stratocruiser has the largest insured value—$1,700,000, or over £600,000 at the present rate of exchange. American airlines usually require cover of, say, $2,000,000 for third party risks on this type of aircraft, and the same amount in respect of passenger liability; this makes the rather startling sum at risk on one Stratocruiser of £2,000,000, not including freight insurance and personal accident cover.

American aviation business forms a large proportion of the whole, as with other classes of insurance. Since the war there has been severe competition between British and American aviation insurers and also within the British market. As a result, rates were forced down to an unremunerative level, and aviation insurance has been run at a loss in the last two or three years. There should now be some hope of improvement, for rates, after being firm for some months, are now hardening.

* * *

Shell's Programme Under Way

The new distillation unit at the Shell Petroleum Company's Shell Haven refinery on the Thames came into operation last week. It is producing now at an annual rate of 1,450,000 tons a year; its full capacity is approximately 2,000,000 tons a year. The original refinery, which is still working, has a capacity of 800,000 tons a year. This section of the plant has been fed with crude oil from Venezuela, producing mostly lubricants and bitumen products, but it can now operate on feed stock from the new distillation unit. For the production of lubricants, however, it will still be necessary to import a limited tonnage from Venezuela.

The new unit took two years to build, and has come into operation six weeks ahead of schedule. The original plans for the extension were modified early this year and some units were postponed, reducing the capital cost to $34 million (in sterling and dollars), and the assistance provided by the Economic Co-operation Administration in its construction was reduced by three-quarters to $2,500,000.

The first of the 28,000-ton tankers in service, the *Velutina*, can get as near to this refinery as Thames Haven, and it recently brought the first cargo of Middle East crude. Three more tankers of the same size are on order; until the Manchester Ship Canal Company's new oil dock is completed in 1952 the second big Shell refinery at Stanlow can be reached only by 12,000-ton tankers. When the new dock, which will be linked to the refinery by a seven mile pipeline, comes into operation it will be able to handle all four big tankers simultaneously. Stanlow began working a year ago, and is now producing at an annual rate of more than a million tons; when it is completed in 1952 its annual capacity will be 3,000,000 tons.

Shorter Notes

Both the Commercial Bank of Scotland and the National Bank of Scotland show a small increase in deposits and net profits in the year to end-October. The Commercial Bank's deposits have risen by about 4 per cent to £118 million and its net profits by about 5 per cent to £415,621. The National Bank's deposits have risen by about 1½ per cent to £96.3 million and its profits by 2½ per cent to £300,812. There, is, however, no common factor in the changes in the assets held by the two banks. The Commercial Bank shows a small decline in its holdings of investments and commercial bills and a small increase in its advances and floating debt holdings. The National Bank shows still smaller changes in each of these assets—but in each case in the opposite direction.

*

A Portuguese arbitration tribunal has awarded the Companbia do Porto da Beira—whose share capital is owned as to 80 per cent by the Port of Beira Development Company—the equivalent of £817,000 as compensation for the expropriated properties.

*

Negotiations are in progress to merge Lautaro Nitrate with Anglo-Chilean Nitrate. The two companies have for many years been closely associated.

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SECURITY PRICES AND YIELDS

A fuller list containing 346 securities appears weekly in the *Records and Statistics* Supplement.

Prices, Year 1950 Jan. 1 to Nov. 22 High	Low	Name of Security	Price, Nov. 15, 1950	Price, Nov. 22, 1950	Net Yield, Nov. 22, 1950 (m)	Gross Yield, Nov. 22, 1950
		BRITISH FUNDS			£ s. d.	£ s. d.
101 ⅞	100 ⅝	War Bonds 2½% Aug. 1, 1949-51	100⅞	100⅞	...	0 12 5*f*
101 ⅝	100 ⅛	Do. Assented	100 ⅛	100 ⅛	1 12 11	3 0 5*e*
					1 12 11	3 0 4*f*
102	101	War Bonds 2½% Mar. 1, 1951-53	101 ⅞	101 ⅞	...	...
					0 15 9	2 7 5*f*
102 ⅝	100 ⅜	War Bonds 2½% Mar. 1, 1952-54	102⅛	102⅛	...	0 16 4*e*
102⅛	100	Exch. Stk. 2½% Feb. 15, 1955	102⅛	102 ⅛	0 12 9	1 16 7*f*
103 ⅝	100⅛	War Bds. 2½% Aug. 15, 1954-56	103 ⅛	103 ⅜	0 13 6	1 14 9
103⅜	101½	Funding 2½% June 15, 1952-57	102½xd.	102½	0 11 7	1 15 4*e*
				xd	0 17 0	2 0 3*f*
104 ⅝	102	Nat. Def. 3% July 15, 1954-58	104⅛	104⅜	...	1 3 5*e*
					1 2 10	2 7 1*f*
104 ⅞	101⅞	War Loan 3% Oct. 15, 1955-59	104⅛	104 ⅜	0 10 7	1 19 4*e*
					1 1 11	2 9 9*f*
101 ⅜	96⅞	Sav. Bonds 3% Aug. 15, 1955-65	101 ⅛	101⅛	0 14 9	2 1 8*e*
					1 2 7	2 9 4*f*
100⅛	97⅜	Funding 2½% April 15, 1956-61	99⅝	99⅝	1 10 0	2 18 7*e*
					1 12 0	2 19 6*f*
100	95	Funding 3% April 15, 1959-69	99½	99 ⅛	1 8 7	2 11 7*e*
					1 8 1	2 10 11*f*
100 ⅞	99⅛	Funding 3% Aug. 1, 1966-68	100⅛	100 ⅜	1 14 3	3 1 9*e*
					1 13 8	3 0 11*f*
100⅞	104 ⅜	Funding 4% May 1, 1960-90	107¼	107⅜	1 12 10	3 0 0*e*
					1 12 11	3 0 0*f*
99⅛	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	99⅛	99⅜	1 6 6	3 1 4*e*
					1 18 5	3 12 8*f*
96	91⅛	Sav. Bonds 2½% May 1, 1964-67	95 ⅜	95⅛	1 15 0	3 2 10*e*
					1 14 1	3 1 8*f*
110⅜	106⅜	Viet. Bonds 4% Sept. 1, 1920-76	110⅛	110⅛	1 15 2	2 18 5*e*
					1 13 11	2 17 2*f*
98⅜	91⅜	Sav. Bonds 3% Aug. 15, 1965-75	98⅛	98⅜	1 9 0	3 3 4
					1 15 10	3 3 9*e*
105⅛	100	Consols 4% (after Feb. 1, 1957)	104⅛	104⅛	1 14 10	3 2 7*f*
99⅛	91⅛	Conv. 3½% (after Apr. 1, 1961)	98⅜	98 ⅛	1 11 10	3 9 1*e*
76⅛	66⅛	Treas.Stk.2½%(after Apr.1,1975)	73	73	1 19 3	3 11 6*f*
87⅛	79⅜	Treas.Stk.3%(after Apr.5,1966)	86⅜	86⅞	1 17 9	3 8 10*f*
					1 18 1	3 5 5*f*
100⅛	99	Treas.Stk.3½% June15,1977-80	104½xd	104⅜	1 13 11	3 4 5*e*
				xd	1 14 4	3 4 9*f*
94⅛	86⅞	Redemp. Stk. 3% Oct. 1986-96	93⅜	94	1 17 10	3 6 2*e*
					1 17 1	3 5 5*f*
97⅛	90	War Ln. 3½% (after Dec. 1, 1952)	96 ⅜xd	96⅛xd	2 0 0	3 12 9*e*
74⅜	68⅛	Consols 2½%	73⅛	73⅛	1 17 8	3 8 8*f*
99⅜	92⅛	Brit. El. 3% Gtd. Apr. 1, 1968-73	98⅛	98⅛	1 15 4	3 2 11*e*
					1 14 11	3 2 5*f*
98⅛	91 ⅞	Brit. El. 3% Gtd. Mar. 15, 1974-77	97⅞	97⅞	1 15 9	3 3 6*e*
					1 15 6	3 3 2*f*
105⅛	99	Brit. El. 3½% Gtd. Nov. 15, 1976-79	104⅛	104⅛	1 14 0	3 4 7*e*
					1 14 4	3 4 11*f*
95 ⅞	86⅜	Brit. Tpt. 3% Gtd. July 1, 1978-88	94⅛	95 ⅜	1 18 1	3 6 8*e*
					1 17 1	3 5 7*f*
98 ⅜	92⅛	Brit. Tpt. 3% Gtd. Apr. 1, 1968-73	98⅛	98⅜	1 15 6	3 3 1*e*
					1 15 0	3 2 7*f*
94 ⅜	85⅞	Brit. Gas Gtd. 3%, May 1, 1990-95	93⅞	94⅛	1 17 4	3 5 6*e*
					1 17 0	3 5 2*f*

(*e*) To earliest date. (*l*) To latest date. (*f*) Flat yield. (*g*) Assuming redemption in 1957. (*h*) Flat yield given above. If redeemed, in 1952 net redemption yield £3 17 1, gross £5 8 9. (*m*) Net yields are calculated after allowing for tax at 9s. in £.

Prices, Year 1950 Jan.1-Nov.22 High	Low	Last Two Dividends (*a*)	(*b*)	(*c*)	Name of Security	Price, Nov. 15, 1950	Price, Nov. 22, 1950	Yield, Nov. 22, 1950 £ s. d.
				%	**Other Securities**			
101½	95½	(*d*)	(*d*)		Australia 3½% 1965-69	101	101	3 3 7*l*
100½	99⅜	(*d*)	(*d*)		Birmingham 2½% 1955-57	102	102	2 8 10*l*
8 ⅜	6 ⅜	60	*c*	20	*a* Anglo-American Corp., 10/-	7 ⅜xd	7xd	4 5 9
7 ⅛	5 ⅛	25	*b*	5	*a* Anglo-Iranian Oil, £1	6⅜	6⅜	4 14 0
84/6	67/9	10	*b*	5	*a* Assoc. Electrical, Ord. £1	80/-	82/6	3 12 9
87/-	71/6	15	*b*	7½	*a* Assoc. Port. Cem., Ord. Stk. £1	82/-	80/6	5 11 9
29/10½	17/0½	40	*c*	35	*c* Austin Motor, Ord. Stk. 5/-	28/7½xd	28/7½xd	6 4 6
74/-	66/-	7	*b*	7	*a* Barclays Bank, Ord. 'B' £1	71/-	70/6	3 19 5
145/-	129/-	†19	*b*	15	*a* Bass Ratcliff, Ord. £1	140/7½	143/1½	3 7 3*f*
51/3	44/6	40	*c*	10	*a* Boots Pure Drug, Ord. 5/-	50/-	50/-	4 0 0
45/7½	38/-	6	*b*	4	*a* British Aluminium, Stk. £1	41/-	38/6	5 3 11
25/7½	18/-	8	*c*	10	*c* British Celanese, Ord. 10/-	24/9	24/9	4 0 10
98/-	86/6	12	*b*	8	*a* British Oxygen, Ord. £1	87/6xr	88/-	4 10 11
60/1½	50/7½	5	*a*	7½	*b* Coats, J. & P., Ord. Stk. £1	57/6	57/6	4 6 11
41/3	32/1½	5	*b*	2½	*a* Courtaulds, Ord. £1	40/6	40/9	3 13 7
19/11½	16/6	5	*a*	15	*b* Distillers Co., Ord. 4/-	19/6	19/6	4 2 1
32/9½	28/9	8	*c*	8	*c* Dorman Long, Ord. £1	32/-	32/3	4 19 3
67/-	57/1½	15	*c*	10	*c* Dunlop Rubber, Ord. £1	64/-	57/6xr	5 4 4
47/6	37/9	10	*c*	10	*c* Ford Motor, Ord. Stk. £1	45/3	45/3	4 8 5
86/-	72/-	17½	*c*	17½	*c* General Elect., Ord. Stk. £1	81/10½	81/10½	4 5 6
134/6	124/-	18	*b*	11	*a* Guinness, Ord. Stk. £1	133/1½	133/1½	4 7 3
31/-	24/6	17½	*b*	15	*a* Hawker Siddeley, Ord. 5/-	30/4½	30/4½	5 7 0
44/3	39/6	7	*b*	3	*a* Imp. Chem. Ind., Ord. Stk. £1	43/3	43/9	4 11 5
111/3	95/-	18½	*b*	13½	*a* Imperial Tobacco, £1	107/6	106/10½	5 19 9
44/1½	29/7½	10	*c*	5	*a* Lancs. Cotton, Ord. Stk. £1	43/1½	43/3	4 12 6
44/6	38/1½	10	*c*	10	*c* Lever & Unilever, Ord. £1	43/9	43/9	4 11 5
63/-	51/9	15	*c*	15	*c* London Brick, Ord. Stk. £1	59/4½	59/4½	5 1 1
82/9	69/6	45	*b*	15	*a* Marks & Spencer ("A"), 5/-	80/9xd	82/3xd	3 12 11
44/-	33/3	7½	*a*	17½	*b* Pchin J'nson, Ord. Stk. 10/-	42/-	42/-	5 19 1
51/6	41/-	4	*b*	8	*a* P. & O., Def. Stk. £1	50/6	50/-	4 16 0
33⅜	27½	†77½	*c*	17½†	*c* Prudential, 'A' £1	30	32½	2 7 6†
19/4½	17/4½	18	*c*	15	*a* Ranks, Ord. Stk. 5/-	19/-	18/9	4 16 0
71/3	59/3	†2½	*a*	15	*b* "Shell" Transpt., Ord. Stk. £1	68/9	67/6	2 4 5†
56/7½	50/-	12½	*c*	12½	*c* Stewarts & Lloyds, Def. £1	54/9	54/6	4 11 9
130/-	108/9	12½	*a*	12½	*b* Tube Invst., Ord. Stk. £1	123/9xd	128/9xd	3 17 9
87/7½	73/3	3§	*a*	11½	*b* Turner & Newall, Ord. Stk. £1	85/-	87/-	3 9 0
34/11½	27/-	8	*c*	8	*c* Union Castle, Ord. Stk. £1	34/6	34/6	4 12 9
66/3	34/4½	12½	*c*	17½	*c* United Sua Betong, £1	61/3	61/3	5 14 3
35/1½	24/10½	4½	*b*	2½	*a* Vickers, Ord. Stk £1	34/6	34/9	3 17 9
48/4½	41/9	27½	*b*	15	*a* Woolworth (F. W.), Ord. 5/-	43/6	44/-	3 19 7*m*

(*a*) Interim. (*b*) Final. (*c*) Whole year. (*d*) Int. paid half-yearly. (*e*) Special dividend. Yield basis 77½%. (*l*) To latest redemption date. † Free of tax. (*m*) Yield basis 35%.

COMPANY MEETINGS

BANK OF LONDON AND SOUTH AMERICA LIMITED

INCREASED BUSINESS

The annual general meeting of the Bank of London and South America Limited will be held in London on December 19th.

The following is an extract from the circulated statement of the chairman, Mr. Francis M. G. Glyn: The balance sheet totals at September 30th last amounted to £191,818,647, compared with £165,852,025 a year earlier. Here I would again remind you of the incidence of any variations in the rates of exchange at which foreign currency items are expressed in sterling. The substantial depreciation that has taken place in Argentine and Paraguayan pesos has had the effect of reducing the sterling equivalents of all outstanding items in those currencies, whilst the appreciation in Uruguayan pesos and Brazilian cruzeiros has operated in the opposite direction, with the result that a fair comparison of the individual items in terms of sterling cannot easily be made. However, the increase in the total liabilities and assets does in fact reflect the increased business entrusted to us.

Current, deposit and other accounts, etc., at £105,100,753 show an increase of nearly £19 million, partly due to the variations in exchange rates but more particularly to a real increase. Cash in hand, at bankers and at call at £44,783,562 is up on last year's figure by nearly £5 million and would have been higher still but for the incidence of exchange rates. Bills receivable less rebate stood at £37,244,987 on September 30th last, compared with £32,134,497 in 1949.

PROFIT AND LOSS ACCOUNT

To the balance of £180,658 brought forward from 1949 has been added the year's net profit of £310,459. The provision for unilateral relief for double taxation under Section 36 of the Finance Act, 1950, is a welcome acknowledgment by H.M. Government of the hardships from taxation to which companies like ourselves who are operating in foreign countries have been subject in the past. At this stage, however, it has not been possible to calculate even approximately the extent of this relief, so that the above profit figure does not take such benefit into account.

A proportion of the year's profits is still awaiting remittance. This is due of course to shortages of foreign exchange on the part of various countries, or to legal restrictions. Particularly in Argentina, where we are still awaiting the remittance of profits, a new restriction has recently been imposed by Circular No. 1312 issued by the Argentine Central Bank on August 28th last, which stated that applications could be registered for the remittance of profits, etc., due after that date up to 5 per cent. per annum of the registered capital, in four equal quarterly quotas. The final arrangements, however, are still incomplete, and it is not yet clear what the exact effect of this regulation will be.

The interim dividend paid last June, together with the final dividend now recommended, absorbs the sum of £133,320, which, with a transfer of £180,000 to contingency reserve, leaves a balance of £177,797 to be carried forward.

By circular dated November 10th members were informed of a change in the date of the bank's financial year-end from September 30th to December 31st of each year, and as an additional annual general meeting covering the accounts for the three months to December 31st next will be held in March or April, 1951, the usual report will be given in March or April and will cover the 15 months ending December 31st next.

MUFULIRA COPPER MINES LIMITED

The following is an abridgment of the statement of the chairman, Mr. R. L. Prain, O.B.E., dated October 24, 1950, circulated to the members:

MR. A. CHESTER BEATTY

Last June the directors no longer felt justified in continuing to ask Mr. A. Chester Beatty to remain on the Board as chairman against his expressed wish to retire, and accordingly on June 7th Mr. Beatty resigned after 20 years as chairman of the Board.

Mr. Chester Beatty was the founder of this company, and indeed is generally acknowledged to be the main architect of what is now the great copper industry of Northern Rhodesia.

My colleagues did me the honour of inviting me to succeed Mr. Beatty as chairman

DEVALUATION

In December, 1949, agreement was reached with the Ministry of Supply whereby the price basis for Northern Rhodesian copper delivered to the Ministry would be approximately the same as the price of copper f.a.s. New York.

Neither the benefits nor the disadvantages of devaluation are reflected to any great extent in the accounts under review, owing to our policy on the one hand of selling copper forward and on the other of carrying stores and supplies to cover us for many months ahead. Both the increase in price, however, and the increase in costs should become evident in the current year.

MINE RESULTS FOR THE YEAR

The tonnage of ore mined and hoisted, namely, 3,134,493 short tons, was a record, while, in terms of copper, the production for the year was 77,048 long tons, an increase of 6,082 over the previous year.

Stocks during the year increased by 7,498 tons, that is to say, by slightly more than the increase in production, so that the net result was that sales for the year were 1,616 tons less than in the previous year. The tonnage sold, however, realised an average price of £126 7s. 0d. per long ton of blister copper f.o.b. Beira, which is an increase of £4 18s. 3d. per ton on the price realised in the previous year.

The increase in the stocks brought the stock figure up to 18,525 tons. The increase represents part of the build-up of stocks required for the electrolytic refinery.

Costs of production for the year were substantially unchanged.

Construction of the electrolytic refinery was started in April. Progress on design, delivery of equipment and construction are keeping to schedule, and it is expected that the refinery will be in a position to produce cathodes during the first half of 1952.

FINANCIAL RESULTS

The profit for the year before replacements and taxation amounted to £4,877,000. Of this profit, however, £345,000 was represented by an increase in the value of the stocks, and the directors have decided to treat it in accordance with our usual practice by transferring an approximately equal amount to the general reserve.

The other main appropriation from profits is the transfer to the provision for replacements. In view of the heavy programmes in hand and the increasing cost thereof, the Board have decided this year to transfer the sum of £700,000, which compares with last year's appropriation of £500,000.

The Board recommend a final dividend of 5s. per share which, together with the interim dividend of 3s. 6d. per share paid in May, will make a total distribution for the year of 8s. 6d. per share, which is the same as for the previous year.

On this basis the taxes payable for the year amount to £2,571,000. The cost of the two dividends is a net figure of £1,143,000 and the carry-forward is decreased by £22,000 to a figure of £183,016.

COPPER MARKET

Our copper has been sold almost entirely to the Ministry of Supply. I have referred already to the agreement reached with the Ministry with regard to the effect of devaluation on the copper price. This price will thus continue to be based on the United States export quotation, which during the year touched a low point of 16 cents per pound of electrolytic copper, f.a.s. New York and a high point of 22.50 cents. At present this price is standing at 24.50 cents. It will not, I believe, be considered an excessive increase in price, considering the movements which have occurred in other commodities and the extremely strong statistical position which still obtains for copper.

At June 30th last there ended the period during which the Customs duty on copper imported into the United States had been suspended by Congressional action. In view of the present position of copper and of the fact that the United States is still an importer of very large quantities of foreign metal, it had been expected that the duty would be again suspended for a further period by fresh Congressional action. It is a surprise to most observers, both in and out of the United States, that this has not in fact occurred. The duty has thus been effective from July 1st up to the present time. Whether it will remain in force and if so for how long is difficult to predict, but it is the opinion of trade circles that some further suspension of the duty will undoubtedly have to be agreed upon by Congress before very long. In the meantime, since most buyers in the United States are prepared to absorb the duty, either because they are short of supplies or because they are confident that the duty will in due course be again suspended retroactively, the American quotation has not in fact reflected the reimposition of the duty. Should it at any time do so, the Rhodesian producers have indicated to the Ministry of Supply their willingness to discuss the position so that the United Kingdom price shall not be artificially increased by the amount of the American duty.

FUEL

There were no interruptions during the year on account of shortage of fuel. Deliveries of coal were not up to the company's requirements, but the effect of the shortage in deliveries was mitigated by the continued intensive wood-burning efforts of the Copper Mining Companies.

Since the end of the financial year there has been further deterioration in the fuel position, and the outlook is still far from clear. It does appear, however, as if the problem may again develop, as it has done in the past, into one of carrying capacity of the railways rather than of colliery output.

WESTERN CONCESSION

Just over £9,000 was spent on an area to the west of the Copperbelt which is being prospected by Mufulira Copper Mines on behalf of itself and certain other Northern Rhodesian companies, and in which work this company has a participation of 30 per cent.

BLYVOORUITZICHT GOLD MINING

STEADILY INCREASED SCALE OF OPERATIONS

PROFIT EXCEEDS £6,000,000

MR W. M. FRAMES'S REVIEW

Mr W. M. Frames, chairman, presided at the annual general meeting of Blyvooruitzicht Gold Mining Company, Limited, held in Johannesburg on November 21st.

Moving the adoption of the report and accounts, he said that the scale of operations had increased steadily, but a shortage of European miners, particularly during the early part of the financial year and a deterioration from April onwards in the native labour strength had retarded the rate of expansion.

RESULT OF YEAR'S WORKING

Profit amounted to £6,221,518. Amounts set aside in respect of silicosis outstanding liabilities had totalled £50,737, provision for taxation had amounted to £2,397,921, provision for lease consideration had accounted for £603,412 and dividends had absorbed £3,000,000. The balance of working capital on hand had been £2,777,586.

It was estimated that capital expenditure during the current financial year would amount to approximately £1,100,000, and would be incurred principally on increasing the hoisting capacity, additional pumping equipment and compressor at No. 2 shaft, winders and power supply for incline shafts, extensions to the reduction plant, a recreation hall and housing for European and native employees.

DEVELOPMENT FIGURES

Development accomplished during the year totalled 35,741 ft., an increase of 3,101 ft, compared with the previous year. The total advance in country rock had been 16,678 ft.

Of 19,063 feet of reef development, 14,105 feet were sampled on the carbon leader and 13,740 feet or 97.4 per cent. had been classed as payable, averaging 45.4 dwts per ton over a channel width of eleven inches equal to 499 inch-dwts. The few disclosures of unpayable ore had been isolated and of limited extent.

Most of the reef development had been in the western portion of the mine. To the west of No. 2 shaft disclosures averaged the comparatively low value of 247 inch-dwt. Payable ore developed had amounted to 920,900 tons valued at 9.8 dwt. per ton, which had represented an increase of 206,700 in tonnage and a decrease of 0.7 dwt. in value compared with the previous year's figures.

AVAILABLE RESERVE

The available reserve re-estimated at June 30, 1950, had been 5,960,000 tons of an average value of 13.1 dwt. over a stoping width of 46.2 inches. That was a decrease of 176,000 tons on last year's figure, while the value had been lower by 0.6 dwt. as a result of the inclusion of several blocks of lower grade ore in the vicinity of the No. 2 shaft. There had been in addition 1,101,000 tons of ore of an average value of 12.2 dwt. contained in the shaft and safety pillars not at present available for stoping. That represented an increase of 194,000 tons and a decrease of 0.5 dwt. in the average value compared with last year's figures.

It had been possible during the year to mine more in conformity with the value of ore reserves, with a consequent slight drop in yield. Stoping operations were being extended to the west into areas where development had disclosed lower values and some further decline in yield could therefore be expected.

SHAFT SINKING, ETC.

Preliminary work in connection with Nos. A.1, A.2 and A.3 incline shafts had been continued during the year. Temporary sinking hoists were being installed and sinking operations below the sixth level had recently been commenced in A.1 incline shaft.

The quantity of water pumped to the surface during the year had increased from last year's average of 1,820,000 gallons a day to 1,945,000 a day. The pumping capacity of the mine had been increased by an additional pumping unit at No. 1 shaft and since the close of the year by the first unit to be installed at No. 2 shaft.

There had been a further improvement in mine ventilation due to additional holdings to airways to the No. 3 shaft, where a third fan had been installed on the surface.

BUILDINGS AND EQUIPMENT

The erection of buildings and equipment had proceeded satisfactorily. At the end of the financial year 736 European dwelling houses had been completed, while 65 were in course of erection. Accommodation at the staff mess had been increased from 26 to 48 rooms. Work had been commenced on the laying out of parks and playgrounds for children, and the construction of a new recreation hall would start shortly. Extensions to change houses at Nos. 1 and 2 shafts to accommodate the full complement of underground employees were being undertaken. An assembly hall to accommodate 1,200 natives had been built at the No. 1 compound and work on the No. 2 compound to house 3,000 persons was well advanced. Extensions to the hospital for natives from 120 to 250 beds had been completed.

REDUCTION PLANT

Extensions of the reduction plant from a capacity of 80,000 tons to 120,000 tons per month had been completed after the close of the financial year, and there had been a gradual increase in the tonnage milled. It would not be possible to improve the tonnage treated very materially until the 10-ton winder was in commission at No. 2 shaft. It was hoped that it would be in operation early in 1951, but the rate at which output could thereafter be expanded would depend primarily on the extent to which the underground labour force could be increased beyond the present inadequate strength and in the extent to which the Electricity Supply Commission could meet increases in the mine's power requirements.

EXACTING TAXATION

He had dealt last year with the effects of devaluation of the South African currency as from September 19 and had explained that as no unpayable blocks of ore had been disclosed in the mine, neither tonnage nor grade of ore reserve would be affected by the higher price of gold. He had also pointed out that the increase in revenue of 75s. 9d. an ounce would be offset to some extent by the various improvements in wages and benefits granted as from September 19 to European and native employees and by the higher costs of certain materials and equipment purchased from overseas. Shareholders had been warned that a considerable portion of the increased working profit would be absorbed by greater lease and taxation payments.

The actual increase in working profit during the financial year had been £3,382,175, but although taxation rates had remained the same as those in force since 1948 provision for taxation and lease consideration had increased by no less than £2,114,470, due to the exacting effect of the sliding scales of formula taxation and lease payments.

The State's share of profits would have been higher but for the substantial capital redemption allowance, which would decrease appreciably when the capital expenditure programme was completed.

CURRENT YEAR'S WORKING

During the first four months of the current financial year, tonnage milled had been 341,000, yield per ton milled 14.674 dwts, revenue per ton milled 182s. 9d., working costs per ton milled 45s. 6d., working profit had amounted to £2,340,184, to which had to be added £57,844 in respect of additional revenue from sales of gold at enhanced prices and sundry revenue of £11,707, giving a total profit of £2,409,735. Development footage had been 13,091 and 6,355 ft. had been sampled on the carbon leader, of which 6,180 ft. or 97.2 per cent., had been classed as payable, averaging 48.8 dwts. over a channel width of 12 ins. The average value of the last 100 ft. sampled in each of the three most westerly drives had been 210 inch-dwts.

Since the close of the financial year the directors had decided to abolish the use of distinctive numbers in respect of issued shares of the company, all of which were fully paid. Shareholders had been notified of that action, which had been permitted under the provisions of the Companies Amendment Act, 1950.

The report and accounts were adopted.

PRICES TAILORS, LIMITED

RECORD TURNOVER

The twenty-second annual general meeting of this Company, was held on November 21st, in London, Sir Henry Price (chairman and joint managing director) presiding.

The following is an extract from his circulated speech: The great proportion of our sales during the year have been in the utility ranges and because of this the average price and profit per garment are lower than last year. Total turnover has, however, been a record for the company and it is due to this factor that there is a trading profit for the year of £906,599.

The net profit of the group amounts to £358,304. After deducting the dividends payable to Preference and Preferred Ordinary Shares, etc., there remains a sum of £345,221 of which 40 per cent. has been appropriated as Ordinary dividend and 60 per cent. has been retained in the group.

For some time my colleagues and I have been giving much serious consideration to our trading name—The Fifty Shilling Tailors. The cost of wool and cotton has increased enormously and wages and most overheads are about twice as high as in 1939 so that it would be merely wishful thinking to expect that such a price as 50s. for a suit of clothes can ever return. We have decided that as we open new branches and renew the shop fronts of old ones we shall do so under the trade name of F.S.T.—Fifty Shilling Tailors.

Stocks are predominantly made up of utility solid worsted suitings and our full requirements are assured for some considerable time.

Trading to date in the current year shows a satisfactory increase on the corresponding period last year.

The report was adopted.

CONSOLIDATED MAIN REEF MINES AND ESTATE LIMITED

SOUND POSITION
FACTORS AFFECTING RESULTS
MR P. H. ANDERSON'S SURVEY

Mr P. H. Anderson, chairman, presided at the Annual General Meeting of Consolidated Main Reef Mines and Estate Limited held in Johannesburg on November 21st. Moving the adoption of the report and accounts, the chairman said factual information contained in the directors' report and reports of the consulting engineer and manager had been rearranged and expanded, and explanatory comments had been added so as to cover the position as fully as possible up to the date of issue. He would, however, like to give shareholders additional up-to-date information and make a few observations of a more general nature on the position and prospects of the company.

DECLINE IN LABOUR SUPPLY

Since the close of the year under review, the directors' report for the first quarter of the current financial year and results of operations during October, 1950, had been published.

The results for those four months could be summarised as follows: Tons milled 781,000, yield per ton milled 2.686 ; revenue per ton milled 33s. 5d., working costs per ton milled, 27s. 7d., working profit £228,135 and total development footage 19,144.

Compared with the results for the financial year under review, the average monthly rate of milling had decreased by about 4,600 tons, the yield was lower by 0.069 dwt. per ton and the average monthly rate of development 434 feet less, due largely to the effects of the serious seasonal decline in the non-European labour supply and to a breakdown of the rock hoist at No. 3 shaft during the early part of October. The average number of non-Europeans in the service of the Company had decreased from a peak of 11,713 in April, 1950, to 10,261 in October, or 12.4 per cent. during the last six months.

DRUM SHAFT BREAKDOWN

On October 9th, the drum shaft of No. 3 shaft rock hoist fractured. Consequences had been serious, as that was the principal hoisting shaft for the higher grade ore mined from the Main Reef and Main Reef Leader in the deeper levels of the eastern portion of the mine. As much of that ore as possible had been diverted to other shafts, but it had been necessary to curtail breaking operations in that area and concentrate on work elsewhere.

While it had been possible to maintain milling at a very satisfactory level by drawing on surface reef dumps and stepping up production from the lower grade Bird and Kimberley reefs, the grade of ore milled had, however, been seriously affected. A replacement shaft took about three weeks to machine down to the correct size, but he was glad to report that the hoist was back in commission on November 15th.

ORE RESERVE INCREASED

Apart from those setbacks, the immediate position at the mine was inherently sound. The serious depletion of ore reserves during the past ten years had been halted as a result of development in September, 1949, when 1,530,000 tons had been added to the available ore reserve. During the last financial year, the available reserve had been increased by 287,000 tons—the first normal increase since June, 1939.

It had to be borne in mind, however, that development operations were being confined to the more promising areas of the Mine as broad limits of payable zones on the principal reefs had been more or less established. Work was now largely confined to closer development in order to consolidate and open up those zones. Three exploratory winzes had been sunk to test the Main Reef Leader and the Main Reef towards the southern boundary. Exposures in depth had been generally poor.

The report and accounts were adopted.

KEYSTONE KNITTING MILLS (1928) LIMITED

A SATISFACTORY YEAR

The twenty-second annual general meeting of this company was held on November 21st, at Elstree, Herts.

Mr H. N. Lewis (chairman and managing director) presided, and in the course of his speech said:—

"The satisfactory trading result is most gratifying to all concerned in the management and operation of your company. As will be seen from the consolidated profit and loss account, the trading profit has increased by £54,409, after eliminating the profits earned by the subsidiary company prior to its acquisition ; and, adding the debt previously written off and the stock reserve credited, the total gross profit is £213,772.

SALES CONTINUE TO EXPAND

I have the pleasure of informing you that the year's sales show an increase on the previous year of 36 per cent. The provision for taxation is no less than £46,297. Such high taxation makes it impossible to retain in reserve the necessary amounts for increasing the company's working capital and for future expansion.

A dividend of 5 per cent. has already been paid on the cumulative preferred ordinary shares, and at today's meeting you will be asked to consider the payment of a further 5 per cent. on these shares, making a total of 10 per cent. for the year, and that 20 per cent. be paid to the deferred shareholders. After having made these provisions, the total undivided profits have increased by £13,831, giving a total of £65,206. I am confident that all will agree that these figures are extremely satisfactory.

The total balance sheet value of the company's assets is £536,548. To replace these at current prices would cost a much larger amount.

I would draw your attention to the item "Goodwill, Patents, Designs and Trade Marks" shown as "nil," and mention that considerable sums have been expended in maintaining the Registered Trade Mark "Keystone" throughout the world ; this is a very valuable asset.

KEYSTONE—WORLD-WIDE REPUTATION FOR HOSIERY AND LINGERIE

During the year we have succeeded in considerably extending this company's exports and making our excellent reputation world-wide. As far as future prospects are concerned, I can inform you that in the first four months of this year a further considerable increase in sales has taken place, as compared with the same period in the preceding year, and therefore an improvement in profits is confidently expected.

The report was unanimously adopted.

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED

LARGER PROFIT

The annual general meeting of shareholders of this company was held on November 21st in Johannesburg.

Mr K. Richardson, who presided, in the course of his speech, said:—

"The company experienced a satisfactory year ended June 30, 1950, making a total profit of £1,381,684 which, notwithstanding the provision of an amount of £125,000 for the estimated loss arising from the loan to Palmiet Chrome Mines, Limited, is £175,135 greater than the corresponding figure for the previous financial year.

After charging £591,843 for taxation, the balance of the profit available for dividend and other appropriations amounted to £789,841. A sum of £300,000 was transferred to general reserve, which now amounts to £5,000,000, while, in addition, an amount of £100,000 was transferred to investment reserve, which stands at £1,707,214, that is, approximately the same figure as last year.

THE DIVIDEND

Dividend No. 58 of 3s. 6d. per share, less United Kingdom income tax at the standard rate of 9s. in the £, absorbed £380,188, and after the transfers to investment and general reserves, there remained a balance of undistributed profits amounting to £351,929, reflecting an increase of £9,653.

The aggregate book value of investments at June 30, 1950, shows a reduction as compared with the corresponding figure for last year, but that the aggregate value of all assets remains at almost the same figure as at June 30, 1949.

Since the publication of the report and accounts, your directors, having regard to our commitments in the Orange Free State and elsewhere, have raised a sum of £2,000,000 by the private placing of an issue of 4½ per cent. unsecured loan stock, 1958/62, redeemable at 101. The terms of the issue provide for partial repayment of the stock by the application of a non-cumulative sinking fund of 2 per cent., commencing at June 30, 1953.

GOLD MINING INDUSTRY

The year under review has been a most important one for the gold mining industry and consequently for the country as a whole. With the devaluation of sterling and the South African pound, the industry has been given relief from the stifling effect of the continuous rise in the cost of production, and although the higher sterling price for gold has not solved all its problems, it has provided a welcome respite.

As a result of the greater number of Europeans and natives employed, it was possible to crush a larger tonnage of ore, so that the gold recovered for the first half of 1950 was slightly in excess of that produced during the same period of 1949, despite the fact that the yield per ton was reduced by approximately a quarter of a pennyweight.

A reduction in the value per ton crushed was to be expected and is in accordance with the general practice of the gold mining companies, which is to mine ore in accordance with the value of the ore reserves in a mine, a practice that long experience has proved to be sound. The increase in revenue per ton which has accrued since devaluation has reduced the pay limit of the various gold mines and has brought into account thousands of ounces of gold which would otherwise be lost to the detriment of all who are concerned with the industry.

The report was adopted.

HOSCOTE RUBBER ESTATES

The eighteenth annual general meeting of Hoscote Rubber Estates Limited will be held in London on December 13th.

The following is an extract from the circulated address of the chairman, Mr H. B. Egmont Hake, C.B.E.:—

The profit for the year, £66,688, shows a welcome increase over that for the previous year, £31,392. Once again taxation takes a large share, £34,571, representing 52 per cent. of the profit, as against £13,512, equal to 43 per cent. The directors have written off the book value of areas destroyed during the war, £1,919, and increased the reserve for replacement of planted areas by £15,000. They recommend a dividend of 15 per cent., leaving £17,024 to be carried forward.

EXPORT DUTY

Approximately one-sixth of the estimated crop for the currant year has been sold forward at an average of 2s. 1d. per lb. That average price will be raised by the higher prices so far ruling since July. It will, however, be drastically reduced by the predatory rates of export duty recently announced as to come into force next January. This savage scale rises to nearly 8 times the existing duty; and, so far, it is the rubber industry alone which has been singled out from the whole Malayan community to overflow the coffers of the Malayan Government, whose income without it has been increased beyond their wildest expectation from existing sources of taxation by the prosperity which Malaya is temporarily enjoying. The Rubber Growers' Association and the Rubber Trade Association have issued a joint indictment of the new rates and the foolish and dangerous mechanism of their application, and have shown the very serious effects which they will have not only on the much needed reserves of growers, but also over the whole political and economic field. Local producers also in Malaya have voiced the same indignation and alarm.

For a company like Hoscote I will only add that it is the first duty of the board to maintain the company's assets and their earning power. Just as the manufacturer has to replace his obsolete equipment if he is to remain competitive, so the grower has to replace his trees. A normal rate of replanting or new planting would be at least 2½ per cent. of the planted acreage annually, but to make up leeway lost during the Japanese occupation Hoscote is aiming at a 4 per cent. replacement of its trees. The fortuitous prices we are now temporarily enjoying concern this company mainly as a means, and the only means, by which we can achieve our aim. After the heavy rehabilitation expenses, for which we have not yet received any compensation by way of war damage, and while satisfying the proper claims of stockholders for an appropriate return on their investment, it is only out of such a windfall as this, which has come our way for the first time in a quarter of a century, that we can build up the necessary reserves to meet the cost of replanting on an adequate scale. It is therefore very unwise on the part of the Malayan Government, as well as grossly unfair, to take such a vicious slice out of this rare bounty for producers and so retard their progress towards competitive strength, which is the best safeguard of Malaya's long-term interests. I also view with alarm the inflationary effects which may result from Government spending of all this money on non-productive work, whereas producers would use these reserves gradually and in an orderly manner over many years.

HORLICKS LIMITED

SUCCESSFUL RESULTS

The annual general meeting of Horlicks Limited was held on November 22nd, at Slough, Lieut-Col. J. N. Horlick, O.B.E., M.C. (chairman of the company), presiding.

The following is an extract from the circulated statement by the chairman:—

It gives me much pleasure to present to you formally the accompanying report and accounts in respect of a year which, having regard to conditions generally, can on the whole be regarded as one of considerable achievement. Substantial evidence of this is provided by the Consolidated Profit and Loss Account from which it will be noted that group profits, before taking into account miscellaneous income and charges, amounted to £598,342, which compares with £472,070 for the previous year, an increase for the group of £126,272.

EXPANSION OF HOME MARKET

The greater availability of milk, our principal raw material, has enabled us to continue with considerable success the process of expanding the home market. Most of the parent company's export markets, despite licensing and exchange problems, have also been well maintained. Successful results have likewise been achieved by some of our subsidiaries, although trading conditions in the U.S.A. and Australia have presented many problems.

After taxation at home and overseas, which on this occasion includes the establishment of an equalisation reserve to provide an even spread of the initial allowance for depreciation now operative, the remaining group total is £174,661.

Transfers to other reserve accounts of £108,423 and provision for net dividends of the same amounts as for the previous year leave a balance to be carried forward of £102,721, after bringing into account the amount brought forward from the previous year.

We have recently increased our product range by the addition of an air freshener named "Air-wick." Whilst this is outside our normal field, it is of such high repute and quality that we regard it as a prestige line. Indeed, it is so remarkably efficient we are confident that in making this new product available to the British housewife we are offering her yet another contribution to more comfortable and agreeable living conditions.

Air-wick is in regular use in well over 11 million American homes for the purpose of killing unpleasant odours, particularly those of the kitchen. Air-wick does not mask these odours with another and stronger smell—it actually kills them and renders the air of the room country-fresh.

IMPORTANCE OF ADVERTISED BRANDED GOODS

In my speech a year ago I referred to the significance of the contribution made by Branded Goods both to the amenities of what we call the British way of living and to our country's trade in overseas markets. Although until very recently the shortage of raw materials essential to the manufacture of our product restricted the supplies available for sale, I am proud to say we have been able to retain the high standard of the quality of Horlicks which has characterised it throughout the 67 years of its production. Numerous examples continue to reach us of how greatly a brand name such as "Horlicks" is esteemed throughout the world.

It is quite impossible for me to forecast the future with any accuracy beyond stating that trading results of the first six months of this current year are no worse than 12 months ago.

The report was adopted.

JOHN I. THORNYCROFT

ANOTHER SATISFACTORY YEAR

The forty-ninth annual general meeting of John I. Thornycroft & Company, Limited, was held on November 22nd, in London.

Sir John E. Thornycroft, K.B.E. (Governing Director and Chairman) said that he was pleased to be able to report the conclusion of another satisfactory year's work. During the last 12 years their capital investment in fixed plant at Southampton had been greatly increased in order to be able to deal with any type of ship damage or maintenance repairs which might be necessary for vessels using the Port of Southampton. That meant the "Queen Elizabeth," or the world's largest oil tankers down to a 500-ton diesel coaster, or any type of war vessel from an aircraft carrier to an M.T.B. They had those facilities at Southampton.

Their subsidiary, Transport Equipment (Thornycroft) Limited, had now completed its first year as a manufacturing, selling and servicing organisation in the United Kingdom. During the year the company had produced a new class of heavy overseas tractor, known as "Mighty Antar," embodying a petrol or diesel 250 h.p. V8 engine, capable of dealing with train loads across the desert of up to 100 tons. Prolonged tests had been carried out at home and in Iraq and production deliveries were now being made to the Middle East.

Nippy Star, Sturdy Star and Trident classes had been progressively improved during the year by minor modifications, the company's objective being to produce vehicles that could transport goods at the lowest cost per ton mile hour, without pandering to the spurious attraction to purchasers of low first-cost and consequential short life.

The report was adopted.

TRINIDAD LEASEHOLDS

MR. SIMON J. VOS' REVIEW

The annual general meeting of Trinidad Leaseholds Limited will be held in London on December 14, 1950.

The following is extracted from the chairman's circulated statement.

Consolidated net profit for the year after all charges, including provision for depreciation, taxation and contingencies was £765,399, as against £621,161 last year. The figure for 1949-50 embodies an exceptional dividend of £96,581 (net) from our interest in North Venezuelan Petroleum Company Limited. Contingency provisions were rather less (£169,475, as against £196,411) and depreciation has increased (£809,889, as compared with £771,681).

Income and profits taxes again bore heavily on earnings, and a liability, immediate or future, of £1,931,024 is estimated to arise on the profits for the year to June 30th last, mainly payable in Trinidad. For the year before that a provision of £1,537,963 was required.

The Regent Oil Company continues to make very satisfactory progress. Stockholders will have seen for themselves the impressive and steady development of the company's trade in Regent products throughout the U.K. I would take this opportunity of expressing the company's appreciation of the growing support rendered by the dealer trade in making these products available to the motorist.

The necessity for Government control does not yet make it possible to offer to the public Regent brands of petrol, which the Regent Oil Company is desirous of offering to the British motorist. However, good progress continues to be made in the development of the sales of all products, both in the commercial and agricultural markets.

FAIREY AVIATION COMPANY, LIMITED

SATISFACTORY POSITION

The twenty-second annual general meeting of Fairey Aviation Company, Limited, was held on November 22nd in London, Sir Richard Fairey, M.B.E., Hon.F.R.Ae.S., chairman and managing director, presiding.

The following is an extract from his statement for the year to March 31, 1950: The available profits, less losses, of the group, after provision for taxation, adding net profits of prior years now credited, and writing off expenditure on research and development, amount to £282,805. After deduction of profits, less losses, retained by subsidiary companies, there remains a net profit of £243,264 against £212,424 last year.

Your Board has given much thought to the question of the dividend payable, which has, for the past three and a half years, remained constant at the rate of 2s. per share per annum. They are very conscious of the necessity of restraint in the payment of dividends requested by the Chancellor of the Exchequer, and in deference to his wishes this has been exercised over the past few years, but in view of the present position of the company and existing conditions in the country, they now feel that it need not be so rigidly interpreted as to debar a small increase that is more than justified on general grounds. Your directors therefore recommend that the dividend be increased to 2s. 6d. per share, less income tax. The balance sheet reveals a highly satisfactory position.

The chairman, addressing the meeting, said *inter alia*: Early in the year under review we were engaged in the search for non-aircraft work to compensate for possible shrinkage in our normal programme, due to the cut in defence expenditure, and with some success. With the announcement of the rearmament programme the outlook changed again and we have every reason to expect our share of the resulting orders. Those non-aircraft contracts, together with our considerable foreign trade and certain economies that we have been able to effect, have all made their contribution to the increased profit for the year.

"FIREFLY" DEVELOPMENTS

Our main production work continues to be for the Air Arm of the Royal Navy and other Navies, and owing to the increasing menace of the submarine, anti-submarine measures are now accorded the highest priority. Our "Firefly" Naval Aircraft continues to be developed to keep pace with these changes and in its latest models will be adapted to carry new apparatus for detection and attack on under-water craft. In the Korean war the "Firefly" was one of the first British types to go into action and we understand that its performance has given considerable satisfaction.

Last year I made my first reference to a new product now known as the Fairey 17. This improved anti-submarine aircraft is undergoing final trials and the prototypes have done extensive flying. Another prototype designed for experiment in new and revolutionary possibilities has been completed and shortly will undergo trials, and our engineering department is engaged upon yet another and even more advanced type of aircraft for which we have obtained a contract from the Ministry of Supply.

With our main factories seemingly assured of ample work for as long as the rearmament programme continues, and with our overseas subsidiaries and associated concerns prospering, our present prospects would appear to be good, while new prototypes on the drawing board and in the air represent the preparations that are being made for a more distant future.

The report was adopted.

DEBENHAMS LIMITED

SUCCESSFUL RESULTS—INCREASED PROFITS

The annual general meeting of Debenhams Limited will be held on December 14th at the Wigmore Hall, Wigmore Street, London, W.1.

The following are extracts from the statement by the chairman, Mr G. M. Wright, A.C.A., circulated with the report and accounts for the year ended July 31, 1950.

The directors' report shows a balance on profit and loss account of the parent company of £1,598,147, an increase of £186,029.

The directors recommend that £50,000 be placed to reserve and a final dividend of 11d. per share be paid on the ordinary shares, making 1s. 3d. per share for the year. The resultant carry-forward is £401,713, an increase of £17,994.

BURDEN OF TAXATION

The above recommendations of the directors and the dividends paid are the same as for last year; you will appreciate accordingly that almost the whole of the increase in profit of £186,029 has been absorbed in higher charges for taxation. It has been necessary to increase the provision for profits tax by £70,000, as compared with last year, due principally to the raising of the rate of tax on distributed profits from 25 per cent. to 30 per cent., and the amounts set aside for income tax which include the estimated liability arising on the year's profits, are higher by £114,000. The result is that the total burden of taxation which the parent company is called upon to bear is no less than £900,000. The withdrawal by the Government of such a high proportion of the company's profits has a damaging effect on our financial strength and constitutes a very real handicap to trade in these times of increasing costs, both of improvement and replacement of capital assets and of replenishment of stocks. I would indeed be happy to be able to foresee any reduction in the present excessive level of taxation, but as you are well aware, there are no signs today to justify such hopes.

The period under review was in many ways a difficult one for retail distributing businesses. In addition to the general economic uncertainties which prevailed throughout the whole of the year and the numerous regulations and controls to which we continue to be subjected, our profits were adversely affected by the cut in utility margins imposed by the Board of Trade in September, 1949. The General Election in February last also had a disturbing effect on business for some weeks previous to that event. On the other hand, in the earlier part of the period sales of apparel benefited by the long-overdue abolition of clothes rationing and a further temporary stimulus was imparted by the devaluation of the £ in September, 1949. This encouraged purchases of clothing in anticipation of its ultimate effect on retail prices—an anticipation which events have shown to have been well founded.

Taking all things into consideration, I think we may reasonably claim that the result of the year's trading is by no means unsatisfactory.

CURRENT YEAR

In the circumstances prevailing today it is almost impossible to forecast with any certainty the results of the current year, and I do not propose to endeavour to do so. I can only tell you that our sales for the year to October 31st are in excess of those of the corresponding period, which was a "peak" year. This is encouraging as far as it goes, because it is only by maintaining the volume of turnover that we can hope in the face of increasing expenses and restricted profit margins to produce a reasonable net profit.

THE CEMENTATION COMPANY LIMITED

The thirtieth annual general meeting of The Cementation Company Limited was held on November 21st in London, Mr H. Clayton, the chairman, presiding.

The following is an extract from his circulated statement:—

The outstanding event of the year in the expansion of our business is the formation of The Cementation Company (Canada) Limited. The necessary negotiations leading to permission for the financial arrangements took some time to complete and it was not until August that we were able to undertake our first contract. I anticipate that this company will soon have an increasing and profitable business.

We have broadened the scope of Quickset Water Sealers Limited by purchasing the assets of Palorit Limited, which manufactured materials and owned processes of a different type but in the same field as Granitese for the permanent decoration of walls in buildings, such as schools, factories, hospitals, flats and the like.

We carry out contracts all over the world, but particular mention should be made of Turkey, where we have just been given a further important extension of work by the Turkish Government; and West Africa, where we generally have at least one sinking in progress.

Our South African subsidiary has had an active year, both in exploratory diamond drilling and in cementation, its two specialised occupations. Their services as cementation experts have been in greater demand than ever. A substantial organisation has been built up for the Orange Free State mines and their association with the Northern Rhodesian copper producers has been strengthened.

W. & J. LAWLEY LIMITED

SATISFACTORY PRODUCTION AND ORDERS

The eleventh annual general meeting of W. & J. Lawley Limited was held on November 22nd in Birmingham.

Mr J. W. Gaunt, snr., the chairman, presided, and, in the course of his speech, said: I have pleasure to submit the company's accounts for the year ended July 31, 1950, from which you will see that the trading profit of the year amounted to £57,153, and the net profit, after providing for all other outgoings, including £24,500 for taxation, amounted to £19,295, as compared with £27,983 in the year to July 31, 1949, and £20,813 in the year ending July 31, 1948.

The company's production shows a satisfactory increase over the previous year, but arising from the devaluation of the £ and other causes the cost of metals has steadily risen during the year, and it is difficult until the position has been more clarified to raise prices to recover these increased costs. The other main factor that has occasioned the reduction in the year's profit has been the increase in the wages charge.

Your directors are continuing their policy of keeping the company's plant, buildings, and equipment in first-class order, and although this occasions a heavy annual charge for repairs and maintenance, we are sure the shareholders in the company will endorse our long-term policy in this respect.

The volume of orders on hand continues to be extremely satisfactory, and I have no reason to fear any change in this direction as long as there is continued emphasis on the importance of the housing programme. Although trading conditions are not easy, I feel every confidence in the continuing prosperity of your company.

The report was adopted.

J. GLIKSTEN AND SON, LIMITED

(Timber Merchants, Producers and Distributors of Hardwoods, Plywood and Softwoods, etc.)

INCREASED NET PROFIT

YEAR OF CONSIDERABLE DEVELOPMENT

MR ALBERT A. GLIKSTEN'S ADDRESS

The forty-fifth annual general meeting of J. Gliksten and Son, Limited, was held on November 22nd, at the Holborn Restaurant, London, W.C., Mr Albert A. Gliksten, chairman and managing director, presiding.

The Secretary (Mr R. Law, A.C.A.) read the notice convening the meeting and the report of the auditors.

The following is the chairman's address, which had been circulated to the shareholders, for the year ended June 30, 1950:—

Group Profits: The trading results of the past year will, I feel sure, give pleasure to all the stockholders. The revenue from trading of the group amounts to £676,935, as compared with £512,532 a year ago. Adding income from investments, etc., of £9,264 and debiting directors' fees, interest and depreciation of £160,494, a figure of net profit before taxation results of £525,705, as against £396,265. The provision for taxation this year is £253,730, as compared with £233,198 for the previous year.

We have this year made a transfer to taxation equalisation reserve in respect of initial allowances granted on capital expenditure during the year. The effect of these initial allowances is to reduce the amount of tax payable during the year of acquisition but to increase correspondingly the amount of tax payable in later years. It has, therefore, been deemed prudent to create a reserve which may be utilised to reduce the tax liability over a period of years coinciding with the life of the assets acquired.

A NOTABLE ACHIEVEMENT

This year your Board are recommending a modest increase of 5 per cent. in the Ordinary dividend. Your directors in recommending this increase in dividend are satisfied that it represents no more than is fair and reasonable in the circumstances, particularly as group capital expenditure incurred in previous years is now yielding a return. The dividend recommended conforms with undertakings given to the Chancellor of the Exchequer by industry to adopt a policy of restraint and moderation in the distribution of profits. I would further point out that the book value of the equity has increased since the date when we first paid an Ordinary dividend of 25 per cent. from £872,225 to £1,256,457, approximately 45 per cent., within a period of three years, a truly notable achievement resulting from the conservation of profits within the group.

Depreciation of our fixed assets is taken on a liberal basis which we believe to be adequate to cover all contingencies. The net profits of the group are again a record figure due, I believe, to our settled policy of building up adequate reserves to cope with expansion, and further to an intensive policy of seeking additional sources of raw materials for conversion and distribution through our widespread and efficient sales organisation.

CONSOLIDATED BALANCE SHEET

The undistributed surplus and reserves including reserves for future taxation amount to £856,457, an increase during the year of £190,721. Current assets exceed current liabilities to the extent of £828,079. It will be observed that the loan capital, bank overdrafts and loan accounts amount to £1,120,130 as compared with £984,975 last year. I regard this relatively small increase as highly satisfactory in view of the marked expansion in trading reflected in larger stocks and debtors, also paying due regard to investment in fixed assets during the year. It will be observed that we are transferring to a special reserve fund an amount equal to the Two and a Half per cent. Unsecured Loan stock redeemed during the year. Your Board have made a close study of the group's future financial requirements, and we are working under a planned policy which, subject to unforeseen circumstances, should enable us to extinguish our loan indebtedness within a relatively short space of time, without recourse to additional capital in more permanent form.

Capital expenditure during the year amounted to £212,893, chiefly in connection with an additional battery of kilns of most modern design at our Stratford wharf and a new sawmill in the final stages of erection at Dwinasi in the Gold Coast Colony. The revenue which these two major assets will produce for the group has not been enjoyed during the year under review, but both items should yield benefits during this year and increasingly thereafter, not only to our group but to our valued customers who will receive timber in a condition suited to their requirements.

While our fixed assets are shown in the consolidated balance sheet at £779,966 these are in actual fact worth considerably more than this figure at present-day values. In addition, therefore, to the surplus and reserves actually shown in the balance sheet there is a very substantial further reserve represented by the excess of current values of the fixed assets over book values.

COMPLETE FREEDOM OF ACTION

General Survey—The year under review has been one of considerable development so far as the timber and allied trades are concerned. Further measures of decontrol have taken place in the hardwood trade and now, with the exception of control of purchasing from hard currency areas and consumer licensing of certain hardwoods from these areas, there is complete freedom of action both for importer and consumer. For the first time since they were acquired, your parent company has been able to purchase its requirements directly from its producing subsidiaries in British Honduras and West Africa. Prewar connections have been re-established with shippers who supplied our requirements before the war, and we are confident that this measure is a step in the right direction.

In addition, certain steps have been taken by the Board of Trade to decontrol plywood supplies with resultant increased freedom of operation of a plywood manufacturing enterprise in England in which the group is financially interested. Certain categories are now free of consumer licensing and importers have been given the right to purchase direct from several producing countries. Announcement has also been made of a partial resumption of the private buying of softwoods, which is welcomed by your Board.

ASSISTANCE FROM COLONIES

I would like at this juncture to refer to the great assistance that the timber trade in this country has received from producers of Colonial hardwoods. Every effort has been made to produce not only this country's requirements but also those of world markets, and this has required intensive planning and very considerable capital expenditure in order to place the necessary machinery and equipment in the locations where they are needed—that is in the parts of those Colonies where growing hardwoods are abundant. In my opinion sufficient credit has not been given to the Colonies for their very material assistance in closing the sterling area dollar gap. A considerable proportion of the dollars earned by the sterling area has been earned from sales of Colonial products, of which timber has formed a not unimportant part.

During the past year directors and executive officers of the group have visited among other places the Continent of Europe, Middle East, Africa, West Indies, Central America, United States of America and Canada, in furtherance of the group's business in these areas.

SALES DEVELOPMENT

In view of the continued expansion of your group's production of raw materials, your Board is pursuing an active policy of sales development throughout the world in order to widen the markets available for the group's products and to ensure an expansion of turnover. The raising of the standard of living of millions of people throughout the world will create an increasing demand for timber supplies.

Your Board will continue to encourage throughout its producing subsidiaries the policy of conservation of forest resources to continue extraction on a sustained yield basis from the forest areas under its control. Care is being taken to ensure natural regeneration under the most favourable conditions. I have already referred to the capital expenditure incurred in increasing our kilning capacity. As a result, not only should a satisfactory return be earned on our kiln processing, but at the same time the kiln-drying of lumber should greatly reduce the amount of capital required to be carried in stocks. Trading progress during the current financial year continues to be satisfactory.

Once again I am happy to record the keen satisfaction of the Board with the loyal and enthusiastic co-operation that has been accorded by the executive and all personnel within the group. Relationships between the Board, the management and staff continue to be excellent.

The report and accounts were unanimously adopted, and the proposed final dividend of 22½ per cent., making 30 per cent., less tax, for the year was approved.

The retiring director, Mr E. Terence Scott, was re-elected, and the remuneration of the auditor, Messrs Pannell Crewdson and Hardy, having been fixed, the proceedings terminated.

LEETHEMS (TWILFIT) LIMITED

We regret that the title of this Company was misspelt in the report of the Annual General Meeting in our issue of November 18th.

Statistical Summary

EXCHEQUER RETURNS

For the week ended November 18, 1950, total ordinary revenue was £53,830,000, against ordinary expenditure of £46,790,000, and issues to ordinary funds of £7,040,000, leaving unfunded deficit of £11,141,000. The surplus of £3,256,387 for the week ended November 18 was accounted for by a reduction of £14,397,000 in the net ordinary balances of the Exchequer.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	Receipts in the Exchequer (£ thousand) April 1, 1949 to Nov. 19, 1949	April 1, 1950 to Nov. 18, 1950	Week Ended Nov. 19, 1949	Week Ended Nov. 18, 1950
	£'000				
ORDINARY REVENUE					
Income Tax	1388000	764,896	455,221	7,175	6,525
Surtax	123,000	41,100	42,200	900	1,000
Estate, etc., Duties	195,000	121,300	115,000	5,500	5,500
Stamps	59,000	32,400	33,870	1,500	1,700
Profits Tax	270,000	171,400	169,170	4,200	6,500
E.P.T.		27,800	8,750	600	...
Other Inland Rev.	500	89	69	...	...
Special Contribution	4,500	15,700	3,480	300	100
Total Inland Rev.	2028000	874,736	828,751	18,133	19,925
Customs	870,650	517,085	568,580	17,430	20,560
Excise	713,150	465,000	468,000	10,200	11,400
Total Customs and Excise	1583800	982,085	1036580	27,630	31,960
Motor Duties	56,000	12,336	13,199	...	116
Surplus War Stocks	55,000	61,906	26,023	...	7
Surplus Receipts from Trading	85,000	15,945	30,974	1,900	...
P.O. (Net Receipts)	...	300	5,700	300	2,300
Wireless Licences	13,000	5,940	6,090	...	...
Sundry Receipts	27,000	11,915	19,212	219	...
Miscell. Receipts (inc. Crown Lands)	70,000	47,884	56,501	439	424
Total Ord. Rev.	3897800	2016047	2013929	48,612	53,852
SELF-BALANCING					
Post Office	172,150	101,700	103,390	3,500	2,200
Income Tax on E.P.T. Refunds	5,700	7,642	6,190	275	124
Total	4075650	2125389	2123410	52,387	56,156

Expenditure	Estimate, 1950-51	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1949 to Nov. 19, 1949	April 1, 1950 to Nov. 18, 1950	Week Ended Nov. 19, 1949	Week Ended Nov. 18, 1950
	£'000				
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	490,000	300,114	310,685	...	77
Payments to N. Ireland	36,000	21,621	21,414	...	...
Other Cons. Fund Services	11,000	6,076	5,967	...	185
Total	537,000	327,812	337,166	...	262
Supply Services	2918094	1692084	1586707	32,900	67,000
Total Ord. Expd.	3455094	2019896	1924773	32,900	67,262
Sinking Funds	...	10,667	11,171	80	...
Total (excl. Self-Bal. Expd.)	3455094	2030563	1935944	32,980	67,262
SELF-BALANCING					
Post Office	172,150	101,700	103,390	3,500	2,200
Income Tax on E.P.T. Refunds	5,700	7,642	6,190	275	124
Total	3632944	2139905	2045134	36,755	59,586

After increasing Exchequer balances by £246,388 to £3,256,387, the other operations for the week increased the gross National Debt by £34,929,250 to £25,679 million.

NET RECEIPTS (£ thousand)

Housing (Temporary Accommodation) Act, 1944	5,345
Cinematograph Film Production (Special Loans) Act 1949, s. 8(1)	152
Cotton (Centralized Buying) Act, 1947, s. 2(5)	3,500
	8,997

NET ISSUES (£ thousand)

P.O. and Telegraph (Money) Act, 1943	350
E.P.T. Refunds	151
Export Guarantees Act, 1949, s. 3(2)	155
Local Authorities Loans Act, 1945, s. 3(1)	4,200
Miscellaneous Financial Provisions Acts, 1945 & 1950: Civil Contingencies Fund	75,000
Finance Acts, 1946 and 1947: Post-war Credits	343
	80,299

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bill	48,550	Nat. Savings Certs.	800
Tax Reserve Certs.	137	2½% Def. Bonds	515
Treasury Deposits	12,540	3% Def. Bonds	420
		Other Debt:	
		Internal	577
		External	1,601
		Ways & Means Adv.	
		Ass.	2,250
			5,943
	61,675		

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
Nov. 19	5200·0	1799·8	587·1	8·0	455·5	6148·5
1950						
Aug. 19	5140·0	1921·5	410·8	...	450·0	5902·0
,, 26	5150·0	1920·6	401·2	...	450·0	5901·8
Sept. 2	5120·0	1897·8	425·1	8·8	450·0	5899·7
,, 9	5120·0	1898·1	417·3	...	475·0	5910·4
,, 16	5120·0	1889·8	408·2	...	505·0	5923·0
,, 23	5150·0	1869·6	401·3	...	505·0	5905·9
,, 30	4,973·9		451·0	...	505·0	5931·9
Oct. 7	5130·0	1820·0	467·6	2·7	530·0	5950·3
,, 14	5140·0	1789·4	469·9	...	555·0	5954·3
,, 21	5160·0	2077·8	490·2	...	574·0	6302·0
,, 28	5170·0	2041·1	471·5	...	585·5	6268·0
Nov. 4	5180·9	1885·7	353·3	...	573·0	5992·0
,, 11	5180·0	1897·5	374·5	0·5	545·0	5995·1
,, 18	5200·0	1768·7	372·5	...	555·5	6086·7

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
Nov. 18	230·0	294·3	230·0	10 5·66	63
1950					
Aug. 18	240·0	312·8	240·0	10 3·25	70
,, 25	230·0	294·9	230·0	10 3·48	75
Sept. 1	240·0	333·5	240·0	10 2·90	62
,, 8	230·0	315·3	230·0	10 3·22	70
,, 15	250·0	294·4	250·0	10 3·45	81
,, 22	240·0	310·2	240·0	10 3·21	34
,, 29	240·0	307·0	240·0	10 3·23	72
Oct. 6	250·0	312·5	250·0	10 3·21	74
,, 13	260·0	319·4	260·0	10 3·27	75
,, 20	250·0	332·7	250·0	10 2·94	66
,, 27	250·0	355·8	250·0	10 2·98	65
Nov. 3	250·0	347·7	250·0	10 2·70	60
,, 10	250·0	318·4	250·0	10 3·17	72
,, 17	250·0	325·8	240·0	10 3·15	69

On November 17th applications for 91 day bills to be paid from November 20th to 25th were accepted dated Monday or Saturday as to about 50 per cent. of the amount applied for at £99 17s. 9d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million are being offered for November 24th. For the week ending November 25th the banks will be asked for Treasury deposits to a maximum of £25 million at 1½ days.

NATIONAL SAVINGS

(£ thousand)

	Week Ended Nov. 12, 1949	Week Ended Nov. 18, 1950	Total, Apr. 1 to Nov. 11, 1950
Savings Certificates:—			
Receipts	2,200	1,800	55,100
Repayments	2,650	2,500	81,800
Net Savings	*Dr 450*	*Dr 700*	*Dr 26,700*
Defence Bonds:—			
Receipts	425	350	10,680
Repayments	893	1,030	31,309
Net Savings	*Dr 578*	*Dr 700*	*Dr 20,629*
P.O. and Trustee Savings Banks:—			
Receipts	12,320	13,741	400,616
Repayments	11,759	11,955	424,320
Net Savings	561	1,786	*Dr 23,704*
Total Net Savings	*Dr 467*	386	*Dr 71,033*
Interest on certificates repaid	551	575	17,969
Interest accrued	2,381	2,433	77,139
Change in total remaining invested	1,763	2,244	11,863

BANK OF ENGLAND RETURNS

November 22, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:		Govt. Debt	11,015,100
In Circulation	1270,5,4,792	Other Govt. Securities	1,534,294,986
In Banking Department	70,362,031	Other Secs.	674,951
		Coin (other than gold)	4,014,963
		Amt. of Fid. Issue	1350,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,825
	1350,356,825		1350,356,825

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	556,981,441
Rest	3,384,543	Other Secs.:—	63,552,559
Public Deps.:—	285,125,053	*Discounts and Advances*	*87,795,630*
*Public Accts.**	*18,710,931*	*Securities*	*25,756,929*
H.M. Treas.			
Special Acct.	*266,414,122*		
Other Deps.:—	390,295,411	Notes	70,802,031
Bankers	*307,481,175*	Coin	2,021,976
Other Accts.	*82,814,236*		
	693,358,007		693,358,007

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1949	1950		
	Nov. 23	Nov. 8	Nov. 15	Nov. 22
Issue Dept.:—				
Notes in circulation	1260·2	1278·3	1280·0	1279·6
Notes in banking department	40·2	72·0	70·4	70·8
Government debt and securities*	1299·3	1345·2	1345·3	1245·3
Other securities	0·7	0·7	0·7	0·7
Gold and Coin	0·4	4·4	3·4	4·4
Fiducial at 8s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	10·9	15·3	17·4	18·7
Treasury Special Account	58·6	266·4	266·4	266·4
Bankers	300·6	308·4	305·8	307·5
Others	112·2	86·7	86·5	82·8
Total	482·3	676·8	676·1	675·4
Securities:—				
Government	415·6	558·1	559·9	557·0
Discounts, etc.	15·6	30·6	34·0	37·8
Other	23·4	31·6	28·0	25·8
Total	454·6	620·3	621·9	620·6
Banking dept. res.	45·6	74·5	72·6	72·8
	%	%	%	%
"Proportion"	9·4	10·9	10·7	10·7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,300 million to £1,350 million on June 27, 1950.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Nov. 16	70	80	179 1	108 8
,, 17	70	80	180 2	108 14
,, 18	Markets	Closed	181 2	109 11
,, 20	70	80	184 4	109 3
,, 21	70	80	181 1	109 —
,, 22	70	80	179 14	109 —

NOTICES

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Applications are invited for Lectureships or Assistant Lectureships in the Department of Social Studies from persons suitably qualified in the fields of economics, sociology and public administration.

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Applications (six copies), giving full particulars of qualifications and experience and the names of three referees, should be sent to the Secretary, Inter-University Council for Higher Education in the Colonies, 1, Gordon Square, London, W.C.1, from whom further particulars may be obtained. Closing date, December 16, 1950.

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BRITISH ENGINEERING COMPANY with works in India must find first-class top executive, for position of General Manager of their Subsidiary. The appointment offers the widest scope for development of both sales and local manufacture, and demands the services of a man with an extensive engineering background and experience of works control and sales organisation, together with financial ability, as it will in due course develop into that of Managing Director. The successful applicant will be around 40 years of age, having had a sound education and possessing, if possible, a university degree. Consideration can only be given to those who conform to these requirements and can qualify for the high salary and other advantages which the position has to offer. It is hoped to make an appointment this year, and that the man will proceed to India after an intensive course of training in this country, so that he may assume control by the end of 1951.—Box No. Q3628, Bensons, Kingsway Hall, Kingsway, W.C.2.

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Further particulars from the Secretary, Civil Service Commission, Scientific Branch, Trinidad House, Old Burlington Street, London, W.1, quoting No. 2887.

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Without Blinkers

IN his speech in Washington on Wednesday the Prime Minister rose to the height of the great theme of Britain's partnership with the United States in the present peril. "We stand by our duty and our friends," he said, and a critical, hard-bitten, anxious audience of pressmen applauded him. Those words had to be said, and they will bring courage to worried allies and friends in Europe, who feel that Mr Attlee represents them as well as Britain. They had to be said, because the call of simple duty and the resolve to defend the rule of law between nations—the motives which sent the pick of American and British infantry to Korea—were in danger of being forgotten. The anti-Americans in Europe had turned on General MacArthur, and the anti-Europeans in America had turned on Mr Acheson, confusing rational consideration of the future with passionate recriminations about the past. Now, just as General MacArthur is struggling to form a new line of defence from a situation in which his forces were split down the centre, enveloped from the flank and harassed by guerrillas in the rear—so Mr Attlee has set about reforming in Washington the Atlantic front which it is the main purpose of Communist strategy to pierce and divide.

Both situations, the military and the diplomatic, are still fluid; there is little that can be said about the present state of either that would be helpful or relevant. But there are wider issues on which it is imperative that public opinion on both sides of the Atlantic should clear its mind. The shock of these last few days has been painful in the extreme. The spectacle of the heavily armed and mechanised forces of two world powers, with undisputed command of air and sea, retreating before a mass of lightly equipped foot soldiers is one that neither Asia nor Europe will forget. The press of personalities seeking access to General Wu's ante-room in the hope of negotiation is another spectacle from which Asia will draw its own conclusions, whatever the outcome. There is no purpose to be served by trying to blink the fact that the alliance of the free nations has suffered a grave defeat.

In such circumstances, the first temptation is to indulge in recriminations about the past. To do so is rarely helpful; and at present it could be highly damaging, since the recriminations would inevitably take on a national tinge. It might be as well for both Americans and Europeans to remember that for every grievance one side of the ocean might voice against the other, there is a contrary grievance waiting to be put into the balance. If Europeans question the skill with which the Korean campaign has been conducted, Americans can ask why they were not given more support in it. If voices from London point out that Europe is the vital battleground, Americans can ask why, in that case, Europe has not done more about it.

The solidarity of the alliance is the hope of the world, and there should be a real effort in all countries to be as silent as possible about the past and to think about the future. There is a very important

question to be decided. It goes without saying that the authority of the United Nations, so badly damaged by what has happened in Korea, must be restored. It is self-evident that the policy of building up strength enough to contain Russian imperialism must be continued and intensified. Appeasement, in a situation like this, is the one clearly disastrous policy and should not be considered for a moment. But what does that imply in Korea and its immediate neighbourhood? Does it mean that every effort must be made to reverse the tide in Korea itself, or if the front there has to be abandoned, to restore it as soon as possible? Or does it mean writing off the Far East and concentrating on Europe?

These are not posed as questions to which the answers are self-evident. Indeed, the answers are not easy. In attempting them, however, two guides can be suggested as helpful. The first is to remember that what happens in any one area of the world is only part of a whole, and that it is the whole that counts. If there have to be retreats somewhere, let them be in the places that are less vital; it would be folly to stand in the less important, at the cost of running away in the more vital, just because the less important case has come along first in time. The second guide in a perplexing situation is to ask what the Kremlin wants the free nations to do, and then, so far as possible, to do the opposite. There is no doubt at all what the Kremlin wants in the present situation. As Mr Hanson Baldwin has said, about twenty of the best American, British and French divisions are now tied down in the Far East, without a single Russian soldier being engaged. Nothing could please Stalin more than that the western powers should still further reduce their defences against the Red Army.

This is not a plea for the abandonment of the Far East. It is quite true that the United Nations is now in a strategic position in Asia that is very familiar from British history, one of being badly outnumbered in fighting on land on the continental mass, but of keeping control of the freer elements of the sea and the air. The right strategy is not to abandon the continent altogether, but to exercise a strict economy of resources in continental adventures, to defend on the continent only the most vital areas and those where the air and the sea are at a maximum advantage. In drawing up a strategic plan to this effect, it is clear that no reliance can safely be placed on hopes of being able to induce the Chinese Communists to be moderate. Their ambitions and aggressive purposes are clearly and emphatically stated daily in the Communist press of the world. There is no excuse for ignoring these statements after the way in which they have been confirmed by events. The policy of recognising Mao in order to woo him, it is now clear, was doomed to failure from the start. That he will now turn on Indo-China is all too probable—if only because it would admirably suit Stalin's book.

There is clear need for a world-wide strategic plan, in which resources must be estimated and priorities decided as realistically and cold-bloodedly as if world war were already engaged. This is a task which can obviously be conducted only behind closed doors. Public opinion can nevertheless assist it in three ways. First, it can leave those who bear the responsibility free to reach their decisions on objective facts, without having to suffer purely political pressure. Secondly, it can bend its efforts to building up the elements of military strength as rapidly as possible. And thirdly, it can remember that this is a war of nerves, in which those who keep cool heads have an enormous advantage.

Markets or Allocations

THE Minister of Defence talked tactlessly last week-end about General MacArthur and United Nations policy in Korea; but on home affairs he said soberly that it was time the public heard from some Minister. Shortages of raw materials for industry are becoming acute. With the demand and supply at present in prospect "it might not be possible," as Mr Shinwell put it, "to fulfil our commitments for the defences in the west, and we might find ourselves in a situation where unemployment might emerge."

It is open to doubt whether the Government has become aware of these dangers soon enough to have a good chance of averting them. This week has been occupied with a preliminary stage of British planning: the problem of shortages has been under discussion at Washington between Mr Attlee and President Truman. The outcome is not yet apparent. But what can and should be done, in advance of the detailed formulation of Government policy, is to consider the facts and the general principles on which action ought to be based. It is important, first, to realise that the co-ordination of policy among members of the North Atlantic Treaty Organisation, essential as that is to the most economic use of the free world's resources of raw materials, is not a magic wand that can sweep away shortages. What has made some materials desperately scarce is, it is true, the American Munitions Board's frantic efforts to do since June 25th the strategic stockpiling that the world markets—and the sterling area particularly—would have welcomed on a bigger scale eighteen months ago. But it is nonsense to conclude that Britain would be all right if the foreigner would behave himself. The limiting shortage for British industry may well be not of any imported material, but of home-produced coal. Factories may be saved from closing down through lack of, say, copper because they will be closed next February for lack of coal and electric power. No scheme of international "fair shares," no agreement for ensuring that Britain can buy more sulphur, cotton and zinc, will allow the British economy to go on in any degree of inflation it chooses.

It is plain, moreover, that a comprehensive scheme for the international allocation of key materials is at present out of the question. The wartime system rested on the effective monopoly of scarce shipping under the control of only two allies, the United States and Britain. It had to deal with the economically simple choices of a life-and-death military struggle. For all its intensity, the threat to the [illegible] countries is not yet direct enough to be an effective catalyst [illegible] of a score of sovereign [illegible] commodities predomin[illegible] others predominantly as a [illegible]

To recognise that [illegible]

should not be attempted now is not, however, to say that there must be an uninhibited scramble for the materials of rearmament. Such a scramble cannot possibly be expected to share out supplies in the way that will strengthen western defences at the best possible speed. The buying-power of the United States is too strong. Aggressively used, it can go on drawing into American stockpiles supplies essential to the current production of its allies. To carry this to the point of, say, slowing down the British defence programme would be ridiculous. Moderation in American stockpiling is the necessary starting point for any combined raw materials policy. Some of the further steps were sensibly prepared at Paris last week-end by the council of the Organisation for European Economic Co-operation. They can probably best be carried further through the North Atlantic Treaty Organisation. By consultation, national buying and stocking policies can be co-ordinated well enough to avoid an acute scramble without the cumbrous formalities of allocation schemes.

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This will ease the British problem, not remove it. Nothing can now save British industry from acute difficulties over supplies of coking coal, sulphur, zinc, cotton and other fibres, nickel, copper and various other non-ferrous metals, cement, timber, and perhaps many steel products. Rearmament has not yet appreciably increased the consumption of raw materials. It has drastically altered expectations. Materials have become scarce because firms have tried to build up stocks in the belief that they would become scarcer and dearer; the new expectations have automatically created the conditions that justify them. The scramble for stocks has already gone far enough for some factories to be unable to order materials they will require very soon while others have, on paper at least, covered themselves for some time ahead. The position can only get worse while remedies are delayed.

The broad choice of remedies lies, of course, between letting the price mechanism sort things out through free markets and imposing direct Government controls. The Minister of Supply announced on Thursday that allocation schemes for various metals were being considered. To see the choice as a simple matter of dogma is no service to any political or economic principle. In the present situation the price mechanism has two important defects. With commodities whose production cannot be quickly increased the price that would equate supply and demand in the short run may be far higher than the price needed to stimulate the possible expansion of output in the longer run. Consumption of the raw material will not be choked off by rising prices until they affect the prices of the finished products, and with demand generally strong, it might take a very large rise in raw material prices to produce any appreciable effect on the volume of consumption. But this would create further difficulties. The fiscal powers of the primary producing countries are often incapable of coping with the forces of inflation set off by the tripling and quadrupling of their export prices. And, in the consuming countries, no government—certainly not the American Administration—will willingly accept the political and economic strains that spectacular price increases inevitably set up.

These defects of the free market are not overwhelming. They could and ought to be accepted, as a price worth paying, if the result would be to distribute scarce supplies according to the needs of the most essential consuming industries. That is, however, an unlikely result. In the present situation few firms have any reason to reckon closely the financial cost of buying whatever materials they can. Political uncertainties, prospects of rationing, and so on, far outweigh the calculations of possible losses on stocks if prices should fall next year. With markets easy and taxation at its present height the real importance of such losses to the firm's balance sheet is in any case small. In these conditions, even steep price increases are an imperfect way of sorting out the consumers with the greatest needs—especially as the purchasing power behind those needs is already distorted by price controls on "essentials." Every firm has an incentive to lay in all the stocks it can, and the firms in the least essential industries—which can expect gradually to be "concentrated" if the shortages increase—have the strongest incentive of all.

To recognise that the price mechanism will work very imperfectly is, however, very far from saying that Government controls will work better. There is, it is true, one thing that controls can do successfully. So long as supplies are not far below the needs of industry in full employment, a universal system of quotas can spread out supplies so that no firm has to close down or even to dismiss any redundant workers. To allocate to each firm just a little less than it needs is to ensure that it is worth each firm's while, in a sellers' market, to hang on to its labour force even though on several days a week the factory has too few materials to work at full capacity. An allocation system can, in other words, conceal the unemployment resulting from slightly

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inadequate supplies of raw materials. Politically, its attractions are obviously strong. But they have nothing to do with economic efficiency, with ensuring the best use of the nation's resources in an emergency. They are not a way of avoiding the irrationalities of free markets. They are devices for letting productivity—and so the total national income—go hang, and for avoiding the redeployment of labour to the most essential industries that a full defence effort would involve.

This is the misuse of controls. By different methods of allocation the Government might ensure that the nationally most important firms got a more adequate share of some scarce materials than they would secure in a free market. That can be achieved not by any quota system based on past consumption but by deliberately discriminatory controls giving some firms all they ask and others none at all. And there is little ground for confidence that the controllers could in fact distinguish accurately between the essential and the non-essential demands of scores of thousands of firms. It should not be necessary so soon to rehearse all the arguments that were clearly drawn from wartime experience (and were so lately accepted by Labour Ministers). The main point is that a detailed allocation system can work fairly well only when the Government is itself the agent for most of the essential demands—when each department can offer the controllers a careful estimate of the raw material demands implied in the production programmes it sponsors. There is not at present, and there will not be unless rearmament assumes a scale far beyond anything yet contemplated, such a concentration of demand. And without it the controllers are likely to make mistakes, allowing some firms to build up stocks or to produce non-essentials while others go short of materials, at least as serious as the frictions involved in leaving things to the price mechanism.

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No clear cut conclusion can realistically be drawn from these arguments. It is possible only to lay down general principles applicable in various ways to shortages of particular materials. As long as we are engaged in a cold war possibly requiring a defence effort sustained as far ahead as can be foreseen, all the objections to controls—their restraint on economic flexibility and progressiveness—apply with almost their peacetime force. The bias should therefore still be strongly towards letting the price mechanism work. And that means creating the conditions in which it can work as well as possible. Of those conditions three are most important: first, the scales must not be weighted against the producers of essential goods by compelling or persuading them to keep down their prices while those of non-essentials are inevitably allowed to go free; second, private stockpiling should be discouraged by raising the ridiculously low costs involved in present interest rates; and, thirdly, there is in this as in everything else the fundamental need to keep general inflationary forces at bay.

Perhaps the one clear proposition to be insisted on is that comprehensive physical controls cannot in the present situation be used as an effective substitute for these measures of financial discipline—which are just as necessary to reinforce specific controls as they are to enable the price mechanism to work. On the other hand, there are at least two sets of circumstances in which the additional use of physical controls may well do more good than harm. This is true when a particular and essential raw material is so scarce that the free market can equate supply and demand not by a considerable rise in price, but only by a very sharp rise quite out of line with the general movement of prices. The first practical test of Government measures will be to ask whether controls are being confined to these worst cases rather than spread widely, with all the usual cost of bureaucratic clumsiness and industrial rigidity, in an effort to distort the whole price structure. But controls may also be necessary if it is clear that, although prices have risen only moderately, some essential producers are desperately short of a material of which others are accumulating stocks. In this second case, especially, the presumption is still against a comprehensive allocation system: specific limitations—say, on the size of stocks in relation to monthly consumption—will often be quite as effective at smaller administrative cost and with less serious economic ill-effects. The real judgments can be made only on specific cases as they arise. The general principle is clearly that controls will be doing most good if they are few in number and limited in scope.

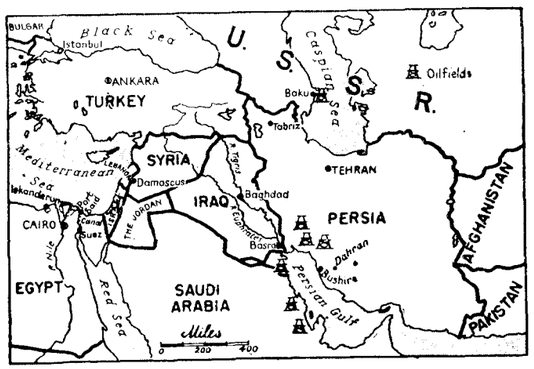
Middle Eastern Vacuum

THE Egyptian Foreign Minister, Mohamed Salah ed Din Bey, is in London for conversations. When his visit was originally arranged, the talks were to cover the rate of release of Egypt's £300 million sterling balance that is still frozen in London; discussions on this subject are proceeding. Subsequently, another topic superimposed itself—the defence of Egypt. This not very new subject was hurled into the arena by King Farouk's statement, in his speech from the throne in November, that the Anglo-Egyptian Treaty of 1936 was one-sided and intolerable, and must be abrogated. Mr Bevin, under pressure from both sides in the House of Commons, countered with the statement that until the implications of this speech were thrashed out, Great Britain must suspend a delivery of Centurion tanks to Egypt. Still more recently, a further and still larger issue has loomed up—the threat of general war in Asia.

The east-west struggle is being waged in Germany, in the Balkans, and in Asia, but the Middle East has hitherto enjoyed virtual immunity from the impact of the cold war. Since the Russian attempt at expansion into North Persia in 1946, the area between the Mediterranean and the Indian Ocean has been almost completely free from the din that rages elsewhere. Even its local war, in Palestine, never took on the familiar colours of east versus west. Why? Is this escape due to the peculiar nature of the Middle East, or is it simply a freak of fortune? The evidence points to the latter conclusion.

For the Middle East, though so arid and so largely unpopulated, is not all one great empty quarter. It constitutes a tender spot for both Russia and the western powers, and offers a promising field for east-west warfare. For the west, it is the principal source of Europe's oil supply and, therefore, a prime object of defence. For Russia, it abuts on the only part of the Soviet periphery that causes the Kremlin anxiety about security; it immediately adjoins the chief area of Russia's oil supply—the Caucasian wells that lie west of Baku. Moreover, it is the shortest route by which Russia could erupt into the Indian Ocean. What makes the relative quiet more curious is that the whole Middle East should be an easy target for the Russian propagandist because of the social inequalities of its way of life. Though the peasants, who form the great bulk of its population, are still lethargic and unresponsive, its small but lively proletariat is awake to the disparity between rich pasha and poor labourer, and ripe for tales of life in a classless society.

But these are points which most Egyptians do not see. Several years of immunity from immediate sight and sound of the clash have lulled them into false security. They hold a belief very similar to that once held by Belgium—that they can evade the accident of their geographic importance. They believe that, provided they can keep foreign troops off their territory, they can remain neutral in the world struggle. This belief increases their native tendency to look backwards rather than ahead. They are preoccupied with old grudges rather than with the impending menace of Communism. The thoughts in the forefront of their minds are of British participation in the 1948 arms embargo that deprived them of the armaments they needed for the Palestine war; of a British flag flying on the Cairo citadel for no less than four years after World War II was over, and of British tanks forcing a change of their government in the dangerous days of 1942. They forget that, when in danger from Mussolini, they signed the British alliance only too willingly. Now, though the threat is greater, they believe that, even if attacked, they can hold their own until help from the United Nations comes along. They have deduced too little from the Korean experience about how long it takes to muster help from overseas, and far too little from their experiences in the Palestine war about their own army's capacities. They reckon that weapons (which they then lacked), are the sole requirement for efficiency. It never occurs to them that, to fight well, an army needs not only confidence in its military and civil leaders, but also a conviction among its rank and file that their families' way of life is something worth fighting for.



In a word, the Egyptian mind has lived remote from the rough and tumble of current world affairs, and Egyptian thinking on defence requirements is correspondingly out of focus. Egyptians have therefore tended to strike a conventional attitude against "British imperialism" and to think that they can leave matters at that. It is only fair to add that the British too have for years struck a correspondingly conventional attitude to Egyptian grumbling—one of waiting until the dust settles in the belief that the turmoil of Egyptian politics will sooner or later throw up somebody with whom a bargain can be struck. But neither attitude is in tune with the times. This is not a simple matter between Britain and Egypt; it is only part of the wider issue of the defence of the Middle East. In that wider context there are a number of specific questions that urgently require answers. The first of these is whether the basic planning of the defence of this vital area should any longer be left to Great Britain alone. There are, it is true, certain American commitments to Turkey, the essential "roof" of the whole area. But the only outside power with any forces actually on the spot is Great Britain. Is this safe? Should it not be made plain that when Great Britain makes demands upon Egypt for military bases, it does so only as agent for the world alliance? Moreover, this does not, for once, mean simply that the United States should take over a British burden; there are six Dominions of the Commonwealth who have a vital interest in keeping the Soviets out of the Indian Ocean. Could not they play a part in the defence of the Middle East in peace, as they undoubtedly would have to in war?

Secondly, if a joint plan for the defence of the Middle East is badly needed, does a base on the Suez Canal play an absolutely indispensable role in it? It is true that the Canal, in itself, is no longer the most vital point in the area; throughout most of the last war it could not be used as the route from Europe to the East; and the Persian Gulf has taken on a double new importance, both as the source of oil and also, potentially, as the Russians' sally-port. It certainly seems to follow from this that there should be allied strong points elsewhere than in the Canal Zone, one perhaps in or within easy reach of the Gulf itself, one perhaps at Iskanderum (Alexandretta). But this does not by any means add up to saying that a base in the Canal Zone itself is not necessary. With its ample water and labour supply and its easy accessibility by water from two directions, it may still be the best site for the main base, well back from the scene of immediate action. Indeed, the onus can properly be placed on the Egyptians to say where the base should be if not at Suez.

Some of them, no doubt, will continue to say that no base is necessary, or that it is not their concern. There are signs in the more thoughtful leading articles that have been appearing this week in the Cairo newspapers that the news from Korea has awakened some minds to the desirability of facing the facts of life among the nations. (The less intelligent papers, of course, are still ready to argue that Korea is just another British trick invented to provide an excuse for staying at Suez). But the time has surely come for making it plain to the Egyptian ruling classes (and to those of the other Middle Eastern states) that the shadow of Communism falls certainly no less darkly on them than on the rest of the free world and that if they wish to be saved from it by the western powers they have obligations to meet in return. If this is said by the British Government alone it will not be believed in Cairo. It is one more illustration, at the London end as well as at the Cairo end, of the utter inadequacy of purely national actions and decisions. The issue is really one between the free nations of the grand alliance as a whole and the Middle East as a whole. It will have to be faced as such.

Is Full Employment Secure?—I.

Squaring the Cycle

WHATEVER else rearmament may do, it at least makes certain that full and overfull employment will last for a good time longer. Whether or not, in the absence of the Communist aggression on south Korea, the long-predicted transition to universal buyers' markets and recession would have occurred in 1951, it is now quite clear that any such expectations have to be indefinitely postponed. Perhaps the very absence of urgency in the subject makes this a good time for inquiring into the present state of the full employment argument. Whatever else may beset the democracies, public opinion has been led to believe that it has one great consolation: thanks to Keynes and his disciples, the problem of general depression, of poverty in the midst of plenty, has been thoroughly mastered and need never plague the world again. Such beliefs have a certain therapeutic value; the man who does not believe his foot can slip is safer on a high place than the man obsessed with the idea of falling. Overconfidence, however, has its dangers too, and the time is ripe for an objective appraisal of the present state of the full-employment argument. That argument is of necessity unsatisfyingly theoretical, for the simple reason that the occasion for putting "full employment policy" into practice has not yet arisen—which is in itself an important fact to remember. But since the public confidence rests on the belief that the economists have found the philosopher's stone, it is highly relevant to inquire how confident are the economists themselves. The result may appear at first rather dishearteningly negative; but in further articles in this series it is hoped to establish that even if faith in a painless panacea is ill-founded, that is no reason for any return to economic fatalism.

The techniques by which it is now expected to assert mastery over the "blind economic forces" of depression are clear enough in principle. Investment can be encouraged by low interest rates and stepped up by direct Government action, and every man directly employed by this expansion in the capital industries will, by his spending, give further employment to a limited but calculable extent; this, in the professional jargon, is the Multiplier Effect. Spending power can be transferred by taxation from the rich (who, with a larger margin above necessities, are likelier to save) to the poor (who, with a lesser margin, are likelier to spend); this is action through the Propensity to Consume. Further purchasing power can be released when necessary by reduction in taxes or social insurance contributions, involving a budget deficit; this is direct monetary action. The detailed specifications for combining these forms of anti-depression activity are presumed to be laid up somewhere in the Treasury, ready to be applied at the first sign of faltering employment, and capable, given goodwill and vigour, of ensuring the blessings of a permanent boom. True, it is increasingly realised that no Keynesian prescription can fend off unemployment arising directly or indirectly from failure to hold export markets; but this conceded limitation is not fundamental. It simply means that other countries, and specifically the United States, should be persuaded to apply the same magic formulae. If all the major countries stabilise themselves, there can be no depression.

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Is this view justified by the facts? To study the work done, since the publication of the "General Theory of Employment, Interest and Money," in the field of trade cycle theory, is to be led to a less encouraging conclusion. The basic, and frequently forgotten, assumption of Keynes's doctrine—or, to be fair to Maynard Keynes, the doctrine of the Keynesians—is that industrial fluctuations are, so to speak, a disease of the body economic, an abnormality that skilled doctoring can entirely remove. The assumption, to make it quite explicit, is that economic progress could be perfectly steady from year to year and from decade to decade if it were not forced into instability by man-made—and therefore man-manageable—defects in the monetary system and in the flow of incomes and expenditures.

That there are such institutional disturbances is all too apparent, but in recent discussion economic analysts—many of them disciples of Keynes and all of them grateful exploiters of the powerful tools he forged—have been insisting that institutional defects are not the only initiating causes of economic disturbance, but that there are also "real" causes of fluctuation to be found in the physical relations between different elements of the economy, between physical productive capacity, stocks, and output both of capital goods and consumer goods. Regardless of the price tags placed on these things, the relationships between them inevitably change from time to time—indeed, it is necessary that they should change if there is to be any economic progress and growth. Inventions do not come in a steady flow—or, what is more strictly relevant, the demands for new capital arising from inventions are not even from year to year. A certain level of real investment may seem appropriate to a given level of real income at one time. But investment takes time to mature, and when the new factories are finished and at work, that fact alone dictates a shift in real resources; and since estimates are fallible, total capacity at that time may be too big or too small for the new level of real income.

Thus, too, past spurts in economic expansion generate, at intervals depending on the life of the equipment concerned, successive waves of capital replacement, with corresponding troughs between. And, finally, particular pieces of investment, fruits of particular inventions or particular acts of policy, can call urgently but briefly for subsidiary investment in the means of producing associated goods. Decision to build a railway network, for instance, may imply decision to build extra blast furnaces to make steel to make rails; when the network is made, the "induced" investment outlives, as "surplus capacity," the stimulus which brought it into being.

These elements of disharmony exist whether the economy is planned or unplanned, free or totalitarian. Essentially they owe nothing to the fact that deals are done, and accounts kept, in money terms. The monetary element on which Keynes concentrated his analysis can enormously and disastrously amplify the consequent fluctuations, but their origin, so far from being purely monetary, lies in the very fact of economic progress. Except in a society stagnant in techniques, tastes and population, there will always be disturbance, a pulse or beat in economic affairs, and every downbeat or contraction will display, unless remedial action is taken, some symptoms of slump—idle machinery, unsaleable stocks, and unemployed workers.

(To be continued)

Is the Dollar Shortage Over?

Four special articles, comprising THE ECONOMIST'S annual survey of trends in International Banking, appear on pages 1031 to 1047 of this issue, and an associated 16-page selection of International Banking Statistics is published in this week's issue of the RECORDS AND STATISTICS Supplement.

The first article asks the question "Is the Dollar Shortage Over?", while the others discuss EPU Teething Troubles, Interest Rates in Europe, and America's Uneasy Money.

NOTES OF THE WEEK

Appeal from Free Asia

One of the most remarkable and satisfactory developments in the United Nations tussle with Peking has been the joint initiative taken by eleven Asian and Arab states. On Tuesday, they appealed to Communist China and North Korea to "declare that it is not their intention that any forces under their control should cross . . . the 38th parallel." This, they believed, would give time to consider ways of settling the crisis. The list of states which took this initiative is a significant one: India, Pakistan, Burma, the Philippines, Persia, Iraq, Syria, Saudi Arabia, the Yemen, the Lebanon and Egypt.

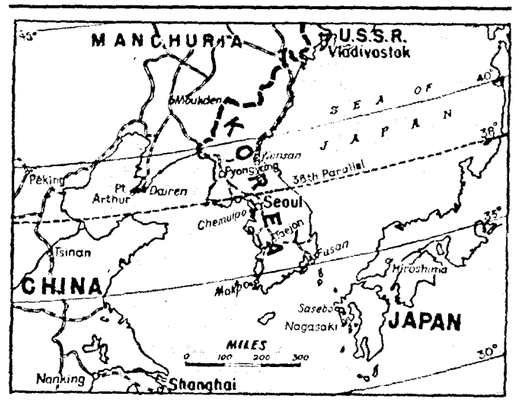
Two factors in particular have aggravated the Korean crisis, and will go on doing so, whatever immediate settlement may be reached with the Americans. First, the clash is not just between two powerful states; it is also widely regarded in Asia as a racial issue, Asia versus the west—and that is the most explosive sentiment the world has to face today. Second, abysmal misunderstanding of the Americans' real motives and intentions has played a big part. The Chinese Communist leaders lack any normal contact with anyone outside the Cominform clique and, what is even worse, their people are kept almost entirely ignorant of the realities of the outside world. This means that in formulating their foreign policy they must rely to a truly alarming extent on the Soviet propaganda and misinformation.

The significance of the move now made by the eleven states is that it cuts right across these two barriers to understanding. The sober, moderating voice of India, long ignored in Peking, has now been reinforced. Although the Chinese appear to have the bit between their teeth, even Mao Tse-tung and Chou En-lai may pause and reflect whether the struggle with the west is quite so simple as they have chosen to paint it. They may well now accuse the eleven of being "lackeys of the imperialists." But it has been a feature of Communist action that the Russian leaders have at least always shown themselves very conscious of the force of public opinion—even if their reaction to it is obtuse and indirect. Statesmen of free Asia could do no greater service to their own people and the rest of mankind than to continue and strengthen their association, and to follow up this initiative. It is in striking contrast to the way in which the UN General Assembly has accepted, by overwhelming vote, the proposal that it should discuss what may amount to military sanctions against China.

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Withdrawal in Korea

The position of the United Nations forces in Korea is becoming increasingly precarious, although military disaster has so far been averted by the speed and skill with which the main body of the Eighth Army has been extricated from an impossible defensive position on the Chong river and withdrawn intact through the communications bottleneck of Pyongyang to a position north of Seoul. There is now no question of holding a line across the width of the Korean peninsula; indeed, faced with an enemy so superior in numbers it would be quite impossible to hold a line even on a strong natural feature. The course of the campaign would seem to be dictated by the estimate of the Army commander, General Walker, as to whether he possesses sufficient strength in morale and material to mount a determined counter-attack with the object of halting the Chinese army in its tracks. If, as seems probable, he does not feel strong enough to pass to the offensive, the only military alternative—apart from any political compromise which may be achieved through diplomatic channels—would be



to organise an evacuation by sea from some west coast port. In the north-east the attempt of the 10th Corps in the area of the Chosin reservoir to fight its way down to the coast, through the opposition of both Chinese and Korean guerrillas, is one of the finest exhibitions of naked courage in the face of appalling odds since Bir Hakim or Bastogne.

The military lessons which are now being learnt from the past two weeks in Korea must have a profound effect upon the strategic thinkers and planners of the western nations. The most important is unquestionably that of manpower *versus* firepower. The armies of all the western nations are basically organised to meet and defeat the armies of other western nations, the perennial shortage of manpower in an industrial nation being balanced by increasing the fire power of each man. But against an Oriental horde, particularly under winter conditions, the mechanical aids to killing and denying ground which account for such a high proportion of defence budgets possess nothing like the same value. It will be surprising if the lessons of Korea do not lead the military planners of the west to demand a far greater emphasis on ordinary infantry, the arm which, in a mechanised society, has least glamour but which is in the last analysis the only one capable of gaining and denying ground.

Closing the Ranks in Europe

Whatever the outcome in Korea, it is to be fervently hoped that advantage will be taken of the heat of the crisis to fuse the states of Western Europe together. It is deplorable but true that there is nothing like war, or the real threat of it, to make men forget their theories, their inhibitions and their differences. Already more has been accomplished, during the past ten days, in making Western Europe think and feel as one, than in the whole of the previous ten months. It was very remarkable that Mr Attlee should fly to Washington with such wholehearted support from the French. M. Schuman, the Foreign Minister, said of the long talks that he and M. Pleven, the French Prime Minister, held in London last Saturday: "We reached complete agreement on essentials. My travelling to Washington would therefore be superfluous." Likewise, Signor Saragat, the Italian Socialist leader, justifiably pointed out on Sunday that the British Prime Minister goes to Washington as "the representative of all democratic Europe." Few voices in Benelux, Scandinavia, or even Western Germany would dissent.

The British have frittered away an immense amount of goodwill on the Continent since 1945. By hanging back at Strasbourg, rejecting the Schuman Plan and, to some extent, siding with the Americans over German rearmament, they have appeared to show themselves unwilling to treat Europe's problems as their own. People on the Continent are hardly to be blamed if they react by condemning the British attitude with the vigour of despair. Now, with the Chinese attack in Korea acting as a catalyst, the position has suddenly changed. To Europe Britain looks—ironically enough—like the one rock around which a sense of unity and purpose can be built, whatever the British themselves may say or do. To the British Europe looks suddenly very close; the danger that American concentration on the Far East may leave Europe to be overrun by the Russians is their danger, too.

One immediate result of the shock which has caused these mental readjustments is that full agreement on German rearmament may be nearer. Mr Shinwell, the Defence Minister, probably underestimated the determined logic of the French when he prophesied last Sunday "a compromise in the next few days." But there has already been an important shift; the French Council of Ministers has accepted the immediate formation of German units up to a strength of 6,000 men for a "transitional period pending the conclusion of negotiations for the creation of a European army." The French have also waived their stipulation that the signing of the Schuman Plan must come first.

* * *

Korea at Westminster

The debate on foreign affairs last Wednesday and Thursday showed beyond any doubt that the House of Commons has not lost its old capacity to rise to the level of great events. It showed also that the sense of unity on both sides of the House extends not only to thought and feeling, but also to action. Members witnessed a spectacle not seen in many years, the development and execution of new policy as the debate progressed. Mr Bevin's calm but unenterprising speech laid the first foundation upon which Mr Eden, Mr Churchill, and Mr Butler successively built until Mr Attlee's announcement of his decision to fly to Washington appeared to emerge more as the result of a joint decision from inter-party conference than as the personal action of the head of the Government.

During the succeeding days, with the centre of interest removed from Downing Street to Blair House, this sense of unity has been subjected to several tests. In the first place, Mr Attlee's decision to go to Washington had no sooner been taken than a feeling of resentment sprang up on the Conservative benches, echoed by a more general sense of regret in both London and Washington, that either Mr Churchill or Mr Eden had not been asked to accompany him. When the question was raised in the House on Tuesday, Mr Churchill refused to allow it to be made an issue. It must nonetheless be reckoned unfortunate that Mr Attlee could not or did not take with him the only Englishman who could convince the American public that in seeking a policy which will avert a general war with China Britain's motives are not those of fear and appeasement, nor a desire to draw back from its alliance with the United States.

In the second place, Mr Shinwell, to whom five years in office have not granted the gift of tact, at the week-end made some singularly unhelpful remarks about General MacArthur which the Opposition could have turned to political account if it had chosen. Mr Eden's deliberate forbearance allowed the matter to be glossed over. The third point of potential discord—the use of the atom bomb—died down within a few hours of last Thursday's debate and of President Truman's explanation that the power to order its use did not lie in General MacArthur's hand.

On China and Korea there is a more genuine identity of view between Conservatives and Labour than has often been the case in the past. The past ten days have revealed on the Labour side a small knot of members who, though not active or consistent fellow-travellers with Russian policy, have a sympathy with the aims of Communist China which overrides their dislike of China's present action. There is also a handful of sabre rattlers on the Conservative benches. But the vast majority of members seem to have a sense of identity which was clearly marked in the support given to Mr Churchill and Mr Eden during the debate. Whether this unity is only skin deep should become clear when Mr Attlee returns from Washington. On the Conservative side there is a considerable scepticism about the ability of Mr Bevin and Mr Shinwell to meet the new situation. On the Labour side there is a strong sense of frustration, a feeling that history has betrayed Socialism, that they are approaching a situation with which they are not equipped to deal, that they are losing ground in the country, and that they might not even have the necessary support to be the dominant partner in a coalition. Whether this sense of encirclement will permit the Labour party to respond to the present political forbearance and responsibility of the Conservative front bench remains to be seen.

* * *

The By-Elections

The autumn series of seven by-elections was completed last week. None has changed the party composition of the House of Commons: four seats were held by the Conservatives and three were held by Labour. But in every one of the seven constituencies except West Belfast—which cannot be taken as representative of the national trends in opinion—the Conservative vote improved relatively to the Labour vote. Only at Leicester North-east—the earliest of the by-elections—was the Conservative poll as much as 1,000 smaller than at the general election; at Oxford it increased. Labour, on the other hand, lost as many as 10,000 votes in Sir Stafford Cripps's former Bristol constituency, 6,500 at Leicester North-east, 5,000 each at Handsworth and Abertillery, 3,500 at Oxford and 2,000 at Scotstoun.

These results must encourage the Conservatives however cautiously they are interpreted. But caution is necessary. Close observers seem to be agreed that at a general election Labour attracts more support than does the Conservative party from people whose interest in politics is too small to take them to the polls in the less exciting conditions of a by-election. But the weight that can at present be given to this tendency is more doubtful than usual. The common claim of Labour agents at the general election was that the

Conservatives had done well because they had brought out every available voter. The total Conservative vote at the six by-elections in Britain was only 5,290—5 per cent—smaller than in the same constituencies last February, while the Labour vote was cut by 31,860 (21 per cent). It is hard to believe, after the high poll of February, that apathy has struck the Conservative and Labour parties in the ratio of one to six. The evidence is plainly of a shift of opinion.

At the one by-election contested by the Liberals (Bristol South-east) their poll was reduced from 4,463 in February to 2,752. The probability is that in the other constituencies the Conservatives gained something from the absence of a Liberal candidate; they almost certainly won converts also from Labour. After all reasonable allowance for the absent Labour supporters, these two shifts of opinion are probably together big enough at least to reverse the present balance of power if they were repeated over the whole country at a general election. There is, however, evidence from past experience that the floating voters tend to turn more solidly against the Government at a by-election than they do at a subsequent general election. It would be rash to conclude from this autumn's voting that an early election would now return the Conservatives with a complete working majority; but certainly Transport House has reason to be worried.

* * *

Mr Bevan and the Registrars

"Grossly misrepresented" was how Mr Bevan, in a written parliamentary answer last week, described the recent circular to hospital authorities on their establishments of registrars. It would be equally fair to say that his answer "grossly misrepresented" the facts. The medical profession has forthrightly denounced the circular, yet Mr Bevan said that it "was issued after full consultation with the profession's representatives." What happened was that consultation did take place with the joint committee representing the consultants; but the committee did not agree to the circular going out in the form it did and informed the Ministry that it reserved the right to criticise the circular when it appeared. "Full consultation" to the Ministry of Health is evidently what other official circles sometimes call "unilateral bargaining."

Mr Bevan also said that his decision was not prompted by economy. That is a pity. It would have immensely strengthened his case if he had admitted that he had allowed expenditure on the health service to get completely out of hand in its first two years and that in consequence very desirable developments, such as the expansion of the consultant service, will have to be postponed indefinitely. Most of those surplus registrars who are suitably qualified could be found consultant posts if the establishment for the consultant service were raised to the figure which early this year the Ministry itself laid down as the ideal. Of course it is economy that has prompted the circular. What the medical profession feels, with some justice, is that the axe should not fall solely on the present generation of registrars, many of whom are fully trained senior men. It is sheer hypocrisy to pretend that they can be absorbed into other branches of the health service without hardship.

Mr Bevan's insistence that it is not economy which is behind the reduction in registrars may indeed have an effect quite opposite to what is intended. Mr Messer, chairman of the North-west Metropolitan Regional Board and, incidentally, chairman of the Central Health Services Council, has said that if the hospital services of his region are not to be reduced, the registrars will have to be replaced by the appointment of more consultants, senior hospital medical officers, junior hospital medical officers or general practitioners with the right qualifications and the time. The first two categories, who alone can really do the work, will cost far more than the registrars they will replace.

Use of the Bomb

When President Truman declared at his press conference last week that use of the atomic bomb was "always under consideration" he was saying neither more nor less than it was his duty to say. American strategy is quite properly based on the scientific weapons that its great industrial resources can provide; the long-range bomber is as much the obvious weapon for Americans as the blockade by sea once was for the British. The assumption that American statesmen and officers can take any other view is wishful thinking, especially dishonest if it is made by allies whose foreign and domestic policies take the protection of American power for granted.

It may be argued that the areas and methods chosen so far by the Communists for military operations have shown the limitations of the atomic bomb, the need for ground troops, and for well-chosen and defended positions. All that is true enough. But the bomb is intended as a deterrent against the worst happening—against a direct attack by the Russians themselves on some vital sector of the free world. And there should be no doubt in anybody's mind that, if the worst did happen, the bomb would be used.

The immense energy and zeal of the "peace campaign" over the last two years have perhaps concealed from Moscow the fact that the great majority of people regard the measureless suffering and beastliness of protracted war as more evil than the use of the bomb. If aggressors can be held in leash by the threat of overwhelming retaliation, the majority of opinion in free Europe—which has no aggressive intentions whatsoever—will support the threat. But if the threat is to have its effect, public opinion must mobilise itself behind it; and to do that demands courageous leadership from those in public life whose characters and ability are held in respect. It would not be the first time that those who sought to maintain peace were called warmongers.

* * *

Dr Adenauer Under Fire

Dr Adenauer and the Christian-Democrat party are facing critical times, with no sign of support from the Allied High Commission or the western Foreign Ministers. The Chancellor has been publicly accused by the conservative Free Democrat party—partners in his coalition government—with carrying out a *Uebererfüllungspolitik* towards the occupation powers. He is branded as worse than Dr Stresemann, who earned opprobium merely for his policy of fulfilling—not overfulfilling—German obligations towards the Versailles powers.

The main weight of the attack has in the last few days shifted from the Chancellor's policy on the German contribution to western defence to the question of the Reich's debts. As a *quid pro quo* for the slightly greater freedom granted by the revised occupation statute, Germany is asked to assume liability for the prewar debts of the Reich, and to make raw materials available for western defence. Dr Adenauer is accused of being ready to sign a blank cheque on behalf of the Federal Republic, leaving it to the creditors to fill in the figure. It is—as might have been supposed—of little avail for the High Commission to indicate verbally that they only require a formal acknowledgment that the Federal Republic is the legal successor of the Reich. It is not enough to let it be known that the division of Germany and the Federal Republic's capacity to pay will be taken into account, and that the commercial debts, which the Germans themselves are anxious to settle, will have priority over government debts. The fact remains that Germany is being committed to a financial burden of unknown extent, and it will be a disastrous day for the Chancellor if it has to be presented to parliament for ratification.

The prospect of having the Social-Democrat Dr Schumacher, or Herr Blücher, the Free Democrat party chairman,

as Chancellor comes unpleasantly closer if Dr Adenauer is forced to commit Germany, alone of all OEEC countries, to export raw materials required for its home industry, at the will of an outside authority. Before long this government will also be presented, with concrete demands for increased occupation costs, or some other form of financial contribution to defence. The German refusal is already prepared, on the grounds that some three-quarters of the Federal budget is taken up by occupation costs and relief for the four million pensioners of two world wars.

Apart from the Chancellor's person, his party is showing signs of strain. It has lost not only to the Social-Democrats (who themselves suffered a rebuff from the politically realistic Berliners last Sunday), but to the smaller right-wing or separatist parties in Bavaria ; and in the last few days, it has appeared that the Protestants may secede. In this situation, Herr Arnold, the premier of North Rhine-Westphalia, has severely criticised his party for following a reactionary social policy and called upon it to return to the principles of social Christianity upon which it was founded. As party chairman and Federal Chancellor, Dr Adenauer is attacked on all hands. Mr Bevin, prevented by Korean business from visiting Germany, should watch this situation carefully.

* * *

How Not to Build a Town

The report of nine development corporations for the year ended March 31, 1950 (HMSO, 5s. 6d.) provides fresh evidence that the Government does not understand how to build a town. The main function of seven of the new towns is to relieve the congestion of London. Some of the new towns (especially those on virgin sites such as Harlow) also provide the town planner with a glorious opportunity to show his worth at community building. It was known that there would be a high initial cost in providing new services. Development corporations were set up, some with a staff of over 100, expert consultants were engaged, and everything made ready for rapid development. Now—over four years after the passing of the New Towns Act—the programme is still hanging fire.

Housing in the new towns has been cut. Hemel Hempstead's allocation for 1950 is 250 houses, Stevenage's is 450 (for a 15 months period), other of the corporations have fared worse. There is no progress to report (save at Crawley) in steering industry to the new towns. In addition Sir Ernest Gowers, in the plainest of words, speaks out on behalf of Harlow against the " tangled thicket of controls " under which development corporations labour. Each official control can be individually justified ; but taken together " they create machinery which is in some respects cumbrous almost past belief and which produces in profusion officials doing, one after another, work that one official could well have been trusted to do by himself." Sir Ernest's particular complaint is of the jealous tutelage exercised by the Ministry of Town and Country Planning, which has since—to judge from a breezy foreword by the new Minister, Dr Dalton—been much modified.

Dr Dalton has speeded up the official machinery, but he has not remedied the main blunder. If the new towns are wanted quickly (as they are), it is absurd—especially in view of their high overheads—to submit them to capital cuts of the same order as those of established local authorities. The whole planning machinery is pointless if it cannot establish effective priorities—if, for instance, it lets development in the new towns proceed more slowly than LCC building in the green belt. Moreover, Whitehall must control its passion for perfection and uniformity, which makes it try to determine the fate of each new town to the last head of population. In fact, the new towns have diverse problems and prospects which cannot be closely foreseen. The sooner the development corporations are cut free and allowed to find their own feet the better. Otherwise, those which could succeed will be strangled at birth and others less successful will be supported in a sybaritic uselessness.

* * *

Retrenchment on Publicity

The third annual report of the Central Office of Information (Cmd. 8081) for the year 1949-50 is less comprehensive than its predecessors—because so much has been said in other official reports during the year about the work of the information services. The process of slimming applies also to the size and expenditure of the Central Office itself ; the staff has been reduced by a seventh during the past eighteen months, and the estimated expenditure during the current year is just over £3,000,000—25 per cent less than the expenditure of two years ago.

Much of the criticism of the COI from some sections of the Conservative Party and press has been captious and ill-informed. But there is no doubt that in the first three years after the war the COI was trying to perform more functions than it could discharge with efficiency and that in the process of retrenchment it is coming closer to its proper function of being the central publicity manager for the Government departments. The section of its work which commands the widest respect is that on documentary films: the Government, in Britain at least, is still the most effective patron of the documentary method, the more so now since the only other attempt at documentary filming on any scale, Mr J. Arthur Rank's *This Modern Age*, has had to close down. Indeed, during this period the COI has won an " Oscar " from Hollywood with a film on Nigeria, and first prize at the Venice Festival with a film on the unlikely subject of *The Liver Fluke*.

Underlying the report there are still traces of a confusion of thought about what the Government can and cannot hope to achieve by standard publicity methods. For instance, the report points with justifiable pride to the success of the campaign for diphtheria immunisation—a subject for which orthodox publicity is clearly appropriate—while stating elsewhere in the report that " Press and poster advertising are the inevitable media for service recruitment " even though these methods manifestly failed to stem the downward trend of recruiting before the recent increases in pay were announced. However, if the COI can be fairly accused of using stereotyped methods of persuasion, it is also clear that there is still a healthy resistance among the British people to doing or believing anything merely because the Government asks them to.

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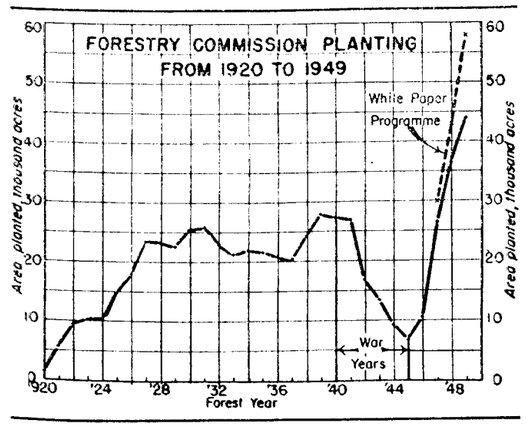
Forestry Problems

The report of the Forestry Commission for the year ended September 30, 1949 (HMSO, 4s.) strikes a cautious note. The planting programme of the Commission itself (as the accompanying diagram illustrates) has fallen behind the ambitious targets set by the Government. This is not really surprising; as it is, the Commission has been given a very generous share in the nation's capital investment programme. Government grants to the Commission have amounted to £18.5 million for the first three postwar years, and tighter financial control may be foreshadowed in the new ruling that unexpended balances must be surrendered to the Exchequer.

However, Government aid to the Commission must increase, not diminish, if it is to fulfil its vast planting programme—intended to increase the present 600,000 acres of public forest to an eventual 3,000,000 acres. The Commission's first problem is how to acquire the necessary land for continuous expansion. Only 100,000 acres (less than one fifth of what was intended) have been purchased in three years. This " disappointingly slow rate of progress " is attributed

in part to the increased profitability of hill farming. The hill farmers, who are now to get more subsidies from the Government, are reluctant to part with their land to the Commission, which is spending increased sums of public money in the effort to buy them out. This extravaganza is a poor testimony to the co-ordinating abilities of the Minister of Agriculture, who is responsible for both forestry and farming.

This is not the whole problem. The most disturbing feature of the report is the slow progress of private forestry. About one million acres of private woodlands are at present in an unsatisfactory condition. Much of this land, however, is potentially more productive than the poor uplands that the



Commission is busy afforesting. Despite the great preponderance of private woodlands, only 33,000 acres have been privately planted in three years compared with 107,000 acres planted by the Commission. This balance is far from satisfactory. At the present time, there is no economic justification for vast state schemes of afforestation on bare land, when there is more suitable and accessible land waiting to be replanted. Private owners have now been given a last chance, by way of an improved scheme of Government aid, to put their woodlands in order. If they fail to do so, the Commission should turn more of its energies in their direction.

* * *

Screening East-West Trade

Nothing has so far been decided that is likely to interrupt the small but useful stream of trade between Eastern Europe and the West. American, British and French officials have been searching, over the last few weeks, for ways of " screening " the east-bound flow without shutting it off altogether. Last week they came to their conclusions. There is to be a new list of " absolutely forbidden " exports, uniform for all three countries and somewhat longer than the existing lists ; and there is to be a new, and also uniform, list of " may be forbidden " commodities, which will mean additions to those which are already subject to export control. The controls will be used to restrict exports in this field if, at any time, they are required for western defence, or because they endanger western security by their contribution to the east European war potential.

It is estimated that the additions to the " absolutely forbiddens " will involve no more than a cut of £3,500,000 in the current annual rate of trade between the United Kingdom and Eastern Europe. The commodities affected will, with the exception of small quantities of non-ferrous metals, be entirely machinery. It is much more difficult to name a figure for the effect of bringing the new commodities under quantitative restrictions, but it is not expected to be large. Again, it is entirely machinery that is affected, of which electrical generators and locomotives are the most important items. A clue to the quantities involved is to be found in the fact that total trade in these two items between the United Kingdom and Eastern Europe is expected to run at about £1,500,000 this year.

Thus, so far as can be seen, the effect of the recent decisions on current levels of east-west trade is likely to be quite small. But this is bound to be the case only so long as the question of restricting sales of sterling area raw materials continues to be scotched. The officials, on American insistence, came to this problem during their recent talks, but hastily shied off again with the comment that it could only be decided in a broader political context. Raw materials are the only things the Russians are really concerned about, and any attempt to restrict access to them would provoke retaliation. They have inserted a clause in their coarse grain contract with Britain, reserving their right to stop shipments if they cannot get the things they want from the sterling area ; and both they and the Poles have given formal notice that they will exercise this right if provoked.

* * *

Neighbours of the Cominform

Nowhere are events in the Far East being more closely and anxiously watched than on the highly important anti-Cominform front in the Balkans. It is clear that Marshal Tito, whilst always preserving what he considers to be the sea-green incorruptibility of his Communist dogma, is inclining ever further westward. In the Security Council, for example, the Jugoslav delegate has voted with the majority in opposing Chinese aggression in Korea, instead of taking refuge in the half-way house of abstention. And the Americans have been granted greater facilities than was expected to supervise the use to which their food supplies are put inside Jugoslavia.

Marshal Tito has also brought about a reconciliation with Greece. The rail link between Belgrade and Salonika has at last been reopened ; the first party—admittedly only a small one—of Greek children who were carried off to Jugoslavia during one of the cruellest and most unforgivable stages of the civil war, have been returned to Greece ; and the Marshal has taken pains to remove Greek fears of his intentions towards Greek Macedonia. These gestures have resulted in an agreement to resume full diplomatic relations in the near future. Marshal Tito has thereby not only gained for himself the great advantage of a friendly instead of a hostile neighbour along his southern border ; he has also given further proof to the western allies of his desire to be accommodating —for a Greek-Jugoslav settlement has long been an object of their diplomacy.

The first Cominform reactions have been frequent and categorical assertions that the first object of the " Belgrade-Athens axis," instigated by its American masters, is a joint attack on Albania. This might—Communist technique being what it is—foreshadow a Cominform attack on Jugoslavia, or Greece. It may, on the other hand, be only the enraged reaction of the Cominform to a *rapprochement* which it has always done its best to prevent. In either case the value of Marshal Tito's thirty-odd divisions to the western camp remains undiminished. An American writer has pointed out that Congress, if it grants Marshal Tito the additional $50

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million considered necessary to keep his regime stable, will be keeping these thirty excellent divisions alert and ready at a cost which is less than one-third of what is needed to equip and maintain one American division for a year. The comment is none the less cogent for being double-edged.

* * *

Emergency Teachers

One of the really successful experiments of the reconstruction period has been the emergency scheme for training teachers. The response was so good that it caught the organisers unprepared and for years Members of Parliament were deluged with complaints from applicants who had been accepted as suitable for training but for whom places in the new colleges could not be found. Men and women were taken from other walks of life and from the Forces and given a year's intensive training instead of the normal two-year course. Without this emergency measure the schools would have been even shorter of staffs than they are now. And the success has not been only in numbers. These older recruits, with experience of other careers, have proved invigorating and stimulating to the schools themselves.

The official account of the scheme (HMSO, 4s.) shows that before the war the teachers' training colleges turned out about 7,000 teachers each year. For the emergency scheme some 95,000 candidates were interviewed and 23,800 men and 11,900 women were accepted. Fifty-five training colleges were opened and the total cost of the whole scheme to the Exchequer was £20 million. The long wait for places in the colleges caused many candidates to withdraw from the scheme and by March, 1950, 19,500 men and 9,500 women had completed their training. Of the 70,000 additional teachers which it was estimated would be required in the immediate postwar years, the emergency training colleges will therefore have contributed about 30,000.

As so many more of the recruits were men than women the relief to hard-pressed infant schools has been small. Most of the men chose to take up training suitable for the 9-15 age group and few of the candidates were qualified to work in grammar schools. Over 10,000 of the men and 5,000 of the women came from commercial and clerical jobs; 5,000 men came from industry, 2,400 men and 2,500 women from central and local government service. Those with technical qualifications are proving specially useful in the workshops of the secondary modern schools.

With so great a success achieved it is sad that this scheme is ending. The schools badly need the breath of fresh air from the outside world. From school to training college and back to school is no way to give teachers a balanced view of life. Somehow a side-entrance to the profession ought to be kept open.

* * *

Civil Service Recruitment

The report of the Civil Service Commissioners for the period 1941-49 (HMSO, 2s. 6d.) covers both the wartime expansion and the postwar reconstruction and consolidation of civil service manpower. The war economy and the planned economy are alike in calling for a large, complex, individually and collectively able, administrative and executive body. They require not only first-rate brains at the very top, but also a wide dissemination, among intermediate grades, of intellectual and human qualities considerably less essential to the subordinates of the older dispensation.

The new status of the Civil Service calls for new criteria of selection for Civil Servants, at once more flexible and more exacting, mitigating the predominance—without sacrificing the quality—of the traditional mandarin type, testing character as well as specific intellectual or technical qualifications, sorting round pegs into round holes and providing as much opportunity as possible for internal reshuffles and readjustments. The Commissioners' report hardly suggests that these new criteria have yet been very well established. There has been a remarkable and salutary loosening up. For the reconstruction period, access to the Civil Service was necessarily widened to include different age groups and different qualifications ; the interview has grown in importance ; there are more opportunities for regrading within the service itself ; while the famous CISSBE "country house" technique of selection may have proved unduly expensive, the methods practised at Stoke d'Abernon are being developed and refined to greater usefulness.

So far, so good ; but the maintenance, let alone the raising, of standards is another matter. Like everyone else, the Commissioners must buy manpower in a sellers' market. Instead of taking, as before the war, only the cream of a crop of eager and well-qualified young applicants, they have been driven on occasion to lower the qualifying marks in order to fill vacancies. In perspective, they are competing, skilfully but under a certain handicap, for a larger share of a painfully limited stock of ability—ability on which business, the universities, nationalised industry, the legal, teaching, medical and other professions, and local government all have urgent claims to stake out. Whether there is in fact enough of such ability available, actually and potentially, to meet the minimum requirements of the planned welfare state is the wider question that lies behind the Commissioners' report—and to which no easily optimistic answer can be given.

A Woman's Place

It will be news to most Englishmen that there has for some years existed in America a convention or association for the assertion, extension and enforcement of the rights of womanhood, as those rights are understood by the members of that association. . . . The American ladies claim for their sex equal eligibility to all professions and occupations, to medicine, the law, the church, and even to official business. Have they ever considered the incongruities which would result were they to share with men all these various departments ? . . . Have these ladies ever asked themselves whether female nerves and female strength would be adequate to endure the severe application which the law, medicine, and the public service require from their votaries ? Do they not know the intense labour demanded from the students of any of the learned professions—labour which often breaks down the constitution of the strongest men ? How would they endure the horrors of the dissecting-room, the intricacies of the statute-book, the wearing toil of the official bureau ? And what would become of their brothers, their parents, their children, while they were studying or practising these absorbing and exhausting professions ? Where would be the gentle amenities of home—the cheerfulness of the fireside circle—the well-regulated household—the orderly and happy family ? Would the men have to perform their duties ? . . . No! women have their sphere—a sacred—and indispensable—a noble one—a sphere in which they are unrivalled and cannot be replaced. It is not by leaving their own lines of eminence and elbowing men out of theirs that they can hope either to amend their position or elevate their nature. They are first-rate mothers, wives, daughters, formers of their children's minds, soothers and counteractors of their husband's asperities, comforters for the wretched, Samaritans for the wounded and the sick. And would they forfeit and exchange all this, to become incompetent surgeons—third-rate physicians—shallow lawyers—wordy, inconsiderate, and excitable senators—hasty, impulsive, and discredited ministers of state ? Those who would thus "leave their sphere and rush into the skies" can have no adequate consciousness where their true strength and excellence resides.

The Economist

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AGA

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SAVES

IN THE DAYS BEFORE BANKS, country folk often buried their money under the hearthstone, and then lit over it the log fire which was never allowed to go out. Thrifty couples in these days keep up this old rural custom by putting their savings into an Aga cooker, which also stays in night and day. Here are some of the ways in which the Aga gives solid and appreciable savings :

On Cash:

So economical is the Aga in fuel consumption that savings in fuel bills eventually cover its initial cost. Look at it this way : the Aga Model CB has a *guaranteed* maximum fuel consumption of 3½ tons a year. With coke at £5 a ton this means your quarter's fuel bill is less than £4.7.6 — i.e., for less than a shilling a day you have constant hot water and a perfect cooking service. Compare this figure with your current fuel budget. The *difference* will give you your monthly *saving*. And the answer will set you thinking seriously.

On Work:

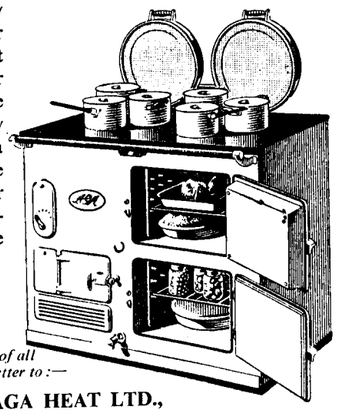
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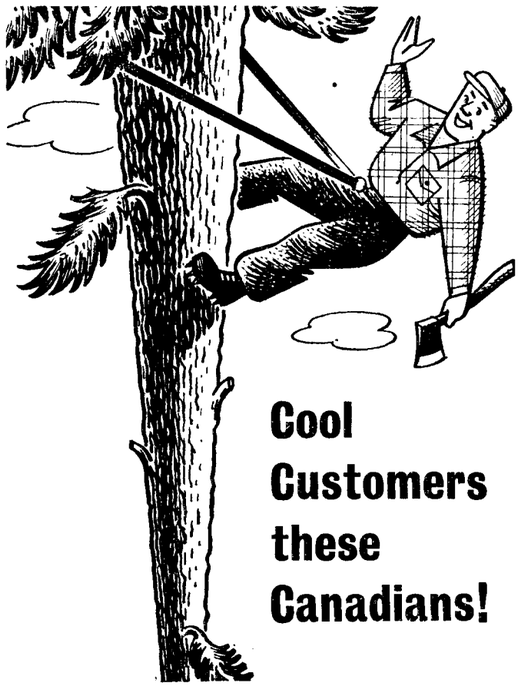
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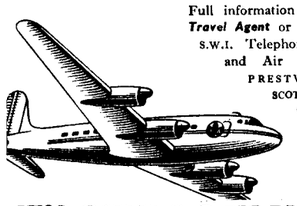
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Letters to the Editor

Farm Price Foolishness

Sir,—The note in *The Economist* of November 25th conjures up a piquant picture of the Minister of Agriculture sliding down a rising slope of inflating farm prices. Unfortunately there is more wrong with this note than misused metaphors.

You say that the Minister "has, in effect, committed himself to finding another £11 million a year for agriculture." He has done nothing of the kind. The sum he has undertaken to make good to the industry is some two-fifths of that figure. It represents the extra cost incurred as a result of the wage increase, not over a full year, but in respect of livestock products between November and next March, and in respect of the 1951 crop of cereals, sugar beet and potatoes for which prices to the farmer were fixed at the price review last February.

To use a figure of £11 million is itself misleading in the context of the price review. It represents the extra cost to the industry of the wage increase for a full year in England and Wales over the whole range of farm produce, whereas some 25 per cent of this increased expenditure relates to the substantial group of horticultural and other non-review commodities for which neither prices are guaranteed nor markets assured.

Moreover, your note ignores the all-important distinction between prices fixed last February for current production and prices which will in due course be fixed at subsequent February reviews for production to which the farmer is not yet committed. In the case of the latter the farmer retains some freedom of action: if he does not like the price he can still do something about it, but in the former case he has no remedy if costs rise against him.

The essence of the agreement arrived at in 1946 is that sudden and substantial changes in production costs *between* annual reviews, at which prices are fixed after consideration of all relevant factors, including "national economic requirements," shall not be allowed to prejudice the contract entered into between the Government and the industry the previous February on which farmers' production plans are based—a recognised principle in commercial practice.

The Minister did in fact take the necessary time to think, in circumstances which raised issues of national importance, and the industry, by undertaking to shoulder the extra cost without recoupment for four-and-a-half months, made a contribution in keeping with its responsibility.—Yours faithfully,

TRISTRAM BERESFORD

Chilmark, Salisbury

[The Minister has promised farmers full recoupment of extra wage costs arising up to next March. In theory (as our note pointed out) he has done no more, and thereafter farmers may be left to find the £11 million a year out of their own resources. But does past experience suggest this as being at all likely?

If (as Mr Beresford claims) the automatic adjustment of prices to costs is sanctified by commercial practice, there will be an end of economic progress. Are farmers always to rest on claims that costs are "beyond their control"? The traditional (and healthier) theory is that higher wages serve as an inducement to better labour utilisation and higher efficiency.—EDITOR.]

German Rearmament

Sir,—The foreign policy debate in the Bonn *Bundestag* on November 8th has delivered a further proof that German public opinion on the problem of rearmament can no longer be ignored.

But what is German public opinion? From the speeches during this debate in the *Bundestag* one would conclude that all political leaders agree on one condition for their co-operation in the creation of a German armed force: full sovereignty and equality (*Gleichberechtigung*)—that is to say, no Allied control over German foreign policy and an army under a German general staff.

While probably all Germans would agree with the first part of that condition it would be utterly wrong to believe that the politicians express real public opinion on the second part. A very interesting private poll by the non-political Frankfurt *Abendpost* showed the following result:

	per cent
Against any form of re-militarisation	68.25
For re-militarisation on principle	3.36
For German units within a European army	17.37
For an independent German *Wehrmacht* (and against a European army)	8.26
No opinion	2.76
	100.00

In a public forum of its readers on the same subject only one of the thirty-seven contributors insisted on a German officer corps and general staff.

At a meeting of about four hundred young people in Frankfurt (which I attended), the biggest applause did not go to their political leader, but to a speaker in the discussion who said that all young men of his age had made a vow never to take up a gun again; they had had enough of fighting, and were particularly fed up with the arrogance of their officers and the inhuman treatment meted out by most of them. Now the world situation had changed, and, of course, he and his friends would not stand idle when real danger was ahead; but why should it not be possible, he asked, to serve under British or American officers? He would not mind that, but he would never put on a *German* uniform again. This last sentence brought the house down.

The German claim for equality might be met by asking German staff officers to assist in the European general staff. Under certain precautions they could do little harm and might do a lot of good.—Yours faithfully,

WALTER FLIESS

Frankfurt/M.

German Deflation

Sir,—Mr Balogh in your issue of November 25th draws attention to the difficulties arising from Germany's exhaustion of her quota with the European Payments Union. He ascribes it to "wild speculation in sterling and commodities, made possible by the dismantling of direct controls." "Only a small fraction of the losses of foreign exchange was due to the worsening of the current balance of payments." These statements are not borne out by facts.

Germany's original quota in EPU of 320 million units, against 520 million for France, was evidently too low—as is proved by EPU's proposal to grant her a temporary credit of $120 million and release $60 million she owes; yet even with a higher quota, a hitch might have occurred. For Germany is a deficit economy with very slight reserves. On November 15th, the Bank der Deutschen Länder held only $236 million after having lost $90 million since September 30, 1950 (within a similar period last year, Great Britain lost $311 million, though protected by direct and indirect controls of all sorts). For 1949, Germany's trade deficit was $1,100 million; it was almost covered by $956 million of United States assistance. During the first half of the current year, this deficit was running down at what would amount to $650 million a year.

The rapid price changes following the Korean war made imports swell in the four months, July to October, 1950, to almost twice those of the same period in 1949. Exports went on growing rapidly, but importers bought ahead, because they did not want to pay higher prices later on, as reasonable business men and responsible governments have done elsewhere. Talks about sterling revaluation reinforced these trends; they induced some exporters to retain exchange longer than they otherwise would have done.

Germany had liberated her imports according to EPU rules. Some members, Great Britain among them, were slower to liberate their imports from Germany. Others sold to Germany under liberalised terms goods which originated outside the union (amounting to perhaps $25 million). There was, moreover, a time lag between payments for imports, which had to be made almost immediately, and for exports, which were coming in more slowly. Mr Balogh's picture of an economy of gamblers and wasters, who have run amok under the impetus of a new *laissez-faire, laissez-aller* policy, does not correspond to facts. Quite possibly, the same situation would have arisen if the German Government had gone in for bulk buying; planning governments frightened of being caught "short" are inclined to over-buy.

The German crisis is purely an import crisis, and not, like Britain's crisis last year, an export crisis; exports have risen from $81 million in October, 1949, to over $200 million in October, 1950. Of course mistakes have been made, import licences have been granted too freely, some excessive investments have been sponsored, and some luxury goods may have crept in. Are these mistakes bigger than those in which completely controlled economies indulge, and which have to be hidden by devaluation?

Mr Balogh's suggestion that Germany should return to a fully controlled economy, and reverse her liberalisation of imports, will hardly find favour with EPU. For cutting imports means cutting somebody else's exports, a method by which Great Britain managed to transfer some of her troubles to other nations. Germany would certainly not get a credit of $180 million if she used the escape clause.

Mr Balogh is horrified that the experts approve credit restrictions (already adopted by the Central Bank), and press for balanced budgets and investment cuts. He fears that unemployment will rise to last year's high level of 2,000,000—at that time controls were still in force. During liberalisation, it has rapidly decreased; even now in the winter and when credit restrictions have already been at work, it has hardly risen. It could not be kept low without the grant of $180 million, for without imported foods and raw materials people cannot work.

The experts' plan can be expected to be temporarily successful. A permanent solution depends on the tackling of Germany's central economic problems, which depend on international policies. Mr Balogh's main anxiety is, however, not that the expert's deflation scheme may fail, but that it will succeed. In that case, he fears, "it would set a dangerous precedent for Britain, should a turn in the world's economic position lead to renewed tension in our (dollar) balance of payments." It really would be too bad if Britons were to be shown that progress can be made by liberalising policies and shedding controls.—Yours faithfully,

M. J. BONN

London, N.W.3

The Encroaching Corporations

Sir,—In his reply to your note on British European Airways Mr Masefield, BEA's chief executive, puts forward two arguments and makes one observation. I am even more concerned with the way in which the corporation is presenting its case than with its merits.

Mr Masefield maintains that because BEA agrees to the granting of the same number of permits for the operation of routes by private companies as were granted last year, it is not squeezing charter firms from the air. In itself his argument does not prove anything, and in the light of his closing remarks it seems ominously likely that good routes have been exchanged for bad. How can one form an opinion without such details of the routes as the port of departure, the frequency of services, passenger and freight capacity, etc.? Has Mr Masefield given all the relevant facts?

The second argument is positively misleading. Perturbed by your accusation that BEA is judge in its own cause, he says, "We merely make recommendations to the Air Transport Advisory Council—an independent body. . . . This council decides whether applications shall be granted, modified or refused. It is, in fact, a licensing authority. In the past it has certainly not accepted the recommendations of BEA in all cases." But in Dr A. M. de Neuman's little classic on "Consumers' Representation in the Public Sector of Industry," ATAC is classified as a form of consumers' council, and these bodies certainly have no licensing power. It would be enlightening to know whether on any occasion applicants or their representatives have been allowed to appear before this authority. We are told that it has shown some independence by not agreeing to certain of BEA's recommendations. More detailed information on this would be welcomed.

By pointing out the need for a real licensing authority Mr Masefield has proved beyond doubt the correctness of your note.—Yours faithfully,

STUART BOWES

London, S.W.1

Books and Publications

A Counsel of Patience

The Curtain Isn't Iron. By Joseph C. Harsch. *Putnam and Company, Limited.* 190 pages. 8s. 6d.

Mr Harsch, so well known to BBC listeners, did well to publish this stimulating little book in London as well as New York. It should save us from judging too hastily that Eastern Europe's five satellite states have already taken on the "monolithic" form that Soviet policy has designed for them; and, what is just as important, it reminds us of the erratic and sweeping generalisations to which American public opinion inclines. Mr Harsch does his best to correct some of these and to plead for patience. His view of the wise American policy for the future might be summed up in six words: "Keep Jugoslavia independent and be patient."

It is useful to have the reminder that five years of pressure from Moscow has met with serious reverses. The iron curtain, as a strategic obstacle, is weak at its flanks, for in the north Finland beat off in 1948 an attempt at a *Putsch* on Czech lines, and in the south Tito's defiance has survived for two and a half years. In Austria there has been "the most complete and finished victory yet won by the west"—a Socialist victory, Mr Harsch points out. In Poland far more energy has gone into national recovery than into Sovietisation, even with Rokossovski in the seat of power. Ideas do penetrate the curtain. Nationalism still brings Poles and Czechs into conflict with anyone who tries to "co-ordinate" their industrial planning. The fanaticism of the Communist centre grows cold around the fringes.

Mr Harsch wants Americans to realise that it is useless to dream of a return to prewar ways. If an east European country should succeed in breaking away from the Russian sphere, it will have to keep police rule—to control the agents of the Cominform. It will want, also, to keep the main features of its social revolution, and to keep the state in its new administrative role. It will not want German hegemony to take the place of Russian. In fact, if the Americans had liberated the east they would now be goading on governments to many of the reforms that have been accomplished.

There is much to be said for Mr Harsch's counsel of patience, for the plain fact is that no one is ready to go to war to liberate Eastern Europe. But is he not a little too optimistic? He sees the dilemmas of Russian policy as a westerner: in Poland the collective farm is needed to make the peasant politically reliable, but the effort to enforce it reduces production; the measures for security taken by Communist governments reduce their loyalty to, and respect for, Moscow; the effort to create an empire creates weakness instead of strength. Experience surely shows that Russians, confronted with such dilemmas, go ahead ruthlessly. It likewise shows that the Communist Party is a past master at eliminating political alternatives. Mr Harsch perhaps counts too much—though he does not say so—on the political qualities of the exiles in America.

There is one piece of advice to his fellow countrymen that Mr Harsch does not give, but which may be offered here: it is that American policy should work much more through European channels. If it is intellectual and political resistance that is to be kept alive, then France and Britain still command in Eastern Europe more respect than does the United States. But if there is to be one day a great act of liberation, it is to the Americans that eastern Europe will look to hold back the Germans.

Defence in a Nutshell

Defence in the Cold War. A Report by a Study Group of the Royal Institute of International Affairs. 123 pages. 5s.

This is an admirable piece of work. The products of group consultation tend to be compromise documents, in which every side of every question is set out and commonplaces take the place of conclusions. But Sir Ian Jacob's group has arrived at firm and specific conclusions, which their draftsman has set down in terse and clear language. The result is to make the report what the Americans call "required reading."

The drafting is so economical that it is hardly possible to summarise the argument without distorting it. It must suffice for a brief review to pick out one or two of the more striking of the specific conclusions. In the view of the group, the danger against which it is necessary for the Western nations to be prepared is not so much that of open war *à la* Hitler as of a long-drawn-out cold war waged by the Russians. This is defined as "all mischief short of war"; recent events suggest a revision to "all mischief short of war directly involving the USSR itself," and even this may prove to be unduly optimistic. But it still seems the most probable hypothesis; and it carries with it an important corollary—that the present programme of building up strength must be a long-term one. That means that it must be pursued by methods that either are, or can be made to be, compatible with the democracies' normal pursuit of happiness. There might have been more discussion in the report of how this is to be done—particularly, perhaps, on the economic side. The true argument is not so much whether the democracies can "afford" an adequate programme of defence, either materially or spiritually, but what happens to them in the affording.

The report is insistent that the crucial area of Western defence is in Europe. This, of course, is quite right; and it is also quite right to insist that the defence forces necessary to make Europe secure should not be under-rated—the group puts them at 50 to 55 divisions, at least a third of them armoured, a tactical air force of 5,000 jet-fighters and 1,000 tactical bombers. Perhaps, because of this perfectly proper concentration upon Europe, the report's recommendations for other parts of the long front are on the verge of being weak. There is a suggestion, for example, that

> if Western policy—or an Asian Government—could build up an association of South Asian States with Governments strong enough to deal with the internal threat of Communism, it is for careful consideration whether the interest of the Atlantic Powers would not be better served by this group's declaring armed neutrality in case of war than by its taking part in defence preparations that would cause a further drain on the war potential of the West.

Is this not the Third Force idea in an Asian guise? And is it not optimistic in the highest degree to expect the conditions to be fulfilled? Or again, it is a little disturbing to find, in a report so well informed and obviously authoritative as this, that less space is given to the Middle East than to Spain.

But there are minor blemishes. Those who wish to have a convincing, balanced and readable view of the problem of Western defence could hardly do better than spend five shillings and three hours on this report.

No Thoroughfare

Return From Utopia. By Richard Law. *Faber and Faber.* 206 pages. 12s. 6d.

"A perfect society is no more to be realised than a perfect human being, and the search for Utopia has always ended in disillusionment. . . . To turn our backs upon Utopia, to see it for the sham and delusion that it is, is the beginning of hope." There is more to these prefatory remarks of Mr Law's than a warning against rushing one's fences, or aiming at overambitious objectives. Utopia is a delusion not merely because it is unattainable, but because, were it attained, all the specifically human virtues would wither in its atmosphere.

The bulk of "Return from Utopia" is, however, concerned with wrong roads to earthly perfection rather than with the hollowness of perfectionism itself. Mr Law is an able and warm-hearted Tory, with the qualities and defects which that description implies. He has the historical piety, the sense of individual dignity and obligation, the combination of realism with charity towards his exasperating fellow-mortals, which is the strength of his kind; he has also the peculiar unwillingness to think things through, the propensity to conduct arguments at the level of intellectual pat-ball, and the incapacity to imagine other viewpoints than his own, which are among its characteristic weaknesses. He has much that is sound to say about the political, economic and social characteristics of the world of today, about Britain's position in that world and the errors of British policy both before and after the second World War, about the planned economy, the free market, the relationships of the British Commonwealth, America and Western Europe in the economic and political fields; and he excels in the quotable phrase—"Self-control, even more than vigilance, is the price of freedom," or, in a different strain, "The British capitalist has been thinking mainly of preserving his fortune, the American intent upon winning his." He also shows evidence of a capacity to master, when the necessity occurs to him, economic arguments of some complexity.

Yet he can discuss the question of public control, its boundaries and techniques, or the nature of the dollar problem, or the causes of depression, with the dogmatic naïveté to be expected in a Brighton-to-London Pullman; while his picture of a Britain sunk in lethargy and frustration suggests rather the mutual disgruntlement of an Angela Thirkell teaparty than the findings of an ordinarily wideawake observer. Again and again he lays himself open to attack; any clever young Socialist could make mincemeat of him, and doubtless plenty will. Anyone who values wisdom as well as cleverness, however, will discount the particular errors, the blind patches and conduct his private controversy with Mr Law in different terms—terms relating not to the expediency or inexpediency of this or that political or economic measure, but to the "true end of man." Mr Law's prescription of religious—and specifically and dogmatically Christian—revival cuts him off from a good many of his natural allies; but one need not share his dogma to feel that there is, in his view of the human problem, more realism than can be found in many works less intellectually vulnerable.

The Social Sciences

The Science of Humanity. By K. G. Collier. *Thomas Nelson and Sons.* 339 pages. 12s. 6d.

It is a pity that this book attempts so much in a modest space, because its intentions are admirable, and the author is a thoughtful and stimulating writer. As it is, however, the book is neither a clear textbook of principles and methods, nor a thorough discussion of objects and achievements. It is directed to the teachers, students and enquiring laymen who are increasingly falling under the spell of the prestige of "science"—that is, the self-confidence and solid cohesion of the natural sciences; and it sets out to describe the methods used and the results achieved in the application of scientific principles in the various social sciences, with the object of inspiring the same enthusiasm for them, within the proper limits. As if this were not a big enough bite to chew in one book, however, the author goes on to discuss the problems of human welfare at considerable length in an admittedly speculative way. However good his opinions and conclusions are, in going so completely against the canons of scientific objectivity he has described in the earlier chapters he will disillusion and confuse the reader and blunt the point of his lesson.

The exposition thus compressed into half the book is planned on somewhat grandiose lines, with chapters on evolution, heredity, instinct, neurology, endocrinology, psychology, anthropology, sociology and economics; statistical theory is developed *en passant*. Some of these subjects are left in the air, and are barely referred to in the subsequent discussion; if they had been omitted entirely, there would have been space for a more leisurely development of the others. As it is, however, the ordinary reader will probably be bewildered and discouraged in trying to assimilate this extensive field of knowledge so rapidly; the author, as a teacher, should know the dangers of trying to cram too much into his pupils' minds, and might have been wiser to content himself with a clearer and more rudimentary treatment.

In spite of all this, the book contains a great deal of useful material presented in an interesting way, and in good hands would, as the author intends, prove valuable as a basis for discussion groups and classes.

Cold News on Hot Money

Capital Imports and the American Balance of Payments, 1934-39. By Arthur I. Bloomfield. *University of Chicago Press.* 340 pages. 45s. net.

In the six years from the end of 1933 to the end of 1939 the United States ran a net surplus on current account of just over $2.6 billion. It also enjoyed an identifiable net capital inflow of $6.0 billion and an unidentified net inflow on either current or capital account of $2.4 billion. In consequence, just under $10 billion of gold and just under $1 billion of silver poured into the country in these six years. By all the accepted concerns of orthodox economic recovery this vast and prolonged movement should not have happened. The countries that were losing the gold should have leaped to their bank rates, cut down internal employment, incomes and spending, and set their balance of payments to rights. In America, as foreign funds poured in, incomes and spending should have risen and the rate of interest should have fallen far enough to encourage American industrialists to inflationary excesses and foreign speculators to shift their funds elsewhere. In the 1930s, however, deficit countries were unwilling to cut down their employment levels below the miserable level then existing; American industrialists were much too bemused by slump psychology to be encouraged by a low rate of interest; and foreign "speculators," who wanted to get the Atlantic between their funds and Hitler, were not primarily concerned with interest rates at all.

The great virtue of Mr Bloomfield's book is that it contains an exhaustive study of the sources of this capital inflow into America and of the channels through which it flowed there. This hard core of statistical research is so well done, in fact, that an unexpected reward awaits those who plough through the dry crust that surrounds it. Unfortunately, however, it is a safe forecast that only a few unusually diligent students will do so. For Mr Bloomfield devotes an unconscionable amount of space to explaining to the already convinced why the dead horse of classical monetary policy should not be too soundly flogged for failing to function in the 1930s; in some chapters, indeed, he prolongs this agony by elevating every platitude ever uttered about hot money to the status of an economic theory—and then tracing its development back to the ark. In so doing he drowns the substance of three or four very interesting—if somewhat out of date—articles in the 340 pages of a rather dull book.

Humorist and M.P.

Independent Member. By Sir Alan P. Herbert. *Methuen.* 503 pages. 21s. net.

The significance of this book is threefold. First, it is a slice of autobiography of one of the most engaging figures of our day. Second, it is a social commentary, a "documentary" of that tremendous period covered by the years immediately preceding the war and by the war itself. Thirdly, it is a critique of the working of the Parliamentary system and of the party system in especial. In one volume, A.P.H. has compressed material enough for three.

A.P.H.'s Parliamentary period (he declines to call it a "career") was marked by hatred of solemn humbug and a passion for human freedom. The two combined led him into a whole series of one-man campaigns against his pet aversions. The divorce laws, the betting laws, the law of libel, the entertainments tax, the wrongs of merchant seamen, all these and others impelled him into action. The degree of success that he achieved was, for one man, very remarkable. Apart from bringing about the biggest reform of the divorce laws for some generations, he initiated all sorts of other changes which, even when not brought to full fruition by him, were subsequently completed by others. It takes nearly two pages of print to record his "Won Causes."

What made his campaigns so remarkable, and what indeed contributed greatly to his success, was the mixture of moral indignation and irrepressible wit and humour which he brought to the job. He will for long remain, perhaps for ever, the one member who has had the impudence to make a Parliamentary speech in verse of his own composing. This was his Irish ancestry very visibly protruding.

In its third aspect the book constitutes a critique of Parliament. A.P.H. makes no secret of his affection for the queer archaic forms of Parliamentary procedure. He values the historical continuity of its traditions, and feels to the full the force of its collective personality. He is in every sense "a Parliament man." But he was a very unusual one, and in his comments on the party system and the place of the Independent in politics he probably reaches as just an assessment as has been published anywhere. He is sure that "the party system is right and necessary." All cannot be fly-halves—there must be a scrum. There must be regular troops, however gallant and showy the guerrilla life in the woods. There must even be the Orderly Room, with Whips who know everything and can guide the less well-instructed. The King's Government must go on, and that means that Ministers must be backed by loyal reserves. Similarly, the Opposition must be governed in an orderly manner; or they will become a ragged and impotent rabble.

Yes—but! . . . But there are all sorts of issues which Governments desire to dodge. They are issues which may bring them into conflict with the "organised minorities" by which Britain is so largely governed. They may be issues on which votes are easy to lose and hard to come by. But they may well be issues which in the public interest ought not to be shirked. Here is the field for the Independent who is prepared to "die daily" in defence of what he believes. The long list of Independents from Cobbett to Plimsoll, and from Plimsoll to Herbert, and the issues they insisted on bringing to the fore, shows how necessary they are.

The abolition of the University seats—in some ways the meanest thing done in the last Parliament—removed the senior burgess for Oxford, and closed a door by which many able and independent men have been able to enter Parliament. Some day, perhaps, university representation will be restored. In that case A.P.H. may again grace the Westminster proceedings. In his last words to the House A.P.H. said—"Whether we go up or down, let us show that we can be gracious, and gallant—and gay." He himself was gloriously all three combined, and he has left a notable record of himself and his work.

Ready in January, 1951.

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Edited by T. WILSON and P. W. S. ANDREWS.

Probable price, 21s. net.

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Shorter Notices

International Economic Disintegration. By W. Röpke. *Hodge.* 283 pages. 21s.

THIS reprint of an important work which, written before the war and first published in 1942, did not for obvious reasons get the attention which it deserved, is more topical than one would think. Professor Röpke's underlying thesis is the sense as that which forms so essential a strand in the argument of his more recent "Crisis of Our Time" and "Civitas Humana": that the market economy, whether nationally or internationally considered, is not "sociologically autonomous" but "a highly sensitive artifact of occidental civilisation," and that its increasingly visible shortcomings and partial collapse are due not to any inherent contradiction, but to the breakdown of the social and international code of decent behaviour within which it functioned. The analysis of that breakdown, the sequences through which it takes effect, the different aspects which it assumes in differently characterised communities, occupy most of his attention; on the more positive side he is content (while referring the reader, in this edition, to the later works named above) to outline the agenda of necessary inquiry into the "rational scheme of international division of labour" in a healthy society. Necessarily, some of the matter dates; but more often it is with an uncomfortable shock that one reminds oneself that the policies which Professor Röpke is criticising are those of the nineteen-thirties, not those of today, and that the country pre-eminent in their pursuit is not Socialist Britain but Nazi Germany.

It is time, incidentally, that a protest was registered against the repulsive production of Professor Röpke's books. All have been unpleasantly bound and hardly less unpleasantly printed; the present volume is the worst of the lot.

Economic History of England. By H. O. Meredith. *Pitman.* 434 pages. 10s. 6d.

No history can be completely up to date, and events have already overtaken this fifth edition of the Meredith classic, edited by C. Ellis; but its penetrating evaluation of the salient features in English social development enables the reader to draw illuminating analogies between his own condition and the evolving experience of his forebears which created it. The wealth of information is enhanced by the logical and epigrammatic style of the writer and his balanced and humane judgments.

The book, in fact, has a threefold utility. First, it is a well-planned survey of the action and reaction of economic and social changes, based largely on Cunningham's great work, "The Growth of English Industry and Commerce," whose more intricate research is here reduced to easily assimilable form; secondly, it is a reference book for all who seek succinct information on trade, money, agriculture, industry and the like; and, thirdly, the general surveys which introduce each section would in themselves form a book, giving the non-specialist an admirable picture of the growth of English life and character from mediaeval times to our own.

Mid-Century: The Social Implications of Scientific Progress. Massachusetts Institute of Technology. *John Wiley and Sons, Inc.* 549 pages. $7.50. *Chapman and Hall, London, E.3*

THIS most attractively produced commemorative volume provides a verbatim record of the proceedings of the Mid-Century Convocation of the Massachusetts Institute of Technology, held in the spring of 1949; proceedings chiefly memorable to the casual newspaper reader as having afforded the setting for perhaps the greatest of Mr Churchill's post-war speeches. The record is annotated, edited and supplemented by the institute's Dean of Humanities, Dr J. E. Burchard, with skill, grace, dignity and occasional apt humour; and much of the matter is eminently worth preserving. Nevertheless, it is questionable whether a volume so massive, so costly, and necessarily containing so much of merely subsidiary or passing interest, was really the best form in which to preserve it.

Le Franc, 1938-1950. By J. G. Merigot and P. Coolhois. *Paris:* R. Pichon and R. Durand Auzias. 426 pages.

THE price of this book is not printed. That fact—and it applies to wellnigh every book published in France—epitomises its subject matter: the depreciation of the franc. When the currency is as unstable as it has been in France over the past 25 years, it is far safer to pencil in the price of a book and so make it easily amenable to periodic adjustment. The authors have provided a magnificently documented history of the French franc between 1938 and 1950. In their interpretative passages, however, they so abhor the mechanistic approach, even with its Keynesian refinements, and incline so much to the psychological ("l'inflation est l'inadaptation pathologique des offres et des demandes de marchandises et de monnaie") that they lose sight of the most important of all factors in the depreciation of the franc, namely, the chronic inability of the French Government to meet its outgoings out of revenue. A little more emphasis on this basic factor would have given far greater realism to this otherwise excellent study.

No Woman's Country. By Michael Langley. *Jarrolds.* 221 pages. 15s.

MR. LANGLEY, who has written from all over the Middle East for serious journals, now produces a jaunty book about the Sudan. A practised hand at picking up facts, he gives a considerable amount of information about the country. But he has chosen to present it in a way that will appeal only to those who like wading to knowledge through a sea of prattle. The items emerge higgledy-piggledy in an order dictated only by his zigzag line of progress across an inadequate map. Banter with air hostesses and chapters called "Bongo! Bongo! Bongo!" are not to everyone's taste in their search for details of the Sudanisation of the Civil Service, the state of mind inside Gordon College, the rate of Nile damming, and the virtues of the Gezira scheme of land tenure. Yet these are all there, but they are uncritically recorded. Lonely English enthusiasts for their work are never disinterested showmen, and Mr Langley, with his experience, should have known better than to take everything at its face value.

The Lovely Land. A Lyrical Interpretation of the Realm and People of Sweden. By S. F. A. Coles. *Chapman and Hall.* 251 pages. 18s.

"HER ROYAL HIGHNESS—with whom I had enjoyed a ten minutes' conversation . . . only a few days before." ". . . the nylon-encased limbs of a blonde *flicka*." These phrases, selected at random, give a fair idea of the quality of this book. It is a curiously embarrassing mixture of egocentric travel reporting and spurious and often irrelevant erudition. Factors of prime importance to understanding the various aspects of Sweden under discussion tend to be omitted. On page 145, for example, the way in which Sweden has translated "into reality the Utopian dreams of other nations" is attributed entirely to the fact that it has been at peace for well over a century. But the country's late industrialisation and its possession of certain valuable resources are at least as important.

It is indeed difficult to praise this arch and ill-balanced book. Chapter 26, consisting almost entirely of the Swedish historian, Selander's, explanation of the Swedish character to the PEN Congress in Stockholm in 1946, is excellent. But the adulation, the uncontrolled "lyricism" and the trite sentimentality of the rest of the book render it quite unworthy of the land and people it purports to interpret.

The Diary of Sylas Neville, 1767-1788. Edited by Basil Cozens-Hardy, D.L., M.A., F.S.A. *Geoffrey Cumberlege. Oxford University Press.* 357 pages. 21s.

ALTHOUGH Dr Sylas Neville clearly possessed considerable ability, his career turned out to be singularly useless and profitless. But he left behind him a diary which provides many vivid, amusing and informative sidelights upon the life and events of his age. He was at various times a gentleman of leisure in London, a minor country squire in Norfolk, a medical student in Edinburgh and an unsuccessful doctor in Norwich. In his earlier years he professed a violent and vituperative Republicanism, and expressed great indignation over the wrongs of the "poor Americans." He was both a connoisseur of sermons and of the theatre. He cultivated music, the arts and antiquities with no less zeal than the beauties of Nature. He travelled widely throughout this country, and noted carefully all he saw from the houses of the great (the Duke of Richmond's house at Goodwood was "for a Duke's seat . . . the meanest I ever saw") to the factories of Birmingham, in one of which he was amazed by the variety of different operations required to produce a single button. This volume contains about two-thirds of Dr Neville's diary, admirably edited with a judicious sprinkling of helpful footnotes. It seems a pity—but is perhaps inevitable with a character capable of such inconsistencies and naïveties as Dr Neville—that amongst so much that is eminently worth recording there should still have crept in a certain amount that hardly seems worth it.

The Market for College Graduates. By Seymour E. Harris. *Harrard University Press.* 207 pages. $4. Geoffrey Cumberlege 32s.

THE Korean war has solved the short-term problem of finding jobs for the half-million students who graduated from American universities this year, but the long-term problem remains and is brought down to hard facts in this book. If America comes anywhere near to achieving its ideal of making a college education available to all who want it, there will be 15 million graduates alive and wanting work in 1970, five time as many as were employed in 1940, with no prospect of a similar expansion in professional opportunities. As long as a university education is regarded as a training for a particular job rather than for life in general, whether lived as a farm hand or as a lawyer, the author thinks that there is a real danger that the attempt to give the highest education to the highest number will lead only to a discontented and frustrated intelligentsia.



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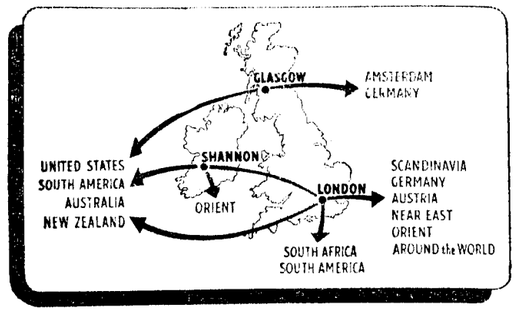


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AMERICAN SURVEY

Fruit of Treason

Washington, D.C.

ONE of the first problems of the new Congress—and one which should, but probably will not, be tackled by the old one before it dies—will be the Internal Security Act of 1950. It is under this Act, known by the name of its author, Senator McCarran, that many thousands of prospective visitors to the United States have either been refused visas, turned back on arrival or kept waiting on Ellis Island for days or weeks before being allowed to land. There is much in the Act which needs amendment, but the passage which has caused the immediate trouble at American consulates all over the world and at home ports is that part of section 22 which states that

> any alien who is a member of any one of the following classes shall be excluded from admission into the United States; . . . (2) (C) (IV) the Communist or other totalitarian party of any state of the United States, of any foreign state, or of any political or geographical subdivision of any foreign state. . . .

The language of this passage is quite clear: membership, even in childhood, of any Nazi, Fascist or Falangist party is enough to warrant the exclusion of any individual. As a result, the musical life of the United States came near to complete disruption. For a time it seemed likely that the Metropolitan Opera season would either have to be abandoned or a makeshift opera house built on Ellis Island. Mr Joseph Szigeti spent five unexplained days in custody and it was only lack, on the part of the immigration officials, of enough courage to enforce the law rigidly that saved Mr Arturo Toscanini from being sent back to Italy. And all three of the chief candidates on November 7th for the Mayoralty of New York, had they been born a few years later, would have been sent packing when they applied for admission to the country if the McCarran Act had been on the books; all three were born in Italy.

Section 22 and the wording chosen in a year when few Senators lose much sleep over the possibility of German or Italian aggression (if, indeed, Senator McCarran and the other chief supporters of the Bill ever did) are interesting because they exemplify two enduring American characteristics: obsession with ideologies and addiction to egalitarianism. The enemy is defined as Communism, pure and simple, rather than Russian expansionism using Communism as its weapon of the moment. And, since Communism is a totalitarian philosophy, it would be grossly unfair, the reasoning runs, to proscribe one kind of totalitarianism without, at the same time, proscribing all kinds. The Congress of the United States sees nothing inconsistent in denouncing the French for their reluctance to accept, as defenders of democracy, German divisions which are unlikely to be made up exclusively of proven anti-Nazis, while simultaneously passing laws which suggest that their own nation cannot even endure the presence, to take one example, of a man who joined the Nazi Party to keep his job and feed his family, but who resigned in disgust in 1938. It is obviously a waste of time and valuable manpower to worry about such people. In the year 1950 it would be absurd to pretend that any visitor or immigrant is a danger—a clear and present danger, in the precise definition of Mr Justice Holmes—unless he is, to a greater or lesser extent, an agent of the Soviet Union.

It is the contention of the Attorney General in a petition filed on November 22nd with the Subversive Activities Control Board (set up under the Internal Security Act) that the Communist Party of the United States is a Communist-action organisation, as defined in the Act, which requires such organisations to register by October 23rd. None have done so. There is hardly anybody in the United States today who believes that the Attorney General is exaggerating or that his contention does not apply to the Communist parties of other countries as well. But the registration of resident members of the Communist party and the exclusion of others who try to enter the country is only a small, though very necessary, part of the whole attempt to tighten the hitherto loose security methods of the United States.

*

Until recently, Benedict Arnold had been for 170 years not only the prototype of all traitors, but also the only one whose existence the United States was prepared to admit. The only legislation under which traitors could be tried was so weak that during, and after, both wars any number were either not brought to court, or rewarded with sentences which suggested that juries took a lenient view of treason. So the fiction grew that "the American way of life" was uniquely proof against foreign ideologies or internal dissatisfaction. But, during the second trial of Mr Alger Hiss, Mr Julian Wadleigh, who had admitted to stealing secret papers from the State Department and giving them to a Communist agent, was asked what Mr Alistair Cooke calls "the most sacred challenge of our day": "Did you believe in the American way of life?" It was something of a shock when he answered: "Substantially I did." The obvious sincerity of Mr Wadleigh, who is described by Mr Cooke as "a walking symbol of the shattered gallantry of the idealistic Left, a fugitive from the ruins of the Popular Front and the classless society," showed that, during the nineteen-thirties, at least, there had been honest men who believed that the American ideal stood a better chance of fulfilment under a Communist state than under Hooverian capitalism.

This discovery, during the Hiss trials, that men and women of American ancestry (as well as many immigrants and children of immigrants) could betray their country because, as Mr Wadleigh said, "I thought I was doing the right thing according to my principles at that time," has led the public and the Congress to concentrate on those who hold mistaken beliefs rather than on those who give aid and comfort to the enemy. Communists, more than traitors, are the present quarry. Communism is an alien philosophy, and

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

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the more picturesque parts of Mr Whittaker Chambers' story—of cells, apparatuses, Russian Colonels and men known only as "Carl"—which had a flavour of foreign intrigue, gave support to the idea that, without continuous renewal from abroad, Communism at home would eventually wither.

*

But there were other parts of Mr Chambers' evidence which should have been studied with more care than the dramatic passages. He said, among other things, that those who were to do active work were not given party cards and it is quite clear that, whatever happened at one time, espionage is now carried out entirely by men and women who neither belong to nor have any contact with the Communist Party. Those who are ordered by their Soviet masters to work their way up to positions of importance in the federal government are, like spies in every other country, unlikely to be found sponsoring subversive organisations (or even mild liberal ones). They have probably joined the local Rotary Club and are busily denouncing those of their neighbours who doubt whether Formosa is America's first line of defence. Such people will not be reached by the McCarran Act which will, as the President said when he vetoed it, "actually weaken our existing internal security measures and would seriously hamper the Federal Bureau of Investigation."

Nor will the Internal Security Act prevent the Russians from using a simpler method of getting what they want than that of infiltrating government departments or setting up conspiratorial cells. And it is a method which fully accords with "the American way of life" (subsection "Freedom of the Press"). The stealing of secret documents is now certainly a dangerous trade for officials; the publication of their contents by newspapers is, on the other hand, a meritorious public service. All the microfilms found in the famous Chambers pumpkin, underrated though their importance may have been, hardly added up to the single document published in the *Chicago Tribune* three days before Pearl Harbour. And the North Koreans would probably have paid a battalion of spies to get the detailed information about the time, place and strength of a coming counter-attack which the United Press sent out during the most desperate days in the beach-head. The Soviet Union would be well advised to place its best agents, in future, on the staffs of anti-Communist newspapers, allowing them to be fed by expendable characters within the government. Transmission of information would, under this system, cease to be a problem; publication would take its place. And the Russian underground would, no doubt, pick up, as well, one or two Pulitzer Prizes for distinguished reporting.

There has been, since the end of the war, a tendency in other countries to think that the United States has become hysterical about its own Communist Party. American opinion, on the other hand, believes that other countries (and the United Kingdom, in particular) have been too lax in their treatment of their own. Both may well be mistaken, because the United States, as Russia's chief antagonist, is logically the main objective of the Soviet Union and the destination of its best agents. The United States seems hysterical because its hurried legislation is designed only to harry amateurs or penitents. So it will remain until there is a thorough understanding that what matters is the amount and quality of the information which is illegally transmitted from Washington to Moscow—not the beliefs of those who transmit it.

American Notes

Raising the Sights

Even before the large-scale intervention of Chinese troops in the Korean war cast a "more ominous shadow over the prospects for world peace," Congress was ready to give the President his supplementary military appropriations quickly and with few questions. The unexpectedly large amount requested, $16.8 billion, is not explained by the Chinese aggression, for the figure had already been fixed, but now the money will evidently be spent more rapidly than was planned. The increasing gravity of the world situation was responsible for the great urgency of the President's accompanying message; as Mr Truman said, the United States must now raise its sights, in terms of both manpower and production. How far and how fast they will have to be raised, no one yet knows; all that is certain is that for the moment they must go up as quickly as possible and that the rise must not be checked by even a temporary shortage of money.

The latest request for funds is therefore intended only to speed the present partial mobilisation and to lay the foundations for a rapid full mobilisation should it become necessary. The new appropriation will in no sense be a war budget, even though it brings the total to be spent on defence in the current fiscal year to three times the amount estimated last January, an amount roughly equal to the $12.4 billion spent during the first four months of the Korean war. More money may well be needed before next July and the services now have high hopes of being given the $50 billion they want in the 1952 budget. The following table shows what partial mobilisation means in terms of men and money:—

	Strength (thousand men)		Appropriations ($ Million)	
	June 30, 1950	June 30, 1951 (projected)	Now requested	Total for 1951 Fiscal Year
Army	593	1,265	9,211	16,461
Air Force	411	651	4,603	13,946
Navy	382	689	2,979	10,749
Marine Corps	74	166		
Department of Defence	...	...	51	684
TOTALS	1,460	2,771	16,844	41,840

In terms of arms these new funds mean an additional $4 billion for tanks, guns, ammunition and vehicles for the Army. The Air Force will have $2 billion, in addition to the $3 billion it has already been allocated this year, for aircraft; in consequence the 70 group goal should be reached by next summer and 85 groups are in view for a year later. The Navy is to speed up work on ships already being built, to convert additional aircraft carriers and to order 18 mine sweepers.

The Atomic Energy Commission's sights are being raised as well; it is to expand its output of fissionable materials and of atomic weapons, at a cost of over $1 billion, as its answer to Russian aggression. Members of Congress will certainly agree that this is the right answer, however much they disagree about the conditions which should govern the use of the bomb. The even more controversial hydrogen bomb has come one stage nearer to actuality, with the announcement that 250,000 acres are being set aside in South Carolina for the plant where tritium and other materials will be made for the bomb by the du Pont Company.

* * *

Mobilising Metals

The shortage of raw materials for defence production was underlined for Americans, as the Prime Minister arrived in Washington, by a new batch of controls on the use of critically scarce metals for civilian purposes. These limitations on copper, zinc and nickel—aluminium and cobalt were already restricted—do not reflect the latest increases in the armament programme, which Mr Truman has just put before Congress; these, and those still to come, will undoubtedly bring more drastic and widespread regulations for civilian industry. But until the Defence Department makes up its mind, or has it made up for it by events, on the degree of mobilisation that is necessary, the National Production Authority has nothing to guide it but guess-work when calling up metals. In such a fluid situation, it will not be surprising if the protests of businessmen and trade unionists are justified to some extent and if shortages of raw materials for civilian products hasten and intensify the industrial dislocation inevitable during the change-over to defence contracts.

NPA is understood to be willing to relax its orders in individual cases of special hardship, and it has already had second thoughts about aluminium. The cut-back in civilian use of this metal is now to come gradually, and not until March will the full limitation be imposed, to 65 per cent of the average employed in the first half of this year, when demand was lower than at present. The complaints of manufacturers may also explain why the latest series of restrictions turned out to be less severe than had been expected, but it may be that NPA barked worse than it intended to bite in the hope of checking price rises. Civilian consumption of copper is being curtailed by from 15 to 20 per cent, zinc by a straight 20 per cent, nickel by 35 per cent.

NPA considers that these limitations are the minimum necessary to ensure that adequate supplies will be available for military production; they apply only to the first quarter of next year. After that industry will really begin to feel the impact of the defence programme, and then much more comprehensive controls on raw materials can hardly be postponed. The copper order brought with it a hint of the next stage in the mobilisation of metals. It was suggested that the use of copper for non-essential purposes may soon be forbidden, in order to ensure that enough will be available for products in which there is no satisfactory substitute for copper.

* * *

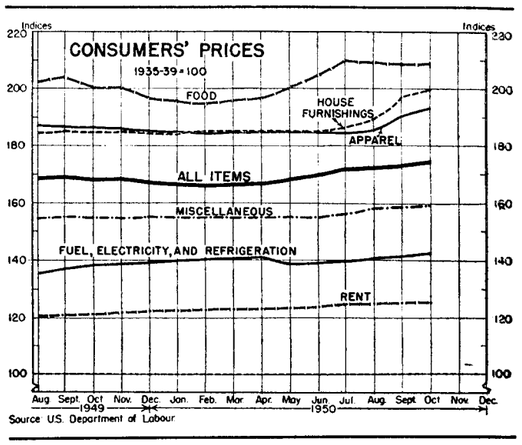
Wages on the Escalator

The steel industry, by agreeing to an 11 per cent increase in wages, ranging from 12½ to 28 cents an hour, has made certain that there will be no repetition of last year's strike at a time when it might endanger national security. At the Government's urgent request, price increases have been confined to an average of $5.50 a ton, the amount by which the rise will increase the cost of making steel, and the industry has agreed to absorb increases in other costs which will amount to nearly as much.

But higher steel prices, however moderate, cannot fail, in time, to push even higher the cost of living, which in October had already reached a new peak. And this in turn will generate more wage demands, despite the steel industry's insistence that its agreement concludes a round of post-war wage increases, rather than initiating a new one. The degree to which prices and wages are fellow-travellers on the same upward escalator was underlined last week by the news that a million workers will automatically receive rises of two or three cents an hour to compensate them for the rise in the consumers' price index over the last three months. This now stands at 178.4 per cent of the 1935-39 average, 31 per cent higher than in 1946 when price controls were still in force. Further increases are expected, and the modernisation of the index now going on, to make it realistic by including the cost of television sets, home permanents, frozen cake mix, and unrestricted rents, will put the employers under pressure to make even larger adjustments. Most of the large automobile firms have accepted cost of living clauses, patterned on the original General Motors formula, and this is helping to increase prices of cars.

The trade unions clearly prefer this method of dealing with higher prices—"built-in inflation" though it be—to the imposition of price controls. This is because the Defence Production Act insists that if price controls are imposed on an industry, wage controls must not be far behind. How far they may lag, and whether cost-of-living clauses are to be exempt from any wage freeze, are two of the headaches in wait for the new Wage Stabilisation Board.

Most businessmen believe that now the steel workers have caught up with the wage procession, there is no excuse for delay in controlling wages. Mr John L. Lewis, whose contracts with the coal owners do not expire until April, would not agree, but Washington, in view of the speed-up in defence production, is resigned to at least some price and wage controls by next spring. After, it is said, some forty rebuffs, the Administration has at last found a man brave—or foolhardy—enough to take on the job of price administrator in Mr Michael DiSalle, the Mayor of Toledo, Ohio. The cast of economic stabilisers is now complete.



* * *

Crime and Punishment

The Kefauver committee investigating organised crime has struck such terror into the underworld that it now has to keep its itinerary secret for fear of finding the birds flown when it arrives in a new city. But the accomplishments of Senator Kefauver, himself a Democrat, are regarded with some sourness by his own party and with enthusiasm only by the Republicans. It is held by a number of Democratic bosses that the ill-timed searchlight he turned on murky corners in the big cities was a factor in a number of Democratic defeats in November.

The outstanding case is that of Senator Lucas, in Illinois. One of the contributory causes of his defeat was the nomination on the same ticket of Police-Captain Gilbert to be sheriff of Cook County, and dispense its $2 million patronage. Captain Gilbert appeared before the committee just before the election, and the man whom Chicago newspapers call the "world's richest cop" conceded that he had accumulated a fortune of $360,000 on a $9,000 salary—he said by shrewd speculation on the markets. Of 187 gang killings during his term of office, he had brought not one murderer to justice. In the scramble to defeat Captain Gilbert, Senator Lucas lost votes in Chicago which he badly needed to compensate for Republican majorities in rural and suburban districts.

Allegations of criminal influence also played an important part in the surprising victory of Mr Impellitteri over the two

machine candidates in New York City. The Acting Mayor made the most of the police scandal which broke almost as soon as he took office. He demonstrated the independence assumed for the election, and added insult to the injury of running at all, by charging that Tammany Hall, the Democratic organisation in Manhattan, was controlled by Mr Frank Costello, ex-convict and reputed overlord of the gambling rackets. Friendly overtures from Tammany have gone unanswered by the new Mayor: his new broom is itching to sweep out the old residents and install his own tenants. Having failed in his first attempt to dislodge Mr DeSapio, the leader of Tammany, a grand jury is now investigating accusations, made during the campaign and since, that hoodlums and gamblers exercise influence over Tammany's appointments.

The jubilation of the Republicans at the amount of dirty Democratic linen being washed in public should be tempered by a realisation that temptations are seldom spread before the party out of power. A Republican regime in Philadelphia has not escaped Senator Kefauver's eye. And the Democrats, if they were honest, might admit that Senator Kefauver will have done their party a good turn, in the long run, if he succeeds in demonstrating that, in politics at least, the toleration of crime does not pay.

* * *

Investment Bankers on Trial

The investment banking business should be an open book to those who have the patience to read the evidence in the anti-trust case against seventeen leading firms and the Investment Bankers Association just opened by the Attorney General. Judge Medina, who not long ago presided at the trial of the eleven Communists, confesses that he comes to the case with no knowledge of investment banking, but with a determination to be educated, at whatever cost in interruptions to the legal talent on both sides. It is certain to be a lengthy and contentious process.

The case has been hanging fire since 1947, when the government first filed its charges. These are that the defendants, among whom are numbered Morgan Stanley and Company, Lehman Brothers, and Kuhn Loeb and Company, have conspired successfully since 1915 to monopolise and restrain the offering of new securities to the public. These seventeen firms are said to have controlled 83 per cent of all new security issues of $1,000,000 or more in the fifteen years from 1922 to 1947; 93 per cent of their business is alleged to have been obtained by participating in syndicates managed by one of their number. The rest of the 4,000 investment banking firms had to be content with a meagre 17 per cent of the pickings.

The practices which, it is complained, were used to perpetuate the monopoly included agreements to recognise that a banker who had supervised a company's financing at one time had a traditional right to supervise it for ever after, and that firms which had taken part in a syndicate had established rights to similar shares in future flotations. Shopping around for better terms was frowned upon. Competitors were frozen out, or their acquiescence obtained by admitting them into syndicates, with the result that the companies were deprived of the benefits of competitive bidding. The prosecution cited in particular an agreement in 1941 and 1942 with institutional investors, who were to withhold bids for new issues in return for a promise that they would receive at least half the securities involved.

The defendants, who have not yet had their day in court, will urge that this agreement was undertaken with the approval of the State Superintendent of Insurance and was designed to reserve some share for the smaller insurance companies. On the broader charge, they will deny the existence of any conspiracy, and will plead that the practices complained of are standard in the industry. This is an argument, however, which did not avail the cement industry when the Supreme Court ruled against its basing-point pricing. Self-defence might be a more effective plea: it is well known that increasingly the larger industrial companies rely on their own retained profits for financing and, according to the bankers, insurance companies and other institutions have taken more than half the new industrial securities in the past six years. These, however, are relatively recent developments.

* * *

Charity at Home

To those in foreign countries who have been at the receiving end of the cornucopia filled by private American charity, it comes as a surprise to learn that in recent years only one per cent of such charity has gone to foreign relief. The figure would be higher if the sums contributed indirectly through religious bodies were included, and higher yet if allowance were made for gifts sent to personal friends and acquaintances. Furthermore, the "statistically-average family"—two parents and two children, with a gross income of $5,004 a year—contributed $120 to the Marshall plan in 1949 alone, in the form of taxes. In that family, charity nevertheless begins at home, for it spent $111 on tobacco in the same year, and $218 on alcoholic beverages, while only $97, less than two per cent of its income, went to help others.

According to the comprehensive report on philanthropy since 1929, just published by the Russell Sage Foundation, families with annual incomes below $5,000 nevertheless contributed some 80 per cent of the amount given to charity by individuals. This is explained by the large number of families in the low income group but, when judged by percentage of income, the poor give as much as do the rich, with the exception of a few outstandingly large contributors, and more than do those in the middle income groups. Individual gifts make up 74 per cent of total philanthropic income, interest on capital 14 per cent, bequests and gifts from charitable foundations 7 per cent, and contributions from corporations only 5 per cent. These corporate gifts are usually made during the annual and much-publicised collections organised by the Community Chests to help groups of local charities. In 1945 business contributions to charity reached a peak of $266 million, but have declined now that there is no longer an excess profits tax collector, in whose eyes charity covered a multitude of profits.

The total amount given to charitable organisations to which contributions are deductible for purposes of taxation stood at $4 billion in 1949. It had more than tripled in twenty years, although the increase was of course much smaller in terms of the purchasing power of the charitable dollar. Half of this money goes to religious agencies, which are responsible for many types of benevolent institution. Health and welfare agencies were given 15 per cent, higher education 8 per cent, and "charity rackets" got away with 3 per cent.

Shorter Note

"Dollar-a-year" men are returning to Washington, even though President Truman disapproves of people working for the government for nothing and continuing to draw remuneration from their former employers. He feels that in an emergency such highly qualified men should be ready to work at the much lower federal rates of pay. But the present defence programme looks comparatively permanent and it has proved practically impossible to find competent men who are prepared to take responsible government jobs at government salaries. Mr Truman has therefore agreed that they should be allowed to work without compensation, when there is no other way of obtaining men of the necessary experience and ability.



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RESOURCES

Cash and Due from Banks		$619,939,730.28
U.S. Government Securities		864,942,693.71
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State and Municipal Bonds		44,971,121.05
Stock of Federal Reserve Bank		3,150,000.00
Other Securities		21,256,503.17
Loans, Bills Purchased and Bankers' Acceptances		662,977,763.90
Mortgages		13,177,083.13
Banking Houses		10,907,217.39
Other Real Estate Equities		262,630.16
Customers' Liability for Acceptances		8,213,366.90
Accrued Interest and Other Resources		5,769,125.21
		$2,320,044,594.77

LIABILITIES

Capital	$45,000,000.00	
Surplus	60,000,000.00	
Undivided Profits	36,452,371.76	
		$141,452,371.76
Reserves for Taxes, Unearned Discount, Interest, etc.		15,224,912.79
Dividend Payable October 16, 1950		1,350,000.00
Outstanding Acceptances		9,191,379.24
Liability as Endorser on Acceptances and Foreign Bills		2,871,225.19
Cash Held as Collateral or In Escrow		14,044,545.10
Deposits		2,135,910,160.69
		$2,320,044,594.77

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THE WORLD OVERSEAS

Revolutionary Policy in Asia

(By a Correspondent)

IN the recent foreign affairs debate in the House of Commons the Foreign Secretary declared that he did not pretend to know what were Chinese "motives or intentions" in their intervention in Korea. As the Minister is supposed to keep himself informed of the policies of foreign states, he showed a curious vagueness, and even bewilderment, in speaking about the actions of Communist China. Yet, as an old trade-unionist, Mr Bevin might be expected to have taken an interest in the so-called "Conference of Asian and Australasian trade unions," which was held a year ago in Peking as a regional conference of the World Federation of Trade Unions. At that conference—which immediately followed Chinese celebrations of the 32nd anniversary of the Russian October Revolution—certain leading Chinese Communists made their intentions crystal clear, and recent events in the Far East take on an added significance in the light of their speeches.

The conference was attended by 117 delegates from 13 countries—the Soviet Union, China, Mongolia, Korea, India, Vietnam, Burma, Siam, Indonesia, Ceylon, the Philippines, Malaya and Persia. It was also attended by M. Louis Saillant as General Secretary of the WFTU and by such Communist specialists in international trade-unionism as Toledano, Le Leap, Pena, Zupka and Blokziil. The official trade union organisations of Australia and New Zealand refused to send delegates, but Mr E. V. Elliott attended as representative of the Communist-controlled Australian Seamen's Union. The conference had nothing to do with what western countries usually understand as trade union affairs; it was essentially a Communist political gathering, and much of its time was taken up—even in the public meetings, and much more in committees behind the scenes—with discussion of international revolutionary action. Indeed, it was obvious from the start to discerning observers that the conference, and the permanent liaison bureau which it set up, were intended to provide an Asian counterpart to the Cominform in Europe. The reason why the WFTU was used for this purpose in November, 1949, whereas it had not been so used at the time of the creation of the Cominform—an overtly Communist political organisation—was that in the meantime the British TUC, the American CIO and other democratic trade union groups had withdrawn from the WFTU.

This body had from the outset been designed by the Soviet Government and the Communist leadership in the French trade unions as an instrument of international Communist propaganda and intrigue; and it was the pro-Communist activities of its packed secretariat which finally compelled the British and American unions to leave it. But, as long as the latter remained within it, it could not simply be used for the old Comintern functions of co-ordinating the policies of Communist parties in various countries; so the Cominform had to be set up as a separate organisation. Only after the non-Communist elements had withdrawn from the WFTU could it be used without obstruction as a new Comintern. This stage had been reached by the time of the Peking Conference in the autumn of 1949, and there was no serious attempt to conceal the exclusively Communist character of the occasion. Nevertheless the WFTU, as a substitute for the old Comintern, had, and has, the advantage that it can be used to control workers who give no direct allegiance to any Communist party.

The holding of the conference for the Asian and Australasian unions in Peking was a gesture of tribute to the victorious Chinese Communists and also of appeal to the peoples of Asia on a pan-Asian basis. However, the non-Asian element was by no means absent; Saillant and three Russian delegates, Soloviev, Yakovlev and Rostovsky, played an extremely important part at the conference. The Chinese end of the business was in charge of Liu Shao-chi, and it was from him that the delegates heard the most authoritative exposition of Marxist-Leninist doctrine in its application to the current situation in Asia. Liu declared that—

> the Chinese people's revolution against imperialism and feudalism was the direct continuation of the October Revolution. Stalin had said that the October Revolution constituted the first stage in world revolution, for the further expansion of which it provided a strong base. . . . The Chinese revolution greatly strengthened and expanded the base for developing world revolution. . . . The revolution would grow at an unprecedented rate; as Molotov had said, the world was now in an age in which all roads led to Communism. . . . The dying reactionaries and imperialists were in utter panic. . . . They were all "paper tigers" who could and should be struck down, as they had been long ago in the Soviet Union, later in the new democracies [of Eastern Europe] and now in China; they would be struck down in other countries too, if only the people in those countries would unite together to fight resolutely against them instead of believing in their deceptions and threats.

Liu Shao-chi and other speakers stressed the importance of forming "national liberation armies" on the Chinese model wherever possible, to fight against the "imperialists" and their "lackeys" (in which category were placed the governments of India, Burma, Indonesia, the Philippines and South Korea). It was emphasised that revolution could not be achieved except by force, and that Chinese Communism had been successful because the Chinese working class had been "untainted by traditions of social democracy." China followed "the political line of internally carrying out the people's democratic dictatorship under the leadership of the working class and internationally uniting with the Soviet Union and the revolutionary peoples of the world." The manifesto adopted by the conference read in part as follows:

> The Conference calls on the workers and all the oppressed peoples of Asia to resist with determination the armed offensive of the colonialists. . . . Working men and women who still suffer under the persecution and violence of imperialism! Thanks to the victorious struggles of national liberation, and particularly the great victory of the Chinese people, the national liberation movements will inevitably develop still further in a number of Asian countries. . . .

The record of Communist strategy and activity in Asia since this meeting just over a year ago has shown that the speeches made on that occasion still provide valuable pointers to the mood and intentions of the Party in China and elsewhere. In the absence of direct information from Peking they should receive more attention than they have.

Constitution Making in Pakistan

[FROM OUR KARACHI CORRESPONDENT]

QUICK-FIRE legislation has become the order of the day in Pakistan, and Karachi's hard working officials seem prepared to produce, at a moment's notice, Bills covering anything from preservation of ancient monuments to punishment for sending indecent telephone calls. Prolonged deliberation, on the other hand, has attended the framing of the constitution. The first big step was taken in March, 1949, when the Constituent Assembly passed the "objectives resolution," which established Pakistan's future character as an Islamic—but not theocratic—state. Committees set up for the purpose have now produced interim reports on fundamental rights and basic principles, and these reports have been debated in a recent session of the Assembly.

The fundamental rights report has been adopted. The big question was whether the Hindus, and other minority communities in Pakistan, could ever feel themselves at home in a state whose ideology was based on principles of Islamic democracy and Islamic social justice; no one could quarrel with the idea of a state wedded to the idea of democracy and social justice, but what exactly was the effect of the religious qualification? A partial answer to these questions was provided by the debate, at the conclusion of which the spokesman of the Hindus from East Pakistan—who form the official opposition party—announced, amid cheers, that the minorities had now nothing to fear in Pakistan. The Prime Minister chimed in with the claim that the minorities were as safe in a godly state as they would be unsafe in a godless state.

Eleven Million Hindus

All this is satisfactory as far as it goes, but mere guarantees of safety or absence of fear are not enough. The 11 million Hindus will not really feel at home, unless they get the sense of really belonging to Pakistan, and being as good Pakistanis as their Moslem brethren. Whether this happy conclusion can ever be reached depends partly on the Hindus themselves, and partly on the spirit with which the admirable provisions of the fundamental rights report are worked in practice by Pakistani officialdom—especially at its lower levels—and the Muslim public.

All citizens are to be equal before law, and no persons are to be deprived of life or liberty save in accordance with law (though the right of habeas corpus can be suspended by the government in case of grave emergency). All forms of forced labour are declared unlawful, and so is the practice of untouchability. The right to profess and practise any religion is guaranteed, subject to public order and morality, and every citizen is assured of freedom of speech, freedom of association, etc. It only remains for this charter of individual liberties to be implemented in the spirit as well as according to the letter of the constitution. The comparatively few opponents of the present government profess to be extremely sceptical on this point.

The report of the basic principles committee met with a very poor reception, particularly in East Pakistan, where some organs of the press had been describing it as undemocratic, un-Islamic and fascist. Even the Provincial Moslem League appears to share in the dissatisfaction, and some of the office bearers have publicly denounced the committee's proposals. Briefly, these are that the state should consist of a federation of the provinces and acceding states. The executive power of the federation is to vest in the head of the state, who is to be elected by a joint session of both Houses of the central legislature. The legislature is to be bicameral: the upper house will be called the "house of units," and will represent the legislatures of the units of the Federation; while the lower house will consist of members directly elected by the people and will be styled the "house of the people."

From the earliest days of Pakistan, the Eastern Province has always tended to smart under a sense of neglect, and a feeling that Karachi, and Western Pakistan generally, would like to treat it as an outlying colony. What the East Bengalis now particularly resent is the recommendation in the report that the several provinces, including backward Baluchistan, are to have equal representation in the upper house. This is considered to be a device intended to deprive the East Pakistan representatives of the majority to which they would normally be entitled in the legislature, as a whole, having regard to the fact that their province holds 58 per cent of the population of Pakistan. The committee's recommendation that Urdu should be the national language of the state is also naturally unpalatable to East Pakistan, which has long urged that Bengali should be given equal status. These and other objections have been put forward so vociferously that the government has decided to defer further consideration of the basic principles report until early in 1951, in order to give those interested full opportunity to offer suggestions on the subject.

The East Pakistan view, broadly, is that the proper solution for a country of Pakistan's peculiar geographical structure would lie in the setting up of a federation of two provinces, and two only, East and West Pakistan. The powers of the federal centre would be limited to defence, foreign policy and currency. Most observers would support this scheme up to a point, but not all the way. They would not care to see the centre unduly weakened, but would be happy to see the provinces of Western Pakistan integrated, in the interests of economy and efficiency. The North West Frontier Province, the Punjab and Sind put together contain fewer districts than pre-partition Punjab; and they are individually too small to support top-heavy legislatures which merely become breeding grounds of squabbles and jealousies.

France's Non-Partisan Party

[FROM OUR PARIS CORRESPONDENT]

NOBODY quite knows whether the French general election will be held next spring, next autumn or next summer. Climatic reasons and the unwillingness of any party to step victorious from the hustings straight into the monumental budget of 1952 may tell in favour of the spring. But other events may have an opposite influence.

New parties are rather rare in the world nowadays. The electoral *début* of General de Gaulle's *Rassemblement du Peuple Français* is therefore an interesting West European phenomenon. Its statute describes its aim as to

> rally those Frenchmen and French women who, under the inspiration of the French resistance, wish to unite in order to promote and sustain the effort of national renovation and those reforms which should enable the Republican State to lead the Nation.

Associated with General de Gaulle in the RPF's *Conseil de Direction* are a number of members of *La France Combattante*, the name given by the General during the war to all those who continued the struggle after the armistice. These *compagnons* include M. Jacques Soustelle, Secretary-General; M. André Malraux (Propaganda); M. Gaston Palewski (foreign affairs); M. Louis Vallon (labour and social action); and General Billotte (Defence). In the National Assembly that was elected in 1946 there has grown up a small Gaullist "inter-group" traversing the Radical and Right parties. At the head of this is M. René Capitant (Radical) who succeeded M. Giacobbi, author of the much-debated project for electoral reform, who resigned early this year. Outside Parliament the RPF contains former Communists, Socialists and MRP (Centre Catholic) as well as

Radicals and Right. The *Rassemblement* functions through all the normal organs of a political party. In addition the General has assiduously addressed *militants* and influential *sympathisants* at private meetings in country houses all over France.

Where lies the strength of the RPF? It made its first appearance at the municipal elections of 1947, and had a definite success in the larger towns. The *Rassemblement* now controls the municipalities of Paris, Marseilles, Bordeaux, Lille, Strasbourg, Metz, Nancy, Besançon, Saint-Etienne, Brest, Le Mans, Algiers. Similarly, it made its mark in the elections to the Council of the Republic (Senate), in which there votes a college delegated by the communes, and also in the cantonal elections (county councils). On one authoritative estimate the RPF has a good chance of winning a general election in 20 departments holding 100 seats in the Assembly—all but three north of the Loire.

In the measure that it is not Communist, Paris also tends towards Gaullism. In another 25 departments (200 seats) the RPF has again a strong following. It is weakest in the hills and valleys of the south centre where, if Communism does not reign, there is a general distaste for national politics of any colour, deputies being held down to less theoretical matters such as cheese, pigs and wine. Gaullist deputies are not likely to be elected in urban constituencies suffering from grave economic hardship. For often these areas send Communists to Paris to vote for more houses and less guns although, in the local elections, they may vote for non-Communist personalities who know the ins and outs of local problems. It appears that the *Rassemblement*, in spite of the unconservative and unconventional character of its leaders, has gained ground at the expense of the Radicals and of the Right rather than of the other parties.

Can De Gaulle Gain Power?

The crucial questions in regard to the election of 1951 are: Is pure proportional representation to be abandoned? If so, which parties will win the seats which the Communists, MRP and perhaps Socialists are expected thereby to lose? In the opinion of most, the worst possible outcome would be a vote under the proportional system that returned the Communists with their present 180 seats, and at the same time elected 150 to 170 Gaullists. For in that event no Third Force coalition would be possible. Nor, on the other hand, would the RPF be likely to muster a coalition of its own. It is argued further that, even if Gaullists, Radicals and others could collect 320 votes in parliament, opposition in the country would be too strong to permit of the forceful government that the General, as Prime Minister, would certainly demand.

All this, however, is sheer speculation. In any case, much depends on the international problems that haunt the existence of Western Europe. Hitherto the question of defence has never assumed tragic proportions. The grave statement issued by General de Gaulle in the holiday season made no deep impression. It is true that eighteen months' military service has been willingly accepted, save by the Communists; but the comings and goings of MM. Moch and Petsche between Paris and Washington in the autumn evoked no sense of overwhelming urgency. At his meeting in the *Vélodrome d'Hiver* at the end of October, which was attended by 20,000 people, de Gaulle appealed especially to the national indignation at the reverses in Indochina, demanding immediate reinforcements and vigorous action. This appeal has scarcely reverberated in the country at large. There is, indeed, much anxiety about Indochina—more and more families have dead—but the national will still seems to hesitate between the General's refusal to "internationalise" the problem and an admission of the need for American help. In any case, it is improbable that de Gaulle will be able to precipitate an election on the matter of defence, whether Indochinese or European.

Is the RPF condemned to impotence unless the conditions of 1940 are repeated? De Gaulle concluded his address by saying that if ever a disaster fell upon France, Frenchmen should know that the *Rassemblement* offered an "alternative government." Such a course would be in the logic of such an event. But if the peace is kept, the RPF must stand as an ordinary party with a philosophy and a programme. It is, indeed, not at all clear what the RPF's "effort of national renovation" concretely represents in the minds of its leaders. For in the expression of his *mystique* the General is freer with his negatives than his positives. He declares that France must have a large, first-class army and that *les partis* are incapable of giving it one. This is probably true. It is also probably the case that the parties, for the reason of their very existence, cannot agree upon any national policy which imposes drastic sacrifices upon the whole electorate or part of it. (Housing is a conspicuous instance of the government's failure.) The best hope would seem to be the emergence from the elections of a coalition in which the Gaullists could, without arrogance, exert their influence to create a more efficient regime. The "all or nothing" attitude, which monopolises patriotism and despises the parties, is unlikely to pay electoral dividends. The Cross of Lorraine must not be made too hard for non-crusaders to bear.

The Danger in Nepal

[FROM A SPECIAL CORRESPONDENT]

If the latest Chinese intervention is to be interpreted as part of a planned design of world Communist aggression, calculation of opportunity in Nepal may depend upon whether or not India now takes a realistic view of events there. It is therefore desirable to set forth the fairly startling facts about the King's activities and his deposition. King Tribhuvana, whose ancestors have for some time past in history been enfeebled and deprived of any constitutional role, except as symbols incarnating the god, Vishnu, was first believed to be implicated in the anti-Rana revolution of 1940. But after inquiries had been completed in 1942, Maharaja Joodha, the then Prime Minister—that is, eldest legitimate member of the Rana family—accepted the view that he was innocent, notwithstanding sustained depositions to the contrary. The King then sought to leave Nepal on the grounds that he needed a cure for thrombosis; but Colonel Denham White, a well-known member of the Indian Medical Service, decided that his condition was not in any way serious. Later, following an "incognito" visit to Calcutta, the first he had made outside his country, the King desired to abdicate, but was prevailed upon by the Maharaja—the Prime Minister—to remain until the Crown Prince was older.

After a second visit to Calcutta the King again wished to abdicate and live in India. Maharaja Mohun, the present Prime Minister, while not objecting to abdication if the King would remain in Nepal or anywhere other than India, refused to consent. When a second revolt against the Ranas took place in September of this year, the King was considered to be its sponsor, and it was obvious, even apart from admissions then made by those involved, that a further attempt was being prepared. The Nepalese Government accordingly warned Delhi of an expected invasion by the Nepalese National Congress (NNC) through the Indian Ambassador at Katmandu, who was also personally influential and associated with the NNC and with the two exiled members of the Rana family supporting it. During this period, *Blitz*, a Communist-like journal, published in Bombay, was openly promising the support of the King and of the Indian Congress for the projected invasion; since that invasion took place, it has revealed the whole plan of campaign in remarkable tactical detail.

When this revolt was put down, the King again sought to leave Nepal for medical treatment. It was after this final refusal to permit him to live in India that he escaped to the Indian Embassy, taking his three sons and his eldest grandson, and leaving the two younger children at the palace. While at the Embassy he refused to see the Prime Minister or any of his delegates. Only when the Indian Ambassador offered a peaceful settlement if the King were allowed to fly to India, did the Nepalese Government, more shrewdly interpreting the small effect which the King would now have upon the situation, agree and decide to place the King's elder remaining grandson upon the throne. There could hardly have been an alternative to this action in view of the King's complicity with the Nepalese National Congress through the apparent agency of the Indian Embassy. The invasion itself, seeking to import "democracy" in a foreign interest and to exploit the difficulties of the King to secure a change of constitution, began from some nine points along the border. It was aided by adventurers of the type which fomented the terrible Sikh slaughter of Muslims in the Punjab in 1947, and who were involved in the invasions of Kashmir in 1947 and 1948.

Does London Wait on Delhi?

Nepal is now deeply perturbed, in view of the past loyalty to Britain and to the sub-continent shown by large and heroic contributions of men and money in two world wars, over British delay and London's seeming attendance upon Delhi in the matter of recognising the new King. This loyalty has been entirely due to the Ranas, whatever their motives and however interpreted by different British emissaries; and therefore it is unfortunate that much British reporting of events from India has been unduly coloured against them. The most authoritative view—of the very few persons, past and present, who can really judge—is that during 104 years of rule by the Ranas, they have made considerable advances. They have abolished slavery, *suti* and a savage penal code, and have replaced them with a fairly modern administration and code, also developing roads, hospitals, electrification and education—the latter even in outlying towns. Their rule has varied from the savage to the resolute; but progress has been sustained and it is amazing that such a steady advance on so broad a front has been made in such conditions.

If firm measures were now to be taken in India to prevent efforts to twist every progressive move to particular ends, the sincerity of the Ranas in helping democratic development could be fairly tested. Unfortunately, Pandit Nehru has been misled—as he now perhaps knows—regarding the desire for change in Nepal itself; and neither doctrinaire sponsoring of the ex-King, nor intransigent effort to foist the NNC on a country to which they are now alien, can lead to anything but chaos.

Should India Buy Food?

It now looks as if the amount of food lost this year in India through natural calamities—drought, floods and cyclones—may amount to 6,000,000 tons. This is about twice the normal loss, and Delhi faces a very severe problem in its import policy. On the one hand, there are those who point out that, even without any loss from natural causes, Indian food production is about 10 per cent below minimum needs; therefore an annual import programme of at least 4,000,000 tons is a necessity—since there is little chance of the grow-more-food campaign succeeding sufficiently to bridge this gap in the immediate future. On the other hand, there are the more ruthless realists who claim, with much justification, that unless food imports are restricted, it will never be possible to devote sufficient foreign exchange to buying the capital goods essential to any serious attempt to raise the Indian standard of living.

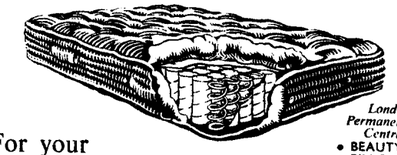
For the Congress Party this is a frightening political dilemma. The present government leaders need at least to hold out prospects of better conditions, if they are to counter Communism; and the Colombo Plan offers them a great opportunity of doing so by turning the spiral of Indian production upward. Yet the temptation to cut food is dangerous. And it is by no means proven either that the shortage of food will galvanise cultivators to grow more—indeed, as prices rise, they tend to grow less—or that a switch to cash crops will be practicable. It is argued that cotton prices are three times those of food, and that increased exports of cotton could be used to buy more food. But it would be most unwise for India to rely more heavily than at present on food being available abroad, even if the funds are available for it. There seems, in fact, little alternative for Delhi to the policy it is at present pursuing—of restricting food imports and trying to encourage production at home.

Boom Conditions in Belgium

[FROM OUR BELGIAN CORRESPONDENT]

The Belgian economy is now feeling the effects of the new world economic conditions brought about by the Korean war. According to the provisional index the volume of industrial production reached an all-time peak in October at 140 per cent of the 1936-38 level. The basic coal and steel industries have not passed the exceptional levels reached at the beginning of 1949, but the textile industry is experiencing a rate of production higher than in the spring of that year. This rapid increase in industrial activity, however, is not a direct effect of rearmament, since the North Atlantic Treaty

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Organisation (Nato) has not yet fulfilled Belgium's hopes of becoming one of the chief arsenals of the western camp. The Nato "task forces"—or inquiry teams—which have recently been visiting Belgium have concluded that it would be possible to produce there large quantities of military supplies, such as small arms and Bailey bridges. That is as far as matters have got; Nato has neither placed any orders with Belgian industry nor settled the important question of how these orders are to be paid for. There have, in fact, been only a few orders made directly by the Belgian, French and British Armies to the textile industry, and some orders linked directly with the operations in Korea.

The origin of the present boom must therefore be found in the preoccupation of every industrialist and merchant with rebuilding the stocks which were depleted as a result of the massive purchases of July to September. This movement was accelerated here by the coincidence of international and national difficulties, occurring at a time when the tendency of prices in Belgium to go down still prevailed.

A first result of the improvement in production has been a rapid decline in the unemployment figures, which dropped from about 300,000 at the beginning of the year, and 260,000 in November, 1949, to approximately 175,000 in November, 1950. In fact a labour shortage is being increasingly felt in many industries, and particularly in the coal mines. Despite the restrictive policy of the trade unions an agreement has recently been reached allowing one thousand Italian mine workers to return to Belgium. If the peculiarities of Belgian unemployment statistics, and the age distribution of the unemployed, are taken into account, there does not seem to be much manpower left with which to increase industrial production although the unemployment figures are likely to go up again in the winter months.

There is no Belgian legislation concerning labour allocation and reliance must therefore be placed on economic incentives as the only means of inspiring a proper distribution of labour. Another difficulty lies in the fact that the coal, steel and metal engineering industries, which are likely to benefit most from a development of military production, are largely situated in the Walloon part of Belgium where unemployment has been very low for years.

Foreign Trade Deficit

The rapid change in the economic outlook since June has brought, as is usual in Belgium, profound changes in the balance of foreign trade. The Belgian trade balance is ordinarily positive at the very beginning of a recession as was the case for example in the spring of 1949. At the start of an upturn the replenishing of stocks results in a severe unbalance of trade. Accordingly since July deficits have been recorded which reached 3,600 million francs in September and 2,700 million in October as against an average of 1,600 million in 1949. This is partly due to the social and political troubles in industry and the ports during the summer and partly also to the quick reaction of Belgian consumers and importers to increasing prices and demand. This trade deficit is reflected in relations with the European Payments Union (EPU). Belgium has been a debtor for the last few months, instead of a creditor as had been expected.

The gold and foreign currency reserves at the National Bank between June and November decreased by 8,000 million francs. This decline has affected the amount of credit extended by banks, and has provoked some restrictive measures by the Central Bank, such as the increase of the rate of discount to 3.75 per cent in October, new regulations on the import of Belgian notes and the restriction of consumer credit. The prospects for the future of the trade balance are much better, since exports are rising again. In October they reached the record figure of 7,700 million francs as against an average of 6,650 million in 1949.

Prices have recently been rising rapidly even at the retail level. Since June the official retail price index has risen by approximately 7 per cent up to 395 in October. This fact, together with increasing employment, has produced large demands for wage increases, which have been partly satisfied since the summer.

In order to prevent the inflationary spiral of wages and prices, an agreement was reached on October 23rd between the organisations of employers and the trade unions, which stipulated that the producers and the Government should take measures to ensure a 5 per cent decrease in retail prices by December 10th, wherever there has been an increase since July. Even if this experiment succeeds, the worker will receive a cost of living allowance compensating him for the higher prices paid during September, October, and November. If this attempt fails wages will be increased retroactively to October 1st, according to the rate of increase registered on the official retail price index.

The Government has launched, with the collaboration of the employer organisations, a campaign for lower prices. The price adjustments achieved so far range from 3 to 10 per cent and are the result of sacrifices by producers and traders and of fiscal adjustments. The retail price index for November has already decreased to 388 from 395 in October.

Revival of New Zealand Labour Party

[FROM OUR NEW ZEALAND CORRESPONDENT]

JUST a year after its defeat in the Parliamentary elections, after 14 years of office, the New Zealand Labour Party is trying to take heart of grace from the results of the triennial municipal elections held in mid-November. Labour made substantial gains, but these have to be set against the virtual "black-out" of the party at the municipal elections in 1947 when the party failed to gain one seat on the city councils in Auckland, Wellington and Dunedin. Only Christchurch of New Zealand's four main centres gave Labour any success; there, 5 seats out of 19 were won.

This year it is Christchurch, which for many years had a radical reputation in local politics, which has again given Labour its greatest encouragement. Christchurch alone of the four centres voted in a Labour mayor (the councils do not elect the mayors in New Zealand) and Labour also won 12 of the 19 seats on the city council. Labour mayoral candidates were defeated in Auckland, Wellington and Dunedin. But the margin of Labour's failure in Dunedin was unexpectedly slender, and Labour won 6 of the 12 council seats. In Auckland Labour won 3 seats out of 21 and in Wellington 6 out of 15. But in the populous Wellington "dormitory" suburb of Lower Hut the entire Labour ticket of 12 candidates was elected.

Anti-Labour candidates in the municipal elections are sponsored by a series of organisations with local autonomy, known as Citizens' Associations. The National party, the rival of the Labour party in the parliamentary field, takes no official part in municipal politics. But the Labour party, which uses the same organisation to fight both parliamentary and municipal elections, argues that the distinction between the National party and the Citizens' Associations is more nominal than real.

Hence Mr Walter Nash, acting leader of the Parliamentary Labour party during the grave illness of the leader, Mr Peter Fraser, was quick to comment on the results of the municipal voting as "the conscious, determined expression of the resentment of the electors against the most grave breach of election promises recorded in the history of New Zealand."

Mr Nash may have overstated his case because the connection between Parliamentary and municipal voting is not very close. In Dunedin, in recent years, for instance, all parliamentary seats were held by Labour, while all city council seats

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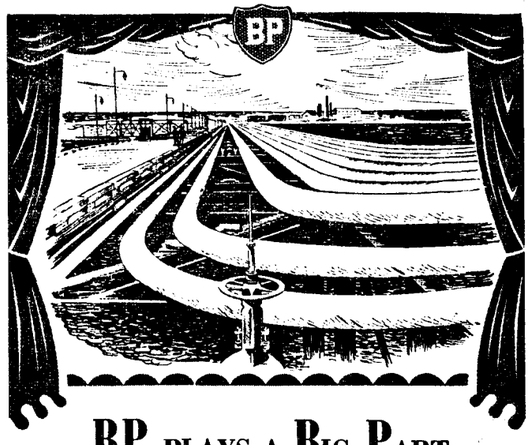
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were held by non-Labour candidates. Further, municipal voting is much lighter than parliamentary voting.

Nevertheless the Prime Minister, Mr Holland, who has candidly admitted his inability to redeem his chief election promise—"to make the pound go further"—must regard the municipal voting with some misgiving, although his government is secure for two more years. The *New Zealand Herald*, which is published in Auckland, the area whose support put Mr Holland's party into office a year ago, adopts the role of elder brother in giving Mr Holland a little advice. "The Government cannot afford to disregard the latest municipal polling," it says. "Defeated nationally, Labour is nevertheless working for its own revival."

The first parliamentary session with the Holland Ministry in control ended on December 1st. A near-record in Bills passed is being claimed, but many of them are of trifling importance. There is no doubt that the country is becoming increasingly critical of the new administration. And Mr Holland and his followers will need to tackle problems like the cost of living and the burden of taxation with considerable resolution in the next year or so to hold the ground they gained at the polls last year.

Swiss Struggle Over Taxes

[BY A CORRESPONDENT]

IT is one of the strangest paradoxes that so prosperous a country as Switzerland has been struggling without success, ever since the end of the last war, to cover its ordinary expenses by legal means—in other words, to evolve a fiscal system which shall no longer be unconstitutional. Perhaps it is because of their prosperity that the Swiss are finding it so difficult to accept the necessity of an income tax levied by a central authority, in their case the Confederation. In any case, to ask a sovereign people by referendum whether it agrees to apparently fresh taxation rather invites a negative answer.

For the last two years there has been a disquieting tendency to vote "agin the Government" at all costs, democratically elected though it be. It has been branded—not without considerable justification—as arbitrary, as extravagant, as bureaucratic. This state of the popular mind led to the "No" vote on September 11, 1949, which sharply curtailed the power of the government to levy taxes by emergency decree. But the red herring—though again the argument was not entirely irrelevant—was the cry which came from the French-speaking Swiss that the federal income tax was a violation of the rights of the Cantons. In order to placate them, and also at the behest of many of the richer industrialists in the country, a plan was worked out by which 70 million francs per annum were in future to be provided as Cantonal quotas (*Kontingenten*) to the *Bund*, which was itself only to levy direct taxes on corporations. Since something like 700 million francs revenue had to be replaced this project was inadequate; moreover, it involved endless difficulties as to the allotment of the contributions of the Cantons which would in their turn be forced to raise more income tax. The trade unions and co-operatives came out strongly against the plan, which was rejected by 486,506 votes and 16 Cantons against 267,540 votes and 6 Cantons in the referendum of June 4, 1950.

This meant that the provisional financial order voted on December 21, 1949, would lapse at the end of this month, with no legitimate way open of raising nearly half the federal revenue—unless some other plan were accepted by the Swiss people in the meantime. A programme was now drawn up by which the federal taxes levied for the last ten years by special powers were to be legitimised, though more low incomes were to be freed from the income tax, and the sales tax was no longer to affect food; a further 400 million francs were to be put aside for social relief in emergencies. This plan, if accepted, was to function from 1951 to 1954 inclusive. The referendum upon it was fixed for last Sunday, December 3rd.

The opposition was not inconsiderable. It was strong again in the Canton de Vaud. It was backed in Zurich by the Migros chain-store chief, Herr Duttweiler, who has a certain flair for fascinating housewives—though Switzerland is one of the few countries where they do not themselves vote. The opposition declared that it was absurd for the others to say that the Treasury would be empty, since trade is booming and the *Bund* growing rich on customs duties—and it would be easy enough to borrow. The government and its supporters answered that this was no moment for foolhardiness. The new five-year rearmament programme which is to cost 1,400 million francs (to be raised outside the ordinary budget) will involve more than enough borrowing. It is thought that the increasing international tension was the decisive factor and defeated the desire to vote with the opposition. In fact 516,757 people voted Yes and 227,329 against, there being hostile majorities only in the Cantons of Geneva and Vaud. Direct democracy has thus saved its reputation, even though only 53 per cent of the electorate voted.

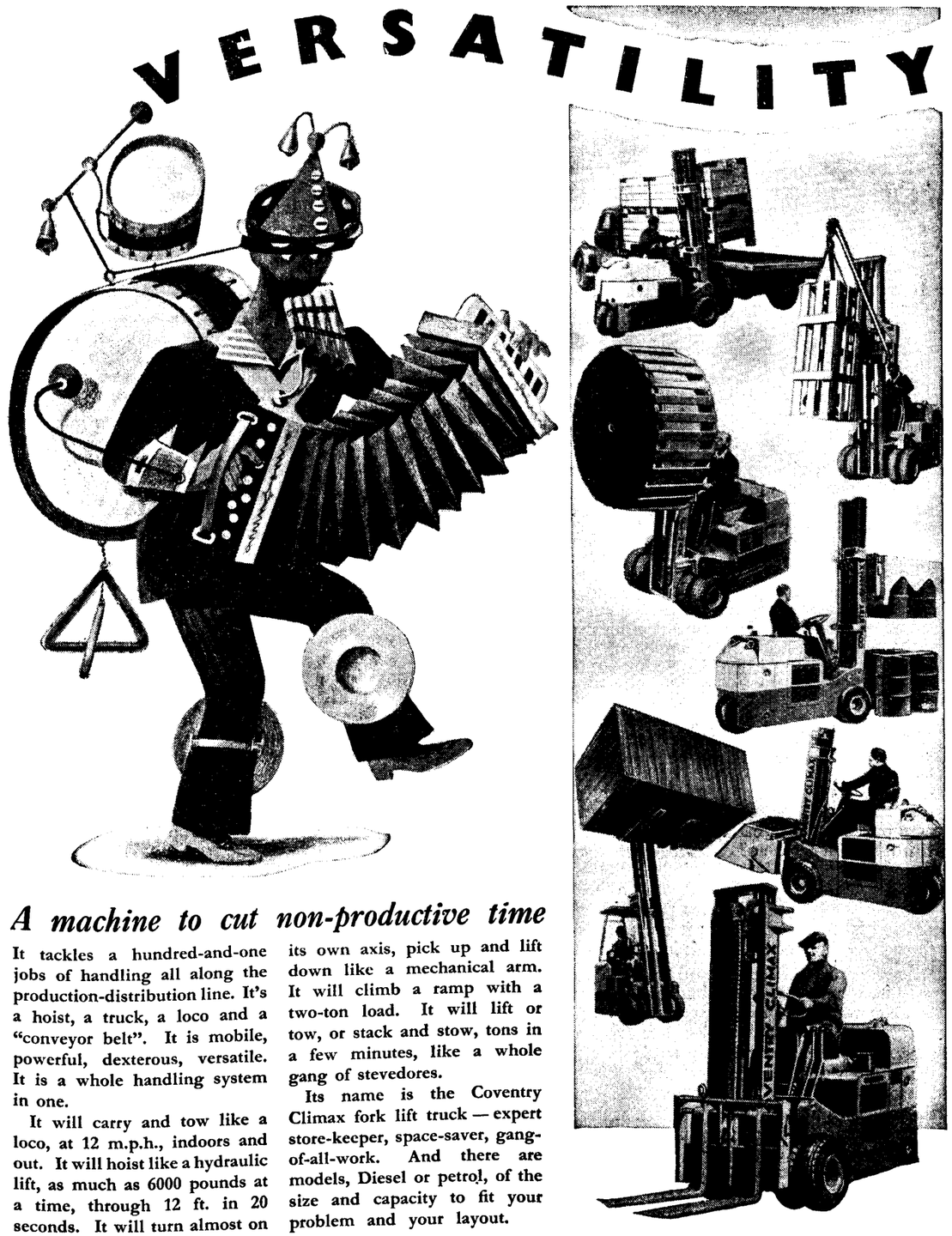
Eritrea and Ethiopia

HISTORIANS in the 21st century, writing of the 20th, will no doubt remark that it conducted some curious experiments in framing peace settlements. "One of these," will run their record, "was the allocation of conquests according to the vote of states that had nothing to do with the fighting. These voters, moreover, usually shouldered none of the responsibility for giving effect to their vote." Eritrea will be one of the instances cited.

It was captured from Mussolini by the 5th British and 4th Indian Divisions in 1941. Nine years later, on December 2nd, forty-six affirmative voters (principally Latin Americans and Moslems who were neutral at the time of the conquest) decided that it should be neither divided ethnographically nor awarded to Ethiopia. As the result of a vote taken in full Assembly at Uno, it is to become an autonomous unit, federated to the Ethiopian crown. Ten states voted against this solution and four abstained. It is probably no more acceptable, and has certainly been very much more expensive to attain, than would have been a Solomon's judgment carried out in the flush of victory. There was good enough reason for such a judgment in a territory that consists of well-marked parts. For its greater part, Eritrea is linked to Ethiopia by ties of geography, race and religion; for its lesser, and anti-Ethiopian part, it is similarly linked to the eastern Sudan.

But the British taxpayer should be thankful that there has been any verdict at all. For nine years he has paid the bill for caretaking in Eritrea. During that period, he has successively seen: the Four Powers fail to agree on disposal of their gain, the problem pass to the General Assembly, the wishes of the inhabitants, and the submission of another report on which its authors could not agree. In 1950, he has witnessed a considerable growth of unrest and lawlessness among the impatient Eritreans.

The solution now offered has some merits. In particular it safeguards the Eritrean public services, which are considerably ahead of those in Ethiopia, against falling to the Ethiopian level. Provided that federation—a difficult technique even between advanced states—can be made to work between two inexperienced peoples, the arrangement may give birth to a type of relationship as yet unknown in Africa. It would therefore be best for the British to forget about their preference for dividing the territory, and to wish both Eritreans and Ethiopians good luck in their venture.



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THE BUSINESS WORLD

British Electricity's Horizon

THE electricity supply industry never lacked faith in its commercial mission ; when the British Electricity Authority took the industry over in 1948, it acquired in Lord Citrine a chairman no less inclined towards such evangelism. In this vein, Lord Citrine turned this week from the severe precision with which he had been expounding the results of the second year's operations of the British Electricity Authority to utter a dramatic warning that the developing power supply situation " is not only serious but may be dangerous or even disastrous." His complaint (he berated the press, perhaps disingenuously, for wanting to hear it again) was that BEA was being prevented from building generating plant fast enough to overtake the perpetual march of peak demand ; because of these hampering uncertainties it was impossible to give any promise about the ending of load spreading and power cuts. Lord Citrine spoke of the delays of manufacture, but absolved the makers of plant of " delinquency " ; he urged that it was folly to export vital equipment such as boilers, but he conceded that if exports were curtailed " it would not follow that the proportionate aid to our programme would be the same." The burden of his complaint fell upon the Government's curtailment of the electricity capital programme ; it remains the second largest item, after housing, in the national investment programme, but it is not enough.

These strictures were probably meant to attract as much attention as the details of the authority's activities in a year that ended eight months ago. That is not a matter for surprise, for an impending power crisis (emphasised by this week's power cuts and by an imminent possibility of a coal crisis) is naturally more important than history. But Lord Citrine was also expressing forcefully a philosophy which imbues the whole report. The urgency of expanding capacity as the only conceivable way to reach and keep pace with ever buoyant demand is its central theme ; it occurs again and again throughout the report (which is lengthy, comprehensive, but better sign-posted than last year's).

In its second year the authority sold more electricity to more consumers than ever before in the industry's history—and at a higher price than for more than 15 years. It sold 41,500 million units, 6 per cent more than the previous year, and nearly double the sales of 1939. Its total of 12,634,000 consumers was 452,000 more than a year earlier, 918,000 more than at the vesting day in 1948, and 2,500,000 more than before the war. Half of the units went to industry, a third to homes, and an eighth to commerce. Compared with 1948-49, farm consumption increased by 20 per cent (though it was less than one per cent of the total), commercial use by 10 per cent, and industrial by 8 per cent ; but domestic consumption, largely because of milder weather, was only 2 per cent higher. Since expenditure did not rise to the same extent, the British Electricity Authority was able to show a higher surplus on its combined accounts of £7.2 million against £4.4 million in 1948-49. The 1949-50 surplus represented only 3¼ per cent on the total year's turnover of £214.5 million ; this had risen by £16.7 million compared with the previous year, almost entirely through higher sales of electricity at a slightly higher price (1.2d. per unit against 1.174d. in the previous year and 1.133d. in the last year of the supply companies and public authorities). The rise in revenue was accompanied by a rise in combined expenditures from £193.4 million to £207.3 million, which represented a slight increase in terms per unit sold from 1.19d. to 1.2d. Costs of generation and purchase of electricity fell by .01d. per unit sold, but this economy was offset by an equal rise in administrative and general expenses and higher depreciation charges. This rise in administrative costs completely absorbed the authority's successful efforts to shave a little off station costs ; higher thermal efficiency helped here, but the main factor was one over which BEA had no control—a fall in fuel prices by 1.9 per cent.

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As in 1948-49, BEA has paid no income tax or profits tax. It has escaped not because it is a nationalised industry but because it is spending such large sums on capital expansion. The claim for initial allowances on such expenditures has meant that no liability to income or profits tax has been incurred in its first two years, though in the current year a liability to profits tax is likely to arise. The report discloses that the BEA considered, but for the present decided against, setting up a special taxation reserve to spread the initial allowances over the effective lives of the assets concerned, for which depreciation is charged in the accounts on a straight-line basis. In Lord Citrine's words, this decision arose from a conviction that any eventual curtailment or cessation of the present rate of capital expenditure was " entirely hypothetical—we can foresee no period in which we shall cease growing, and we do not think the tax question will arise." No doubt BEA is correct in its assumption that for some years after 1950-51 the pace of construction will not slacken ; but that is not to say that it will never slacken or that the present rate of initial allowances is immutable. On the broadest grounds, the decision seems open to argument.

Each of the Area Boards contributed towards the authority's combined surplus, but there was a loss by the central authority which has to be made up from the central reserves. The central authority's tariffs did not meet the authority's outgoings, and the current tariff has been increased to correct this deficit. The average price of electricity sold to domestic, commercial, and small power users rose last year from 1.446d. to 1.515d. a unit, while the price of power (largely for industry) dropped from .930d. to .925d. During its two years of operation the BEA has slightly raised prices to domestic consumers, and last year it reduced prices to industry ; Lord Citrine used this evidence to deny that the authority was now favouring increased consumption by the domestic consumer more than it encouraged extra

industrial use. The fact remains, however, that compared with average prices before the war domestic consumers pay less, while the industrial consumer now pays nearly a half more. The chart of comparative price indices which the BEA exhibits in its report shows that the rise in the price of electricity purchased by the domestic consumer has been scarcely perceptible compared with the increase in other prices and wages. This hardly suggests any forceful attempt to apply disincentives to the consumption of electricity at peak periods.

During 1949-50 the BEA brought into commission 831,000 kW of generating capacity, against 566,000 kW in the calendar year 1948. Progress has been made towards standardising layout and equipment for power stations, and much of the plant approved was of the unit type in which a single boiler is associated with each turbo-alternator ; two stations were planned for 100,000 kW turbo-alternators and boilers twice as big as any now in use in Britain, and experimental work was begun on the 275,000 volt " super-grid." These developments suggest that the BEA is concerned to keep abreast of technical development. The problem is to find the means. During 1949-50 the BEA spent £117.13 million on capital plant and construction. Estimates for investment in 1950 were cut by the Government to £102 million. But construction of generating plant, which is now costing considerably more than £50 per kW, was not curtailed by the Government ; it is limited only by manufacturing capacity. Programmes now prepared by the BEA call for the addition of 10,330,000 kW of new generating plant by 1955 ; of this 1,745,000 kW has been installed, and the remainder calls for a 50 per cent increase in plant capacity in five years, and a capital expenditure of perhaps £350 million on generating plant alone. Higher costs of new installations will involve higher provisions for depreciation ; these are already beginning to mount, and would have to rise a good deal more before they were sufficient to cover the cost of replacing plant. It is obvious that as new plant comes into service an increase in the average price of electricity will be inevitable.

Will this capital programme buy off the need for load-spreading and power cuts ? The official answer is based on a number of favourable assumptions, but, even so, the present winter and the next two will see plant shortages of 1,889,000, 1,745,000 and 1,702,000 kW respectively, and these will mean load-spreading and cuts at peak hours. Again, on most favourable assumptions, shedding should be " comparatively infrequent by the winter of 1954-55, and very exceptional in the three following winters." The ambition of attaining the plant required to meet the hour or two of maximum demand in the hardest winter seems undimmed ; but the practical hope of doing so seems each year to recede farther into the distance.

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It is still unfashionable, and certainly unpopular in the industry, to admit any alternative possibility. Such an alternative can easily be summarised: how can the consumption of electricity be spread to reduce the height of the peak load but not to reduce total consumption ? The very figures produced each year by the authority, and its setting back of that halcyon day when the last suburban housewife can switch on her last space heater or toaster on the coldest morning in the year argue the alternative case. Last year the biggest shedding of load (in a mild winter) was 1,140,000 kW. To satisfy this load would entail an expenditure on new plant of about £60 million. But the load shed represented only 0.076 per cent of the year's total output ; if it had been satisfied it would have produced much less than £200,000 of extra revenue. By load-shedding and load-spreading, the BEA has recently increased the load factor on the system ; but its future plans will almost certainly bring it down again from what the BEA's deputy chairman earlier this year called " its artificially high level." Closely analysed, this is a problem of inducing domestic users to take their power requirements off the peak. They have been persuaded that power for space heating and water heating is a natural right at any hour at a uniform tariff, and they are not to be blamed because they have imposed an uneconomic and at present insupportable peak load on

BRITISH ELECTRICITY AUTHORITY. Results and Programmes.

Combined Trading Results, year ending March 30, 1950

	£ Million	Pence Per Unit Sold		£ Million	Pence Per Unit Sold
COMBINED REVENUE			COMBINED EXPENDITURES		
Sales of electricity	207·35	1·20	Generation (works costs) and purchase of electricity	94·95	0·55
Sales of steam	0·36	...	Main transmission; operations		
Rentals, of meters, apparatus, etc.	3·87	0·02	repairs and maintenance	1·34	0·01
Surplus on contracting and sales of fittings	0·80	0·01	Distribution : operations, repairs and maintenance	20·36	0·12
Income from subsidiary companies	0·07	...	Rents, insurances, etc.	1·52	0·01
Income from public lighting maintenance	1·29	0·01	Payments in lieu of rates	11·82	0·07
Rents receivable and other miscellaneous income	0·72	...	Administration and general expenses	24·76	0·14
(Units sold, in millions—41,482)			Changes of systems of supply (consumers' apparatus)	0·37	...
			Depreciation of fixed assets	33·62	0·20
			Written off intangible assets	0·70	...
			Interest	17·55	0·10
			Financing expenses	0·31	...
			Taxation	nil	...
Total combined revenue	**214·46**	**1·24**	**Total combined expenditure**	**207·30**	**1·20**
			Surplus	**7·16**	**0·04**

Generating Plant Programmes, 1946-55

Year	Capacity Programmed	In Service by End 1949	Outstanding at End 1949	Actual or *Estimated* Winter Capacity Shortage
	In Kilowatts Sent Out			
1946	964,000	893,000	71,000	...
1947	998,000	576,000	422,000	...
1948	1,089,000	208,000	881,000	...
1949	1,328,000	30,000	1,298,000	946,000
1950	1,437,000	38,000	1,399,000	1,149,000
1951	879,000	...	879,000	*1,889,000*
1952	1,292,000	...	1,292,000	*1,745,000*
1946–52	7,987,000	1,745,000	6,242,000	...
1953	215,000	...	215,000	*1,702,000*
1954	771,000	...	771,000	...
1955	1,357,000	...	1,357,000	...
1946–55	10,330,000	1,745,000	8,585,000	...

the supply system. The technical difficulties in checking consumption according to time of day (which may differ from day to day) and the problem of framing tariffs which would make each consumer bear the real economic cost of the power he buys at the time he uses it, argue themselves. The industry seems quite convinced that they cannot be solved, but that may represent no more than a victory for technical ambition over the best kind of long-term economic planning. This is no temporary problem. There is no assurance in BEA's own vast horizon that at some future level of installed capacity it will as a matter of certainty be able to supply every demand made upon it ; in the long run BEA may be forced to turn back and consider hard and unpopular economic truths. One of the most important of these, surely, is that no consumer, industrial or domestic, should be able to impose a load on the system on terms that do not cover the true cost of meeting his additional demand. It is hard to believe that by the right combination of technical resource and realistic tariffs this lesson cannot be taught—to the great benefit of the country, of BEA, and of its consumers.

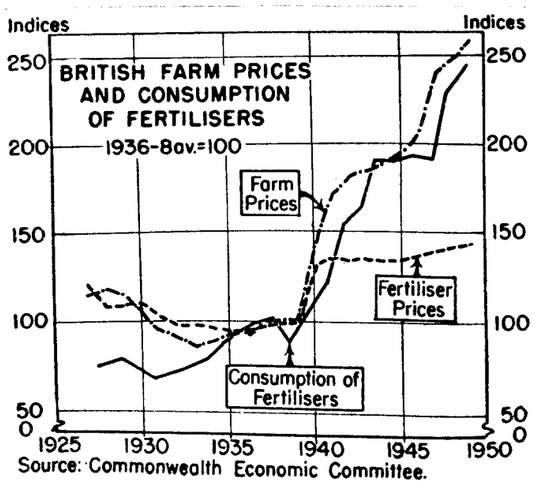
Fears about Fertilisers

SINCE the war a great expansion of food production has been achieved by farmers throughout the world. This new agricultural revolution has been based on improved yields per acre and per man employed ; it has combined greater knowledge of plant and animal biology with greater advances in the use of power and machinery on the land ; and it has been given the most forceful encouragement by high prices for agricultural products. The five years have not been a period of smooth progress for there have been temporary scarcities of machinery and fertilisers and intermittent scrambles for supplies. But until recently it had been supposed that these shortages had been largely overtaken. In particular, it seemed possible that production of certain fertilisers might even begin to run slightly ahead of an expanding scale of consumption throughout the world. There is enormous scope for more intensive use of fertilisers in the underdeveloped areas of the world, but in the regions of established agriculture it seemed that consumption of fertilisers might increase somewhat less rapidly and could be met quite comfortably.

That prospect has changed dramatically in a few months. The problem now is to maintain the output of fertilisers in the face of certain critical shortages of materials. So far as this country is concerned, there is also the unresolved question of how the British farmer is likely to react to rising prices for fertilisers. Last July he lost the advantage of half of the subsidy, and within a month prices rose by more than 20 per cent. The other half of the subsidy expires in July next year, and prices are likely to rise again at least as sharply. There is no doubt that cheap subsidised fertilisers encouraged the farmer to build up reserves of fertility in his land ; the low price was accepted with enthusiasm as an opportunity of partly turning into capital an expenditure that the tax inspector was willing to allow as a charge against profits. But it may not follow that higher prices will have the contrary effect. Fertilisers (including lime) account for only 7 per cent of total farm costs in this country ; hence their increased cost to the still prosperous farmer above the margin may not be so very painful. The accompanying chart, taken from the Commonwealth Economic Committee's recent survey,* relates the consumption of fertilisers in Britain to farm prices and fertiliser prices. The match between farm prices and the consumption of fertilisers is remarkably close, but there is a much less distinct conformity between consumption and prices of fertilisers. The same contrast is true also in the United States and Canada. The survey concludes that " apart from the long-term upward trend in consumption, farmers tend to increase their use of fertilisers in times of prosperity or restored confidence." On this argument, if British farmers come well out of the annual price review next February, their demand for fertilisers should be maintained.

TABLE I—BRITISH FERTILISER PRODUCTION AND CONSUMPTION
('000 Tons of Nutrient Content)

	1938-39		1949-50	
	Production	Consumption	Production	Consumption
Nitrogen fertilisers	119·2	60·0	259·2	213·1
Phosphate fertilisers	157·2	162·0	385·2	460·8
Of which :—				
Superphosphate	*63·6*	*68·4*	*222·0*	*247·2*
Basic slag	*58·8*	*56·4*	*82·8*	*121·2*
Potash fertilisers	...	75·0	...	234·2



Source: Commonwealth Economic Committee.

Phosphates are the most important type of fertiliser used in Britain ; they accounted last year for over half of the total of all fertilisers consumed. Of the phosphate fertilisers, superphosphates alone account for more than half and basic slag for more than a quarter. British production of phosphatic fertilisers depends on imported raw material and in recent years output has been insufficient to cover consumption ; part of the deficiency has therefore had to be filled by imports. In the first ten months of this year practically the whole of the 116,000 tons of manufactured fertilisers imported into this country consisted of superphosphate, mainly from the Netherlands and Belgium. Home-produced superphosphates are made from imported phosphate rock from Morocco, Tunis, Algeria and the United States, and from sulphuric acid made in this country from imported sulphur. So far no shortage of phosphate rock has occurred, but already there is a very real shortage of sulphuric acid owing to the reduction in exports of raw sulphur from the United States. World demand for sulphuric acid for all purposes has increased very considerably since the war, and more sulphuric acid is now made from elemental sulphur because the process has the advantage of lower capital and running costs. The United States is the main source of elemental sulphur and its reserves are declining. It is possible to make phosphatic fertilisers without using sulphuric acid, but these processes require either nitric acid (which is more costly than sulphuric) or great heat, and that in turn demands cheap and abundant supplies of suitable fuel.

* " A Survey of the Trade in Fertilisers " (Commonwealth Economic Committee). HMSO 3s. 6d. net.

TABLE II—WORLD PRODUCTION AND CONSUMPTION OF FERTILISERS
('000 Tons of Nutrient Content)

	1938-39			1949-50 (Provisional)		
	Nitrogen	Phosphate	Potash	Nitrogen	Phosphate	Potash
Production :—						
Europe	1,630	2,126	2,429	1,775·6	2,423·1	2,767·3
N. & Cent. America	285	659	283	1,211·8	1,903·8	889·6
S. America	240	32	10	298·2	44·2	10·9
Asia	367	305	33	382·4	238·1	...
Africa	...	44		...	124·4	...
Oceania	5	351		10·9	472·4	0·8
World	2,528	3,498	2,755	3,678·9	5,205·9	3,659·8
Consumption :—						
World	2,248*	3,452*	2,304*	3,492·5	5,179·8	3,544·9

Note : World totals exclude USSR. * 1936-38 average.
Source : Commonwealth Economic Committee and F.A.O.

In 1944 the Government decided to expand the domestic manufacture of superphosphate so that British production would cover postwar requirements. A project submitted by Messrs. Fisons Limited was accepted and a new factory built at Immingham was opened a few months ago. Increased production was planned on the assumption that adequate supplies of sulphuric acid would be available. Recently, however, the Government announced that the supply of sulphuric acid to the superphosphate industry would be reduced during the current season (1950-51) and that imports of superphosphates would be increased to make good the loss in the home production. It is not clear where these superphosphate imports are to come from. This country is not alone in suffering from the sulphur shortage. Basic slag, the other important phosphatic fertiliser, is a by-product of the steel industry. Despite the remarkable increase in British steel production in recent years, the supply of high-quality slag has not fully met agriculture's requirements. Imports of basic slag have increased steadily during the past three years, and yet farmers have still gone short. As the new steel plants come into production, it should be possible to increase the amount of basic slag supplied to the fertiliser industry, but this depends upon the rate at which the steel industry itself is able to work, and its own raw materials are short enough to temper any optimistic assumption that the output of basic slag can be sufficiently increased to offset the shortage of superphosphate.

★

This prospective shortage of phosphatic fertilisers could be a serious matter for British agriculture, though its full effects might not be felt for some time. Since the war, British agriculture has been in the process of change from its wartime concentration on arable crops to livestock farming. Under the Government's long-term agricultural programme, the output of meat and dairy produce is expected to increase to 110-125 per cent of the prewar level by 1953. But older methods of grazing that left pastures to look after themselves have long been superseded by scientific management of grasslands with proper grazing rotation and liberal use of phosphatic fertilisers. It is doubtful whether, to take one example, high milk yields could be maintained for any length of time unless pastures were maintained in good condition. This changeover from arable to livestock implies an even greater use of phosphates. The present state of world politics might put this programme into reverse, for in war or near war governments think of bread first and meat second. If it should happen that arable farming is again encouraged, consumption of phosphates could be allowed to fall and demand would become more insistent for nitrogenous fertilisers.

British production of nitrogenous fertilisers in recent years has exceeded agriculture's requirements and an important export trade has been developed. Sulphate of ammonia, the main type, is manufactured from nitrogen produced from the atmosphere or obtained as a by-product from the gas and coking industries. " Nitro-


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"chalk," the other important nitrogenous fertiliser, is made from a mixture of ammonium nitrate and calcium carbonate. Supplies of these materials are more or less adequate; in the crop year 1949-50, British production of nitrogenous fertilisers amounted to 259,000 tons (nitrogen content) compared with domestic consumption of 213,000 tons. Military requirements for nitrogen will no doubt increase during the next twelve months, but they will probably be met without causing any shortage in the supply of nitrogenous fertilisers. Only last summer the supply of synthetic nitrogen outstripped consumption to such an extent that producers disposed of their stocks and accepted a fall in prices of 25 per cent. But the rapid course of events has since caused prices to rise again. Government-owned nitrogen plants in the United States which were closed down some months ago are being reopened; but their output will be devoted entirely to war purposes, and it is probable that the construction of the new plants in Europe, which had been delayed on financial grounds, may now be speeded up.

The third plant nutrient is potash. All supplies of potash used in Britain have to be imported. In the ten months to October, almost 7,000,000 tons of potassium compounds were imported, of which over 6,500,000 tons consisted of chloride (muriate) coming from Germany, France and Spain. World production of potash has increased by 56 per cent during the past three years, and according to the Food and Agriculture Organisation output should further increase by 10 per cent during the current season. Europe is the world's largest producer as well as the world's largest consumer of potash, but a third of its output is located in the Eastern zone of Germany. Recently, however, drillings in North-east Yorkshire have located a rich seam of pure potassium chloride and when this area can be exploited this country should in time have little dependence upon imports.

Thus the main fear about fertilisers is the prospective shortage of phosphates. But plant nutrients, like food nutrients, need to be assimilated in a balanced form to be effective, and a serious shortage of any one of the three main plant foods (nitrogen, phosphate and potash) may affect the consumption of the other two. The use of compound fertilisers has increased steadily since the war and their production could be seriously impeded if, say, the supply of phosphorus in a usable form were drastically reduced. At the moment the shortage seems to be confined to the British market, and it arises directly from the sulphur shortage. Production and consumption of phosphates and potash in the United States are expected to increase during the current season, and consumption of nitrogenous fertilisers is also expected to increase though production may decline. The United States is the world's largest producer and consumer of all three types of fertilisers. In Europe, too, fertiliser production is expected to expand, and as continental countries still depend on pyrites rather than upon elemental sulphur for the production of sulphuric acid, they should not be immediately affected by the sulphur shortage. But apart from this country, there are many others—including Canada, Australia, New Zealand and India—that need to import considerable quantities of sulphur, and unless sulphur or sulphuric acid can be imported their domestic production of superphosphates and ammonium sulphate would be severely reduced.

Agricultural production can be maintained for some years despite a shortage of fertilisers since the reduction in soil fertility does not become immediately apparent. But once land deteriorates, it takes a long time to recover, and meanwhile the world will be faced with lower yields and a smaller output. Present steps (such as those outlined in the recent Fisons report) to increase the supply of sulphuric acid based on pyrites may therefore be wise policy, even though they take time and will cost more.

Business Notes

Markets Mark Time

While the discussions between President and Prime Minister were proceeding and the military situation in Korea remained frightening and obscure, it was not to be expected that the Stock Exchange could stage an effective rally. It is something that the more persistent type of selling, of which there was another bout on Monday, has largely ceased and that the "bears" are less confident than they were a week ago that the Korean situation is beyond redemption. They have been quick to react to the straws in the wind—straws at which the rest of the world has largely clutched—suggesting that the Chinese would come to a settlement. That reaction accounted as much as anything else for the small gains of an eighth of a point in the gilt-edged list on Wednesday; but it still left a tally of losses that will be made good only by news of a much more positive character.

Report had it that the authorities were preparing to call the 1951-53 National War Bonds on the earliest day last Friday; if they had any such plans they were frustrated by the Korean crisis. Perhaps by June 1st next year the outlook will be clear enough to enable them to take a decision for repayment on September 1, 1951; but given the present speed of events, this is to look ahead much too far. There is a most awkward budget prospect which the Chancellor did not minimise in his speech to the Foreign Press Association this week; £300 million extra for defence together with £300 million of additional exports to maintain the balance of payments will certainly absorb more than a £500 million increase in output which it is possible to assume only under favourable conditions. In fact, industrial spokesmen are daily voicing increasing alarm at the prospect of dislocating shortages of essential materials—the list includes all the fibres, all the non-ferrous metals, coal, many chemicals, and several types of steel.

Some check to the rise in productivity was to be apprehended from the growing importance of defence orders and the changes in production lines that these orders would entail. Now industry fears disturbances far more profound than those, and industrial shares have not ignored these fears. Where the direct gains of defence and of the scramble for commodities are obvious—as in shipping shares and copper issues—the market has responded well enough. But the general caution in industrial share dealings is reflected in the movement of the *Financial Times* index of ordinary shares from its peak of 118.2 on November 20th (on that day it equalled but did not break through its previous "high" on September 22nd) to 113.4 on Tuesday. The midweek recovery—such as it was—raised the index by only one-fifth of a point and left "undated" gilt-edged still fractionally above a 3½ per cent yield basis.

Debate on Raw Materials

Anxiety about the shortage of raw materials increases daily. Mr Attlee flew to Washington last weekend to consult with President Truman and the effect of present scarcities of materials on defence was an important item on the agenda. At home, Mr Shinwell, the Minister of Defence, suggested that American stockpiling might lead to British unemployment—which is perhaps one way of restating what the debate is about. On Thursday, the Minister of Supply made a statement on allocation that was also in the main a restatement of the problem. Positive action lags well behind the debate. Perhaps something may emerge from the working party which has been set up in Washington to give urgent study to these problems. The recommendations of the Council of the Organisation for European Economic Co-operation about commodity policy seem unlikely to secure that something will be done, as well as said, about the threat of dislocating shortages. The OEEC's purview in the field of commodities is itself limited because the member countries do not comprise both the main producers and the main consumers of staple commodities. In these circumstances, the report can be no more than a hopeful attempt to inspire some form of co-ordinated policy about materials on the part of the countries of Western Europe. Much will depend on what the OEEC mission now in Washington is able to do.

The report asks member countries to increase their production (both at home and in their overseas territories) of coal, metal ores and sulphur; to utilise more fully their existing productive capacity for coke, aluminium and pulp; to extend production of coke, electricity, aluminium and pulp made from fibrous materials; and finally to increase the recovery of ferrous scrap, sulphur-bearing materials, waste-paper and rags. It also recommends members to restrict the domestic consumption of scarce materials and to encourage the use of substitutes, particularly for hides and skins. Perhaps the most important recommendation, and certainly the most difficult one to carry out, is that member countries should discourage speculative buying and check undesirable private stockpiling by taking all necessary internal measures "especially in the sphere of financial policy."

If countries were to act in accordance with these precepts, major changes in their present economic policies could result. Does the plan for increased coal output, for example, mean that Britain ought to allow Italian miners to work in British pits to offset the shrinking numbers of British miners? It is easy to recommend that new capacity for producing coke, electricity, aluminium and pulp should be set up, but less easy to achieve in countries where full employment already obtains, where rearmament is to be expanded, and where the switching of further resources into new investment would be a stupendous task.

* * *

Aspects of International Co-operation

The council is of necessity even less specific when it turns to recommendations about staple commodities mainly produced and consumed by countries outside OEEC. The United States is asked to ease the shortage of kraft pulp, sulphur, cotton and cotton linters and to enable ECA funds to be used to purchase coal from the United States. Britain is requested to convene another wool conference and the Secretary-General of OEEC is asked "to discuss with producing and consuming countries . . . the feasibility of holding international conferences" on timber, pulp, copper, zinc and nickel. There is no indication whether these conferences should be held under the *aegis* of OEEC or of United Nations. If they are convened as international study groups, then countries of the Soviet bloc, being members of United Nations, would have to be invited. On the other hand, the OEEC is hardly the appropriate body to stage them. That task would be better left to the United States.

Postwar experience of commodity conferences does not encourage any wild hopes of immediate results. The increased threat of war might make producers and consumers more accommodating to the other's point of view. But if success is to be achieved, the lead must come from the United States and Britain as the two countries concerned with the bulk of the output and consumption of most of these materials. At least they must pursue the same end. If producers are to accept an international scheme to ensure "equitable distribution" (whatever that may mean) now, they will want some guarantee that market prices will not fall below costs of production when the political atmosphere clears. The cost of securing allocation now is likely to be a heavy one for consuming countries. But in the circumstances it may be inevitable.

* * *

Allocation and Scarce Metals

On Thursday Mr G. R. Strauss, the Minister of Supply, made his long-awaited announcement on the allocation of scarce metals. Those who hoped for cut-and-dried plans on how the supplies of such metals as zinc, copper and nickel would be distributed among the different consumers, were disappointed. The Ministry has so far decided to take no specific action, though the Minister said that "measures under consideration in consultation with industry include restrictions on the export of semi-manufactures, the prohibition of the end uses of [scarce] metals for inessential articles and the institution of allocation schemes." If this formula means anything, it is surely that the onus of allocation will be left to industry.

As for the rest, the Minister contented himself with a review of possible supplies of five scarce metals (zinc, copper, aluminium, nickel and steel) during the first part of next year. Even here he added little to what was already known. Zinc was desperately short and supplies of ordinary grade "may have to be restricted . . . to little more than 50 per cent of the rate of consumption during the first nine months of 1950." A severe shortage of special shapes of copper will affect certain manufacturers, otherwise consumption will be the same as in the first half of this year, which was 10 per cent less than the current rate. But civilian consumption will be reduced as rearmament progresses. Aluminium supplies will be restricted to 15,000 tons a month against 17,000 tons a month this year and defence requirements have to be met out of this reduced supply.

On nickel, one of the most serious shortages, the Minister merely stated that there was apparently no prospect of larger supplies "in spite of the growing demand for defence purposes." Steel offered the only gleam of hope in this atmosphere of gloom. According to Mr Strauss, there is no real shortage of "general" steel, but he added that production in 1951 may be affected by difficulties in supplies of steel-making raw materials, particularly imported scrap and imported iron ore.

* * *

More or Dearer Exports?

The Chancellor of the Exchequer declared on Wednesday that, even after allowing for an increase in invisible earnings, British exports next year would have to increase by £300 million (or 14 per cent on this year's rate) to pay for the same volume of imports, because of the deterioration in the terms of trade. This is conceived, however, on certain assumptions—first that the exchange value of the pound is unaltered, and secondly that the average price of British exports does not rise. What is regarded in the Chancellor's notation as an increase in the country's real burdens could in other circumstances be brought about by a change in relative prices. The question clearly arises whether British exports, despite their recent rise in price, are not being sold too cheaply.

British export prices in October showed the sharpest rise for many months. The Board of Trade index rose by 2 per cent chiefly because of higher prices for wool and cotton goods. Prices of metal and other manufactured goods also rose, though only slightly. This change—encouraging so far as it went, because it suggested that the country was obtaining better value for its exports without losing any competitive ground—was completely offset by a very sharp increase in the cost of imports. The index of import prices rose by 4 per cent, the biggest jump since devaluation. Raw materials alone rose by 7 per cent, reflecting higher prices for wool, rubber and cotton, while the rise in prices of non-ferrous metals and refined petroleum during the month caused an increase of 2 per cent in the price index for manufactured imports.

The deterioration in the terms of trade since the end of June (when fighting started in Korea) in continuation of a persistent trend since September last year (when devaluation took place), has become quite alarming. The cost of imports

BRITISH IMPORT AND EXPORT PRICES
(Board of Trade Indices: 1947 = 100)

	1949		1950					
	Sept.	Oct.	May	June	July	Aug.	Sept.	Oct.
Import Prices:—								
Total	110	118	132	132	134	135	137	143
Food, drink and tobacco	107	115	124	125	125	125	124	126
Raw materials	118	125	148	148	154	157	163	175
Manufd. goods	105	117	124	124	124	126	127	130
Export Prices:—								
Total	113	113	119	119	121	121	121	123
Metal goods	114	114	117	117	119	119	119	120
Textiles	116	115	124	125	126	126	127	129
Other manufs.	106	106	110	110	111	111	111	112

has risen by 8 per cent since June whereas export prices have risen by only 3 per cent. Compared with September, 1949, imports are now 30 per cent dearer and exports barely 9 per cent dearer. These figures illustrate the additional strain that the world inflation is imposing on the British economy.

Contrary to economic argument, most manufacturers and exporters seem reluctant to raise their prices until they actually come to use higher priced raw materials. But since a large part of Britain's exports go to primary producers, who are enjoying very high incomes, it might well be possible to fix the prices of British manufactured exports rather nearer their current replacement costs without losing sales. Such a policy would undoubtedly be frowned upon in certain circles—for it might also be held to apply equally at home, and that would never do. But if the British rearmament programme reduces the volume of exports next year, prices will rise under the pressure of market forces. To anticipate that move now, even if prices to the domestic market have to be increased at the same time, would only establish more quickly the inevitable fact that sooner or later prices come to reflect inflationary forces.

* * *

Tackling the Sterling Balances

Slowly, and not very surely, the British Treasury is undertaking one of the tasks to which it should have given priority five years ago; it is bringing the problem of the sterling balances under long-term control. Negotiations for a permanent settlement with Egypt are now in full swing in London. It was pointed out in *The Economist* of November 25th that at the end of August Egypt's blocked balances amounted to £238½ million and its free balances to £42 million. Mr Gaitskell has now revealed that Egypt's total balances amounted to £272 million at the end of September—an apparent drop of £8½ million on the month. This confirms other evidence that Egypt is now becoming one of the most profligate spenders of accumulated sterling. Egypt still seems to have some release rights attached to its blocked balance from former agreements. There is a danger, however, that Britain may now yield liberal further release rights in order to secure a tidy long-term settlement—and this despite the fact that an unrequited drain on British productive resources could not fall at a more inopportune time than the present.

Meanwhile, satisfactory arrangements have been negotiated—and written into the Colombo Plan—for a long-term settlement of the sterling balances held by India, Pakistan and Ceylon. Between 1946 and 1949 releases for capital transactions amounting to £270 million and for current transactions amounting to £340 million have been granted to these countries. In the six years from 1951 to 1957 only a further £246 million will be released. India (whose current balances are believed to amount to about £620 million) will draw out £210 million, in annual instalments of £35 million. Pakistan (whose current balance cannot be much above £100 million) is due under the plan to draw out £16 million, of which £10 million will be for 1951-52; a fuller agreement with Pakistan is now in the course of negotiation. Ceylon (whose current balance is believed to be between £30 and £40 million) will draw out £21 million, in annual instalments of £3 million, in the seven years 1950 to 1956. By the end of 1957 the sterling balances of all these countries will be down to the "normal" level required as a currency reserve. This rock-bottom level, incidentally, has already been reached by Israel, another heavy sterling creditor of the early postwar years, whose balances are now likely to be below £20 million. The Israel Government's Economic Adviser, Mr David Horovitz, has been in London this week and has, in all probability, been swept into the preliminary talks required by the current fashion for negotiating permanent settlements.

The countries mentioned above, together with the EPU countries with which permanent settlements are already negotiated, accounted for about £1,300 million of the £3,471 million of sterling balances outstanding on June 30th last. Rather over £1,100 million of the rest was held between the colonies (holdings about £580 million) and Australia (holdings over £520 million); the future utilisation of these balances is likely to be regulated by gentleman's agreements between Britain and the governments concerned. The remaining £1,000 million or so includes a certain amount of "water," such as the £175 million pensions annuity held by India and Pakistan and the working balances held in London by overseas banks. The significance of this move towards long-term settlement of the problem of the sterling balances should not be underestimated. The sterling balances have always provided one of the biggest stumbling blocks to the restoration of convertibility. Provided there is no spoiling by the Egyptians, the prospects for long-term settlement are now better than they have ever been.

* * *

New Deadlock in Buenos Aires?

The new bout of Anglo-Argentine negotiations, which was foreshadowed in *The Economist* on November 18th, started—and ended—in Buenos Aires this week. Sir John Balfour, the British Ambassador, tersely informed newspaper correspondents that no progress had been made and that another immediate meeting was unlikely. This breakdown followed confident forecasts of an early resumption of meat shipments, with the price provisionally invoiced at £97 a ton. A fuller agreement on overdue sterling remittances—and, possibly, on a British loan to Argentina—was expected to follow later. It has not yet been made clear whether failure to negotiate a stop gap pact of this sort was due to British opposition to interim agreements or to the introduction of new Argentine demands.

Meanwhile, the delegation from the Argentine Central Bank, led by Mr Eduardo Grumbach, has arrived in London; Mr Grumbach's nominal objective is to complain about the "discriminatory" operation of Argentina's sterling exchange guarantee, but, up to Wednesday at least, it was

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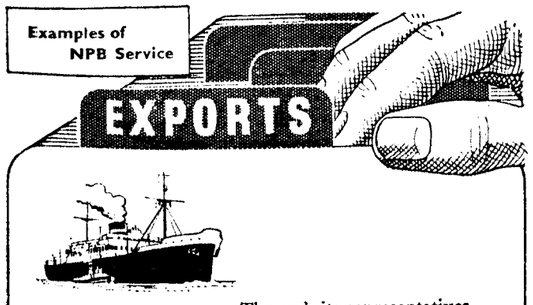
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ntended that his talks with the Bank of England should ncompass the wider canvass of Argentina's sterling balances which are now probably over £15 million) and its outstanding sterling debts (which amount to rather under £20 million). As Mr Grumbach has flown in, Dr Carlos Hogan, the Argentine Ambassador in London, has flown out. He is to report to Buenos Aires on his recent conversations with Mr Bevin, and is also, apparently, to join in the high-level discussions at Buenos Aires when—and if—these are resumed.

* * *

Closer Uniscan Ties

The family ties between the Scandinavian countries and the sterling area have been greatly strengthened by Exchange Control Orders issued this week. Their effect is to remove the Swedish, Norwegian and Danish crowns from the list of specified currencies. This means that proceeds of British exports to Scandinavia need no longer be repatriated and that residents in the United Kingdom may from now on maintain bank accounts in these three currencies. The move may be regarded as a symptom of increased confidence in sterling, and of the attainment of reasonable equilibrium in the balance of payments between the sterling area and the Scandinavian countries. The British authorities have always professed the desire to simplify exchange control procedure wherever this can be done with reasonable safety. By exempting exporters to Scandinavia from the necessity to fill in form CD 3 (the form through which the authorities check that the proceeds of exports are ultimately remitted home), traders will be saved time and effort and a considerable volume of checking work will be taken off the exchange control department at the Bank of England.

These relaxations, welcome as they are, raise an interesting problem of reconciliation. Britain and the three Scandinavian countries are all members of the European Payments Union. The underlying principle on which EPU works is that there shall be no discriminatory payments arrangements between the member countries. How is it possible to reconcile the concessions granted to the Scandinavian countries, through removal of their currencies from the "specified" list, with the non-discriminatory philosophy of EPU? The British answer is that the spirit of an agreement should prevail over the letter; that EPU was intended to foster the expansion of intra-European trade and that the regionalism of the Uniscan arrangements is fully in keeping with that spirit of expansion. This explanation is no doubt acceptable to the functional empiricism of the Briton, but it may appear less convincing to the strict logic of the Continental. On the other hand it is clear that arrangements such as those negotiated with Scandinavia must be reciprocal. If other European countries were unwilling to reciprocate the relaxations in exchange control that Britain is prepared to make, the charge of discrimination could not be levelled against Britain. If this is the explanation, it is to be hoped that no time will be lost in making it public.

* * *

The Covenant Clamps Down

Violation of car covenants on a truly magnificent scale was attributed last week to a London businessman, who was alleged to have placed fourteen separate orders for motor cars and to have broken four covenants before the British Motor Trade Association caught up with him. To control this enterprising man, the Association obtained a court injunction; for the better control of other buyers of new cars, the Association and other motor organisations issued a new and tighter car distribution scheme last week. From December 1st, purchasers of new cars will be bound by covenant to retain them for two years, instead of one. Moreover, dealers are forbidden to sell a car to anyone "who has already had a new postwar car of any make which is still in good running order or who has disposed of such a car." According to the industry, the new restriction stems from the failure of the government to increase the present low allocation of new cars to the home market in 1951. Last week the Minister of Supply announced that only 110,000 cars will be available for home purchase next year.

Enforcement of the scheme is left to the dealer, possibly on the theory that he gets the biggest share of profit in a car sale, and should therefore bear the biggest share of abuse from the public. Certainly the plan puts him in a difficult position. It ought to be simple enough to find out if a prospective buyer has owned a postwar car: presumably a telephone call to the British Motor Trade Association will produce the name of anyone who has signed a car covenant since the end of the war. But if the would-be purchaser has already disposed of a postwar car, simplicity vanishes. Short of adding a private detective to his staff, it is difficult to see how a dealer can trace this car and judge whether or not it was in "good running order" when sold. And surely it is asking much of a motor car dealer that he deliver new cars only to those "whose need it is most important in the national interest to satisfy."

Whether the industry would have devised such a scheme except under a strong urge from the Ministry of Supply may be open to doubt. Protests from some manufacturers led to greater discretion being given to dealers than was first intended, so that this section is now admitted to be full of loopholes. It is not likely to be taken seriously by the manufacturers and dealers of the higher-priced cars and it may be significant that the Ministry of Transport tried and quickly abandoned at the end of the war a much more concentrated scheme for priority deliveries. There are roughly 15,000 motor dealers, of which 8,000 handle fair numbers of new cars. They are now delivering orders for popular makes taken in 1946. The Society of Motor Manufacturers and Traders speaks, in its official statement, of "stamping out abuses" by means of the new regulations, but is this language justified by the facts? The high prices of postwar second-hand cars are in part the premium for immediate, as distinct from four years' delivery. Why is it that the impact of pressure of demand on any market in which physical supplies are controlled should always be regarded as "abuse"? Might it not be a perfectly natural economic response to an artificial situation?

* * *

Malayan Rubber Tax Modified

Details of the revised Malayan rubber tax were published this week. The basis of calculation has been altered so that there will be little or no delay in the impact of the tax; it will rise at a less rapid rate than was originally proposed, but it will still be appreciably higher than the existing 5 per cent *ad valorem* export duty. The Rubber Growers' Association has stated that the modification does not represent an agreed settlement between rubber producers and the Malayan Government. The decision was taken solely by the government, and rubber producers still smart from the fact that their industry alone has been singled out as a source of extra revenue to combat internal inflation.

The method of calculating the tax is certainly complicated and it includes a cess for replanting calculated on a different formula. The amount of duty payable is shown in the accompanying table, which also gives the existing rate of duty and the one originally proposed five weeks ago which was discussed on page 768 of *The Economist* of November 11th. Even in its modified form the new tax is high but it does not increase so rapidly in a period of rising prices as did the tax originally proposed. The duty will be fixed weekly and the price used will be the average of prices ruling in the preceding fortnight. This is indeed an improvement on the first idea of altering the tax only every three months and of basing it on prices ruling three to six months earlier. When the price of rubber does not exceed 60 Malay cents (1s. 4½d.) a lb. the existing rate of duty will apply and no replanting cess will be levied.

The existing levy of ½ cent a lb. paid to the Malayan Rubber Fund to finance research and propaganda will still be payable irrespective of the price of rubber or the export duty. Although the modified tax comes into force on January 1, 1951, the Malayan Government has kept to its original intention that between January 1st and April 4th the tax will be 20¼ cents (5½d.) a lb., unless the price of rubber falls below 126.7 cents (2s. 11½d.) a lb. during the period. Forward contracts for 1951 which were made before September 24th will be charged, after examination by a special committee, at the new rate of duty after January 1st.

MALAYAN RUBBER EXPORT DUTY

Price of Rubber per lb.		Existing Duty	Original Proposal	Modified Version
Malay cents	pence	cents per lb.	cents per lb.	cents per lb.
60	16¾	3	3	3
80	22½	4	7	7
100	28	5	12	11
120	33½	6	18	15
140	40	7	25	19
160	45	8	33	23
180	50½	9	42	27
200	56	10	52	31

The Malayan Government has certainly yielded to the outcry against its first proposal, though not perhaps as much as rubber producers had hoped. The rubber industry makes less of the charge that the modified tax is too high than of the complaint that it has to bear the fiscal burden of the Malayan Government's anti-inflation programme. The rubber market is very sensitive. Indeed in the past week the London price dropped 4½d. and closed on Thursday at 4s. 3d. a lb. The report that the United States Government might take over the purchase of all American imports caused the price to fall by 6½d. on Monday. In these circumstances it is debatable whether rubber ought to shoulder the whole fiscal burden. Would a simpler and lower yielding export tax on rubber and the other main exports from Malaya have served Malaya's purpose equally well?

* * *

The Coal Board's Loss

The bare civility of the letters exchanged between Sir Eric Young and the Minister of Fuel and Power following the conversation which led to Sir Eric's resignation from the National Coal Board reveals at any rate nothing about coal. Both have since categorically denied that the resignation had anything to do with the coal crisis, and Mr. Noel-Baker has added that it did not arise from any dispute over the policy—or the constitution—of the board. Sir Eric Young, who was the last mining engineer on the board—and the last member with direct experience of the industry before the board was created—was one of the original two production members. Sir Charles Reid, his first colleague, resigned in May, 1948, on the ground that the board could not operate successfully through the organisation it had set up, and not long afterwards produced detailed suggestions for limiting the number of areas, abolishing divisional headquarters, and delegating powers from the central board. At the time of Sir Charles Reid's resignation Mr. Young, as he then was, denied rumours that he was not "in harmony" with the board, though he confirmed his agreement with Sir Charles on many points. The unexplained departure of the board's most prominent mining expert, at the end of a year in which the NCB has shown itself either unable to recognise clear danger signals or unable to devise means to combat the dangers, and shortly after the publication of its elaborate 15-year production plan, is disquieting.

Nor was the week's statistical report of the industry's performance much more encouraging. It is something gained that the National Union of Mineworkers should call for Saturday working at more pits, and that perhaps 270,000 tons should be raised last Saturday against about 100,000 tons a week earlier. Mr. Churchill, and other people who share his regard for men in a bitter and dangerous calling, may gracefully express the nation's thanks to the miners who work on Saturdays; but that does not alter the fact that the week's total production, though increased to 4,510,000 tons, was lower than that of the corresponding week in 1949 and could largely have been expected from the extra effort normally put in at this time of year by miners who want a little extra money for Christmas. The test of the NUM's appeal will come in the weeks after Christmas. The risks of serious industrial dislocation will be high unless output shows a rapid and permanent gain.

* * *

New Light on New Issues

Before 1914 the main business of the London new issue market was foreign investment; long-term issues on foreign account were over £200 million a year at their peak, while home issues were usually only about £30 million a year. All too often, moreover, the main purpose of domestic issues was to make a quick profit for the promoters. It was not until the inter-war period that new types of issuing house sprang up for the home market—houses that are more interested in enhancing their good name with each issue they handled than in making a quick profit. The emergence of these houses, together with improvements in the law and in Stock Exchange regulations between 1914 and 1945, gave London the sort of mechanism for long-term capital provision that it had long required. "The emporium had been rebuilt and re-equipped regardless of expense; . . . the shop assistants, scientifically trained and hygienically clothed, stood awaiting business. But where were the customers?"

This question, garbed in this metaphor, was the main theme of Professor Frank Paish's inaugural lecture on taking up the Chair of Business Finance at the University of London this week. The full text of his address will deserve close study in the City when it is reproduced, in due course, in *Economica*. Professor Paish pointed out that the Midland Bank's figures of non-Government new issues averaged £145 million a year in 1948 and 1949; the corresponding figure in the five years ending 1937 was £163 million, in the five years ending 1930 it was £284 million and in the pre-1914 era it was probably over £200 million. Expressed as proportions of national income, the fall in new issues is even more striking—from nearly 10 per cent before 1914 to 7 per cent in the 1920s, to 4 per cent in the 1930s and to less than 1½ per cent in 1948-49. Professor Paish cited figures to show that this fall was not due to any fall in the proportion of the national income being saved and invested. It was due, he believed, to the change in the origins of savings; personal saving probably accounted for more than two-thirds of all saving in 1914 but, on the basis of the latest official figures, far less than one-sixth of it in 1949. Professor Paish believed that, by dint largely of sales of existing securities to institutions and to the National Debt Commissioners, private investors still managed, in 1949, to put up funds for half the new issues coming on to the market; the increase to over 75 per cent in the proportion of new issues (other than issues to shareholders) that were made by way of placings, however, was a clear sign of the increased importance of insurance companies and other institutions in the new issue market. The increased importance of institutions as investors provided strong support for their fellow—and weaker—shareholders in any struggle with boards of directors; Professor Paish was not therefore inclined to regard their growth in relative importance as undesirable. He did, however, regret the fall in new issue business as a whole, and saw the only glint of hope "in the very long-term" when "Government expenditure might some day

begin to rise more slowly than national income," thus generating a fall in the relative level of taxes and an increase in net personal savings available for investment.

* * *

Wool Still Rising

The wool market has more than recovered from its temporary setback in October and prices last month reached new record levels for all categories. Merino (64's) averaged 216d. a lb. against 206d. after its initial jump in September and 106d. in November, 1949. The rise in prices for fine and medium crossbreds has been even sharper. In an attempt to reduce their raw material costs manufacturers are now switching to lower counts, and the price spread between grades has narrowed appreciably. Demand during the past week in the dominion markets and in London has remained very firm, though buyers are naturally apprehensive about the present height of prices.

Current trends in wool consumption in the main consuming countries offer little hope that prices might ease in the near future. Activity in the American and British wool textile industries is being maintained at a very high level—higher even than in the first half of this year—and the concentration is on worsteds rather than woollens. Output in Western

PRICES FOR DOMINION WOOLS
(pence per lb., clean delivered cost in the UK)

Combing Wool Quality	1949		1950					
	Sept.	Nov.	May	June	July	Sept.	Oct.	Nov.
70's	96	114	151	146	156	221	216	228
64's	88	106	145	140	151	206	202	216
60's	83	101	135	131	141	191	183	204
58's	68	84	111	104	111	168	166	186
56's	58	70	91	81	90	148	150	165
50's	38½	57	67	63	72½	137	135	145
48's	37	54	65	61½	71½	135	133	141
46's	36	51½	65½	65	72	133	132	141

Source: U.K.—Dominion Wool Disposals Ltd.

Germany is still expanding and its yarn production is now well above the total output in 1936 for the whole of Germany. In France, Belgium and the Netherlands production is also rising, but the increase in the second half of this year has been much less marked.

Two months ago the wool study group thought that the use of alternative materials by the wool textile industry might ease or at least prevent any further increase in the demand for the reduced supplies of raw wool. Like many other forecasts in wool, this one is proving to be wrong. Reduced exports of American cotton implies that rayon and synthetic fibres are likely to be used to an even greater extent by the cotton industry. Yet the world output of rayon is itself restricted by the shortage of cotton linters and woodpulp. The British wool textile industry is using more rayon than it did a year ago, but the total quantity is still only a fraction of its annual consumption of raw wool. Even the supply of shoddy and mungo is likely to be restricted, as the fear of a clothing shortage is making the public less willing to discard its old clothing. As prices of new clothes rise under the impact of dearer raw materials, this tendency is likely to be increased. Moreover, the wool market has still to feel the full weight of American, British and European demand for military uniforms.

* * *

More About the Tea Market

Slowly a detailed scheme for the reopening of the London market next April is emerging from the joint discussions between the tea trade and the Ministry of Food. Speed is not vital at this stage and it is well that full consideration is being given to all the problems likely to arise when the London tea auctions are resumed so that they will be able to operate

smoothly. Tea brokers are grateful for this new freedom, even though it is prescribed by government regulation, for they are convinced that, if after a trial period they can prove that private trade can handle tea imports better than the system of centralised purchase, full freedom will be restored to them.

The arrangements so far made allow for two types of imports for home consumption. The first is tea sold in the auctions on estate account; the flat-rate subsidy of a shilling a pound on these teas will be paid by the Ministry of Food to the brokers when the tea is sold. The second category of imports is private purchases by the big concerns direct from estates or from the Calcutta and Colombo markets. The subsidy in this instance will be paid as the teas are taken out of bond for consumption in this country.

Buyers will still be allotted a maximum buying quota dependent on their ration registrations. Part of this quota will be met by allocations from the Ministry's stock and the remainder will form their maximum purchase at the auctions during the period. Those firms buying direct from producers must state how much of their imports is to be debited against their allocation for each four-weekly period before arriving at their maximum purchases at the London auctions. Buyers therefore will have to work to a maximum purchase and to maximum prices determined by controlled retail prices for tea and the fixed subsidy. Brokers must act solely as agents and are not permitted to "buy over," i.e., carry stocks.

The value of this experiment of private trading in a rationed and subsidised food is that it enables all the technical experts in the tea trade—the samplers, tasters and valuers—to practise their skill once more, and it will also give considerable scope for tea to be bought according to quality. The trade are confident that with Mincing Lane in operation again Britain will not only obtain larger supplies at reasonable prices but that it will also enjoy a great improvement in the quality of tea marketed. There is, moreover, a possibility that rationing may be discarded within the next two years. Tea production in Indonesia is at long last beginning to recover fairly rapidly, while improved methods of cultivation in India and Ceylon are yielding larger crops from the same acreage. If political conditions permit this increase in production to continue, supplies may be adequate in 1952.

* * *

Austin and Defence

The first motor firm—and indeed the first firm in any industry outside the munitions field proper—to report the use of additional manufacturing capacity for defence contracts is Austin Motors, which has leased the aircraft factory beside its own Longbridge works which it managed for the Ministry of Aircraft Production during the war. Here it will begin manufacturing not only the new four-wheel drive vehicles (roughly corresponding to the jeep) for which an Army contract has already been announced, but some of the four-cylinder engines for these vehicles and "a large number" of eight-cylinder engines (presumably for use in 10-ton vehicles and possibly, in pairs, in tanks). These engines are from the Rolls-Royce "B" range designed for the Fighting Vehicles Division of the Ministry of Supply.

Mr Leonard Lord, who announced this expansion of output for defence at the company's annual meeting this week, believed that it should not interfere with normal production, "always providing that the materials are made available." It will be superimposed upon a record production of civilian cars and commercial vehicles, amounting to 157,628 in the year to July; in the three months that have elapsed production has run at the rate of more than 165,000 vehicles a year, plus 300 tons of spares a week; even this high rate is still limited by sheet steel supplies. The firm sold 80,000 of its light A.40 saloons abroad during the year, and 15,000 of its new two- and five-ton trucks, for which it has now orders



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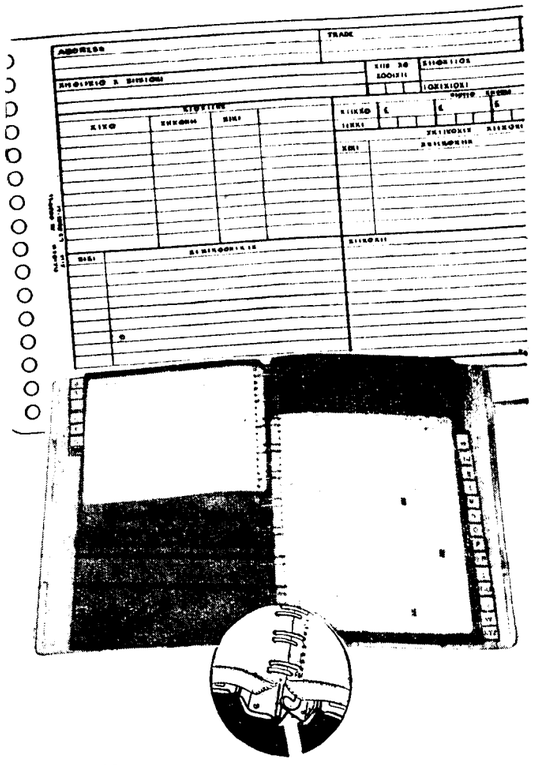


"BRING me fire, that I may purify the house with sulphur" wrote Homer in the Odyssey. This yellow rock, which burns to form choking fumes, has been known since the earliest days of civilisation. Pliny describes the surface desposits of sulphur in Sicily and explains how it was used in medicine and for bleaching cloth. The Sicilian deposits were for centuries the main source of sulphur, but today the vast underground beds in the United States provide most of the world's needs. Industry uses sulphur for bleaching and agriculture for spraying fruit trees. Medicine has always used sulphur, which is one of the elements in Epsom salts and the healing waters of Spas. It is also a constituent of drugs like the sulphonamides. But the greatest use of sulphur is in sulphuric acid, a chemical so vital to modern industry that its consumption is a guide to a nation's industrial activity.

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covering the current year's whole output. Such prosperity should be spread, Mr Lord declared, in higher wages and in the increased dividend; he noted that the Exchequer was getting its share from the $33,936,000 that the company earned by North American exports as well as from taxation. The shareholders, not unmindful of another spreading of prosperity in which the Exchequer managed to share this year, commiserated with Mr Lord in the retrospective removal of most of the tax-free gift they gave him last year, and passed a resolution asking the board to see what could be done to recompense him.

* * *

Electronic Computors for Defence

The significant difference between the electronic computor built by the National Physical Laboratory and similar machines here and in America lies in its size. Although it is made up of 800 valves, compared with the 20,000 used in the best known of the American machines, it is believed to be among the fastest now working. It was to have been a pilot model for a full-scale computor and its size was kept to the minimum compatible with its doing useful work. But now that its designers see a way to expand its calculating capacity without increasing its size, the larger model has become unnecessary.

Electronic computors were developed to handle mathematical problems which can take weeks or months to work out on ordinary calculators; some of those sums have never been attempted simply because of their length. The machines' greatest value is in handling a long sequence of inter-related calculations; by using electrons which move at speeds measured in millionths of a second, these problems can be resolved in minutes, provided they are fed into the machine in a suitable form. The technique of planning a programme for the machine, according to the calculation it has to solve, is perhaps the most difficult aspect of its use.

The NPL computor is of importance to industry for it is the first in Britain available for general service. The more accurately industry requires to know the behaviour of physical and chemical structures, the more valuable the computor can be in reducing the time and cost of establishing this knowledge. But the salient feature of the NPL machine—its combination of high speed and small size—is not fundamental in what might be called its routine mathematical work, except that fewer valves should mean fewer potential break-downs. If the machine were to be applied, say, to solving problems involved in an anti-aircraft defence network, such characteristics would be most important. For instance, if the computor were used in conjunction with long-range radar, it might work fast enough to provide anti-aircraft guns with data of a degree of accuracy hitherto unknown on the course and speed of incoming enemy aircraft and possibly of guided missiles. Such calculations would take several days to work out by ordinary mechanical methods. Much practical experience with the machine would be needed before such applications in defence could be perfected, but reports from the United States suggest that a computor has been designed to help to direct guided missiles on to an incoming target. The day may soon arrive when every gunnery officer must be a Senior Wrangler.

* * *

Television's Half-Million

The 500,000th television licence was issued late in October, and its sale marks the end of the industry's most difficult development period. Total sales for 1950 are expected to reach 400,000 receivers and next year, with the Holm Moss transmitter opening in June and the Scottish transmitter by the end of the year, sales may reach 700,000. Output in the industry is at the moment at the rate of 50,000 receivers a month a rate appreciably higher than earlier in the year.

There have been considerable changes in this pattern of rising demand. As the quality of the receivers has improved and the margin of quality between the products of different manufacturers has become less marked, demand has swung from high-priced large sets to small table models some £40 and £50 cheaper. Shortage of money may have something to do with this, but a stronger reason is that the table receivers now give almost as good a picture, even on the fringes of the reception areas, as do the more expensive models.

By far the largest number of sales continue to be made in the London region covered by the Alexandra Palace transmitter; its range, thanks to improvements in both transmitters and receivers, extends to the South Coast and as far as the Isle of Wight. The opening of a market for television sets in a new area requires a good deal of patience, and some manufacturers who had overlooked the need to break down this initial resistance have been disappointed this year at the slowness of receiver sales in the Birmingham region.

The estimate of next year's potential sales may or may not be accurate; the industry's chief concern is whether the re-armament programme will prevent it from producing enough receivers. No official indication has yet been given of the demands which will be made upon the industry but certain facts are clear. Radar equipment is urgently needed, and aircraft manufacturers complain of difficulty in obtaining radio and electronic equipment for their expanded production programme. Moreover, production of guided missiles will make heavy demands on manufacturers of radio components, if not on radio assembly firms themselves. The industry is at least not blind to the possibility that production of radio and television receivers might have to be restricted.

* * *

Natural History of Steel

Long-term estimates of future steel demand, as Sir Andrew McCance remarked recently, tend most commonly to be made by self-appointed experts outside the industry on the apparent basis that the less they know about steel, the higher they set their sights. Sir Andrew is deputy chairman and managing director of Colvilles' and is an acknowledged expert within the industry—yet his own analysis and projection of the course of steel production, delivered in the third Harold Wright Lecture at Middlesbrough,* were based upon a highly original method that can hardly have been less foreign, though it was infinitely less repugnant, to most of his colleagues in the massively practical business of steel-making.

His method, too intricate to be more than sketched here, involves an almost biological approach to the growth and form of a steel industry as a "natural" phenomenon. In his study of the development and structure of steel industries in Britain and the United States, Sir Andrew has been able to trace certain statistical regularities which hold good for each. The output of the largest unit in each industry, for example, bears a similar (as Sir Andrew would argue, a natural) relation to the total output of the industry; and the numbers of works of given sizes, expressed as percentages of all the works in the country, seem to follow a simple exponential distribution. In steel production, the distribution of furnace sizes, expressed as a fraction of the total number of furnaces, corresponds for both countries: "our furnaces and theirs are adapted subconsciously to the magnitude of the industries which they serve." Sir Andrew put forward a semi-empirical formula that might be expected to match the course of development in steel production since steel-making began; this formula does, in fact, follow the statistical records for both countries with a surprising degree of concordance.

* "Production in the Steel Industry: Its Growth, Distribution and Future Course." (The Cleveland Institute, Middlesbrough.)

When he came to carry these calculations forward, Sir Andrew McCance concluded that there is no evidence that the steel output of Britain and America, in the near future, will rise to a maximum and then decline; given the present trend, he estimated, British steel production should be 17½ million tons a year by 1960, 20.7 million tons by 1970, and 24.6 million tons by 1980. His demonstration that the ratio of British open hearth steel output to American is proportional to the square of their respective number of furnaces has a certain practical significance for productivity comparisons. Since larger units of plant give a greater output per man employed, it suggests that the productivity per man in any country increases automatically with the size of the industry in that country. "Thus we in Britain can only expect our average productivity to equal that of the United States when our steel industry more nearly approaches the American industry in size," concluded Sir Andrew. "The chances of our ever doing so, therefore, seem small." Applied to industry in general, this heretical suggestion (to be kept at all costs from the Society for the Prevention of Cruelty to Productivity Teams) opens appallingly simple possibilities. Can it be that certain things about British industries are rather smaller because they are not so big?

Shorter Notes

The most important result of the segregation scheme announced this week by Brown Bayley's Steel Works, Ltd., after agreement with the Ministry of Supply, is that control of the Hoffman Manufacturing Company, the ball-bearing makers, will now remain in private hands. Brown Bayley's, which owns 52 per cent of Hoffman's ordinary capital, is to retain this holding, its 88.5 per cent interest in the Farnley Iron Company, its South African subsidiary, certain quoted investments with a market value of £6,770, and an amount to enable it to pay dividends up to February 15th, the vesting date for steel nationalisation. All other assets will be sold to a new company, Brown Bayley Steels, Ltd., which will be taken over in return for compensation of £1,128,750 in British Iron and Steel stock.

★

Sales by the wholesale textile trade to retailers in October were the highest ever recorded. The monthly index prepared by the Wholesale Textile Association in collaboration with the Bank of England rose by 30 points to 186 (1947 = 100). The wholesale trade has resumed its prewar function of acting as a cushion between retailers and manufacturers. The heavy retail sales of clothing in September no doubt forced shops to restock in the following month; the large wholesale sales in October might have even covered some voluntary stock building by the larger retailers. But the public's scramble for clothing has tended to die down, and more recent reports suggest increased consumer resistance.

★

A policy decision of some significance is revealed in the report of the Woolwich Equitable Building Society for the year ended September 30th. During the greater part of the year the board decided "as a measure of prudence in times of difficulty and uncertainty" to restrict new mortgage advances. The accounts show that these have fallen from £13.9 million to £11.9 million. Since the Society also obtained a further net increase of funds, particularly in respect of new shares, the year's changes have brought about an appreciable strengthening of the Society's liquid resources. Investments increased from £8.1 million to £10.5 million and the balance sheet shows that investments, cash and other quick assets now comprise 18.3 per cent of total assets compared with 16 per cent at the end of September, 1949.

SECURITY PRICES AND YIELDS

A fuller list containing 346 securities appears weekly in the *Records and Statistics* Supplement.

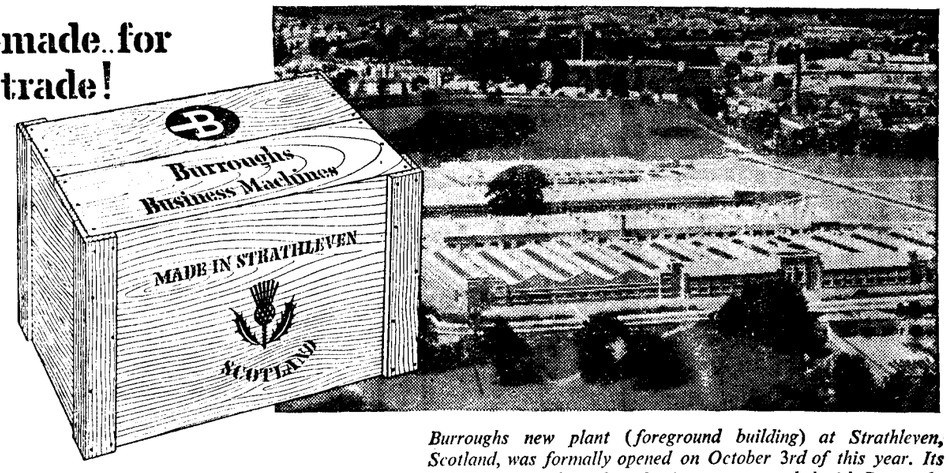
Prices, Year 1950 Jan. 1 to Dec. 6 High	Prices, Year 1950 Jan. 1 to Dec. 6 Low	Name of Security	Price, Nov. 29, 1950	Price, Dec. 6, 1950	Net Yield, Dec. 6, 1950 (m) £ s. d.	Gross Yield, Dec. 6, 1950 £ s. d.
		British Funds				
101¹³/₃₂	100 ⅝	War Bonds 2½%, Aug. 1, 1949-51	100 6/0	100 5/5	...	0 12 7f
100⅜	99⅛	Do. Assented	100⅛	99⅜	1 15 10	3 1 6e
					1 15 9	3 1 4f
102	100¼	War Bonds 2½% Mar. 1, 1951-53	101	101¼	...	0 19 0e
					0 14 7	1 19 8f
102 7/32	100 11/32	War Bonds 2½% Mar. 1, 1952-54	101 11/32	101⅛	...	1 5 5e
102⅛	100	Exch. Stk. 2½% Feb. 15, 1955	101⅛	101⅛	0 16 2	2 0 5f
103 7/32	100⅛	War Bds. 2½% Aug. 15, 1954-56	102⅛	102⅛	0 15 11	1 17 6
					0 14 9	1 18 10e
103⅜	101⅛	Funding 2½% June 15, 1952-57	102xd	102xd	0 19 1	2 2 7f
					0 5 6	1 7 7e
104 11/32	102	Nat. Def. 3% July 15, 1954-58	104	103 13/32	1 3 9	2 8 2f
					0 14 6	2 4 0e
104⅜	101⅛	War Loan 3% Oct. 15, 1955-59	104	103 13/32	1 3 11	2 12 0f
					0 17 5	2 4 9e
101 11/32	96⅞	Sav. Bonds 3% Aug. 15, 1955-65	100⅛	100⅜	1 4 2	2 11 2f
					1 13 7	3 2 7e
100⅛	97⅛	Funding 2½% April 15, 1956-61	99⅛	99⅛	1 13 3	3 0 11f
					1 10 3	2 13 6e
100	95	Funding 3% April 15, 1959-69	98⅛	98⅜	1 9 0	2 11 11f
					1 17 2	3 5 0e
100⅛	99⅛	Funding 3% Aug. 1, 1966-68	99⅛	99½	1 15 1	3 2 7f
					1 14 0	3 1 3e
103⅛	104 ⅞	Funding 4% May 1, 1960-90	106⅜	106⅜	1 13 10	3 1 2f
					1 9 1	3 4 3e
99⅛	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	98	98⅛	1 13 3	3 13 11f
					1 18 3	3 6 6e
96	91⅛	Sav. Bonds 2½% May 1, 1964-67	94⅛	94⅛	1 15 10	3 3 8f
					1 17 9	3 1 3e
110⅞	106⅜	Vict. Bonds 4% Sept. 1, 1920-76	109⅛	109⅛	1 16 0	2 19 6f
					1 10 8	3 5 5*
98⅜	91⅛	Sav. Bonds 3% Aug. 15, 1965-75	97	96⅜	1 19 1	3 7 6e
					1 16 11	3 5 1f
105⅛	100	Consols 4% (after Feb. 1, 1957)	103	103⅛	1 14 7	3 11 3e
93⅛	91⅛	Conv. 3½% (after Apr. 1, 1961)	96⅜	96⅛	2 0 2	3 13 4f
71⅛	66⅝	Treas.Stk.2½%(afterApr.1,1975)	70⅜	71⅛	1 18 10	3 10 9f
87⅛	79⅜	Treas.Stk. 3%(afterApr.5,1966)	85	84⅛	1 19 4	3 11 8f
106⅛	99	Treas.Stk. 3½% June15,1977-80	103⅜ xd	103⅛	1 15 5	3 6 3e
					1 15 8	3 6 6f
94 13/32	86⅞	Redemp. Stk. 3% Oct. 1986-96	92	91⅜	2 0 0	3 9 0e
					1 18 11	3 7 11f
97 13/32	90	War Ln. 3½% (after Dec. 1, 1952)	93⅝xd	93⅜	2 1 0	3 14 7h
74⅜	68⅛	Consols 2½%	71	71xd	1 18 8	3 10 3f
98⅜	92⅛	Brit. El. 3% Gtd. Apr. 1, 1968-73	97	96⅜	1 17 8	3 5 7e
					1 16 9	3 4 8f
98⅛	91 ⅞	Brit. El. 3% Gtd. Mar. 15, 1974-77	96⅛	96⅜	1 17 3	3 5 4e
					1 16 10	3 4 11f
105⅛	99	Brit.El.3½%Gtd.Nov.15,1976-79	103⅜	103¼	1 15 7	3 6 8e
					1 15 10	3 6 10f
95 ⅞	86⅛	Brit. Tpt. 3% Gtd. July 1, 1978-88	92xd	91 7/16 xd	2 1 1	3 9 6e
					1 19 5	3 7 11f
98 ⅝	92⅛	Brit. Tpt. 3% Gtd. Apr. 1, 1968-73	97	96⅛	1 17 10	3 5 10e
					1 16 11	3 4 10f
94 ⅞	85⅛	Brit. Gas Gtd. 3% May 1, 1990-95	91⅜	91⅛	1 19 7	3 8 5e
					1 19 0	3 7 11f

(*e*) To earliest date. (*f*) Flat yield. (*g*) Assuming redemption in 1957 (*h*) Flat yield given above. If redeemed, in 1952 net redemption yield £5 4 10, gross £6 18 0. (*l*) To latest date. (*m*) Net yields are calculated after allowing for tax at 9s. in £. * Assumed average life 13 years 11 months.

Prices, Year 1950 Jan. 1–Dec. 6 High	Prices, Year 1950 Jan. 1–Dec. 6 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Nov. 29, 1950	Price, Dec. 6, 1950	Yield, Dec. 6, 1950 £ s. d.
		%		%	**Other Securities**			
101⅛	95⅛	(d)		(d)	Australia 5½% 1965-69	101	99⅛	5 5 8f
102⅛	99⅜	(d)		(d)	Birmingham 2½% 1955-57	102	100½xd	2 13 6f
8⅛	6⅜	60	*c*	20	*a* Anglo-American Corp., 10/-	7	6⅜	4 8 1
7¾	5⅛	25	*b*	5	*a* Anglo-Iranian Oil, £1	5⅛	5⅜	5 3 3
85/-	67/9	10	*b*	5	*a* Assoc. Electrical, Ord. £1	81/3	81/3	3 15 10
87/-	71/6	15	*b*	7½	*a* Assoc. Port. Cem., Ord. Stk. £1	78/6	78/6	5 14 7
29/10½	17/0½	40	*c*	35	*c* Austin Motor, Ord. Stk. 5/-	26/10½	26/10½	6 10 3
74/-	66/-	7	*b*	7	*a* Barclays Bank, Ord. 'B' £1	69/6	69/6	4 0 7
145/6	129/-	†5	*a*	†20	*b* Bass Ratcliff, Ord. £1	144/4½	144/4½	3 9 3†
51/3	44/6	40	*c*	10	*a* Boots Pure Drug, Ord. 5/-	48/6	48/6	4 2 6
45/7½	37/6	6	*b*	4	*a* British Aluminium, Stk. £1	38/6	38/-	5 5 3
25/7½	18/-	8	*c*	10	*c* British Celanese, Ord. 10/-	24/6	23/9	4 4 5
98/-	85/3	12	*b*	8	*a* British Oxygen, Ord. £1	86/-	86/-	4 13 0
60/11½	50/7½	5	*a*	7½	*b* Coats, J. & P., Ord. Stk. £1	55/7½xd	55/ xd	4 10 11
41/3	32/11½	5	*b*	2½	*a* Courtaulds, Ord. £1	39/4½	37/9	3 19 6
19/11½	16/6	5	*a*	15	*b* Distillers Co., Ord. 4/-	19/3	19/3	4 3 1
32/9½	28/9	8	*c*	8	*c* Dorman Long, Ord. £1	31/3xd	31/3xd	5 2 5
67/-	50/7½	15	*c*	15	*c* Dunlop Rubber, Ord. £1	52/6	51/3	5 17 1
47/6	37/9	10	*c*	10	*c* Ford Motor, Ord. Stk. £1	45/3	45/-	4 8 11
86/-	72/-	17½	*c*	17½	*c* General Elect., Ord. Stk. £1	81/10½	81/3	4 6 2
136/-	124/-	11	*a*	21	*b* Guinness, Ord. Stk. £1	130/-xd	130/-xd	4 18 6
31/-	24/6	17½	*b*	15	*a* Hawker Siddeley, Ord. 5/-	30/-	29/9	5 9 3
44/3	39/6	7	*b*	3	*a* Imp. Chem. Ind., Ord. Stk. £1	42/6	42/-	4 15 3
111/3	95/-	18½	*b*	13½	*a* Imperial Tobacco, £1	105/7½	104/4½	6 2 9
44/1½	29/7½	10	*c*	5	*a* Lancs. Cotton, Ord. Stk. £1	42/-	40/9	4 18 2
44/6	38/1½	10	*c*	10	*c* Lever & Unilever, Ord. £1	41/10½	41/10½	4 15 6
63/-	51/9	15	*c*	15	*c* London Brick, Ord. Stk. £1	58/11½xd	56/10½	5 5 6
85/6	69/6	45	*b*	15	*a* Marks & Spencer ("A"), 5/-	82/-	80/6	3 14 6
44/-	33/3	7½	*a*	17½	*b* Pchin J'nson, Ord. Stk. 10/-	40/-	38/6	6 9 10
52/9	11/-	4	*b*	8	*a* P. & O., Def. Stk. £1	51/-	51/-	4 14 1
55⅜	27½	†7 7/16	*c*	17½	†*c* Prudential, 'A' £1	31½	31½	2 9 0†
19/4½	17/4½	18	*c*	15	*a* Ranks, Ord. Stk. 5/-	18/9	18/6	4 17 4
71/3	59/3	†2½	*a*	†5	*b* "Shell" Transpt., Ord. Stk. £1	66/-	64/4½	2 6 7†
56/7½	50/-	12½	*c*	12½	*c* Stewarts & Lloyds, Def. £1	54/6	54/6	4 11 9
130/-	108/9	12½	*a*	12½	*b* Tube Invst., Ord. Stk. £1	126/3	125/-	4 0 0
87/7½	73/3	5⅜	*a*	11½	*b* Turner & Newall, Ord. Stk. £1	86/-	82/6	3 12 9
35/-	27/-	8	*c*	8	*c* Union Castle, Ord. Stk. £1	34/6	34/6	4 12 9
66/3	34/4½	12½	*c*	17½	*c* United Sua Betong, £1	55/-	51/3	6 16 8
35/1½	24/10½	4½	*b*	2½	*a* Vickers, Ord. Stk £1	34/3	33/9	4 0 0
48/4½	41/6	27½	*b*	15	*a* Woolworth (F. W.), Ord. 5/-	42/-	42/9	4 1 10m

(*a*) Interim. (*b*) Final. (*c*) Whole year. (*d*) Int. paid half-yearly. (*e*) Special dividend. Yield basis 77/12%. (*l*) To latest redemption date. † Free of tax. (*m*) Yield basis 35%.

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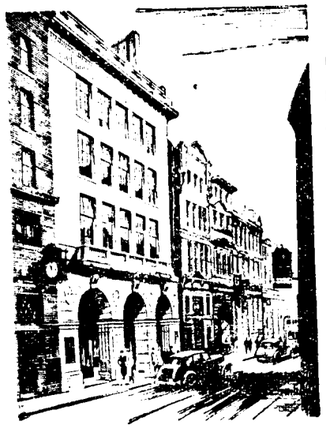
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INTERNATIONAL BANKING SURVEY

This survey, and the accompanying special 16-page selection of International Banking Statistics that appears in this week's issue of the RECORDS AND STATISTICS *supplement, is complementary to the similar survey and statistical analysis of banking in the British Commonwealth published on June 17th and 24th last. These half-yearly features together comprise the new form of* THE ECONOMIST BANKING SUPPLEMENT *which has been published for many years.*

Is the Dollar Shortage Over?

IT is clear that the dollar shortage is no longer the most pressing financial problem confronting the world today. It is not so clear, however, whether this is more than an evanescent phenomenon in the history of the 1950s. With American resources stretched to meet a boom that is already an inflation, with American gift dollars still flowing out to the world at a rate of several billions a year, and with the ramparts of import control set up in the period of dollar shortage still enthusiastically manned by cautious Governments the world over, it is not surprising that America's gold reserves should be running down and that the world's dollar balances should currently be mounting. Will this state of affairs continue once the artificial elements in the present situation have disappeared?

It is, as a rule, unwise to distinguish too finely between the artificial and the normal; if the history of the last generation has taught any lesson, it is that "normalcy" rarely comes. But the dollar shortage seemed such a persisting phenomenon during the years of its greatest gravity that it does perhaps provide one of the few exceptions where the analyst may flout the rule. It is worthwhile, therefore, to examine the stages of the world's three-and-a-half-year-long advance towards dollar equilibrium and to examine how many of the marches in that advance were due to the slow functioning of economic laws (on which Lord Keynes set so much store in his last article) and how many were due to such extraneous and exceptional factors as the attack upon Korea.

The move towards balance in the United States' external payments took part in three distinct stages. The first stage was the period of slow, though irregular, progress from early 1947 to early 1949. The second stage was the spurt towards balance between the devaluations of September, 1949, and the outbreak of hostilities in Korea. The third stage, on which statistical documentation is still inadequate, dates from President Truman's "rearmament message" to Congress last July. Seen in this perspective, the story is one of ever-accelerating world recovery—though admittedly of recovery from an initial position of abysmal crisis. In the second quarter of 1947 the United States' current external surplus amounted to $3,165 million—or, in other words, was running at the fantastic rate of over $12.6 billions a year. This $3,165 million surplus was partly bridged by $1,405 million of Government long-term lending abroad (chiefly, of course, the loan to Britain) and by $617 million of "unilateral transfers" (which is American balance-of-payments terminology for dollar gifts) to UNRRA, etc., and later, under ERP. Despite this, the world's gold and dollar holdings ran down by $1,176 million in that quarter—a rate of depletion which, if continued, would therefore have meant that there would not have been a single dollar or ounce of gold left outside the United States by the end of 1952.

The recovery from this crisis can be seen in Table I. This table lists the factors leading to the move towards equilibrium in America's balance of payments as shown in the second quarter's figures of each year from 1947 to 1950. The second quarter of each year has been chosen for comparison because presentation of the table in this fashion seems to provide the best thumbnail sketch of the trends. The second quarter of 1947 was the period in which America's current account surplus reached its height, the second quarter of 1948 was the period in which European recovery first became apparent, the second quarter of 1949 was the period in which the American recession began to show itself (but was also a period not so distorted by speculative capital movements as the third quarter of the year), and the second quarter of 1950 was the period of what seemed to be approaching "normalcy" but was actually that of approaching storm. The second quarter of 1950 also happens to be the latest quarter for which full American balance of payments figures were available at the time that this issue of *The Economist* went to press.

TABLE I—BRIDGING OF DOLLAR GAP

Changes in US Balance of Payments Figures between April-June Quarters of each pair of years
($ Million)

	1947-48	1948-49	1949-50
Decrease in exports	883	— 65	873
Increase in imports	330	— 132	232
Decrease in invisibles	118	7	180
Decrease in surplus on current account	1331	— 190	1285
Increase in US gifts abroad	460	606	— 457
Increase in Govt. long term investment	—1278	— 21	— 85
Increase in private long term investment	109	15	— 163
Other capital transactions	— 375	— 118	159
Other influences (unidentified)	322	— 80	293
Diminution in drain on world gold and dollar reserves	569	210	1034

The convention used in Table I is that each influence that tended to bring America's external tables into balance is treated as a positive item and each influence that tended to make the dollar shortage worse is treated as a negative item. It will be seen that between the

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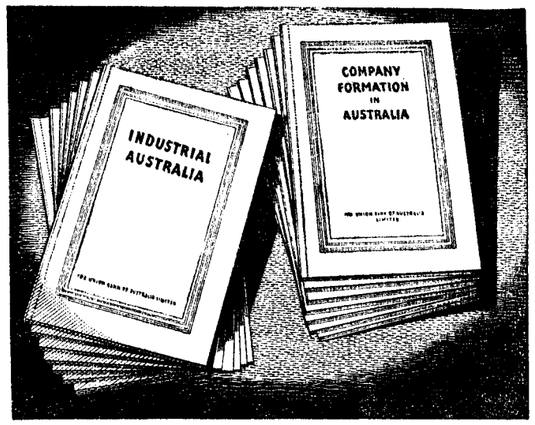
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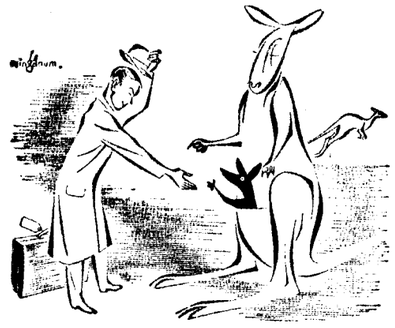
Spotlight on Australia

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second quarter of 1947 and the second quarter of 1948 America's current account surplus declined by no less than $1,331 million. The main influence behind this decline was the $883 million drop in United States exports as restrictions against dollar goods all over the world came clamping down; there was also, however, a sizeable increase in American imports and a decrease in America's invisible surplus. This very large fall in America's current account did not prevent the gold and dollar holdings of the outside world from falling by $607 million (a figure that was $569 million less than the $1,176 million drop in the second quarter of 1947). This large fall in world gold and dollar holdings was partly due to a decrease in long-term United States Government investment overseas and a running-down of the short-term balances that America held abroad (this latter item accounts for the main part of the $375 million deterioration in "Other Capital Transactions" in 1947/48). The gap caused by this deterioration in the world's balance with the dollar area on capital account was not completely bridged by the first flow of ERP funds, by the increase in private United States investment overseas (mostly in Latin America), and the decrease in speculative and largely illegal movements of gold and dollars out of soft currency countries (which probably accounts for the major part of the improvement shown under the heading "Other Influences—Unidentified").

Between the second quarter of 1948 and the second quarter of 1949 there was a small aggravation of the world dollar shortage as a result of a widening of America's surplus on current account. Too much should not be made of this factor. The $65 million increase in United States exports shown in the table was more than accounted for by the increase in exports to Canada; the $132 million decrease in the United States imports was largely due to decreased imports from Latin America and ERP countries—though not, oddly enough, from ERP dependencies (which includes the outer sterling area). Moreover, this deterioration in the flow of dollars to the outside world on current account was far more than offset by the increased flow of capital account and particularly in United States Government unilateral transfers; it should be noted, however, that short-term balances held by Americans abroad were running down at a faster rate than in the second quarter of 1948 and that speculative movements of capital through the web of exchange control were increasing—as a result no doubt of the first flutter of pre-devaluation fears.

TABLE II—US BALANCE OF PAYMENTS
April-June, 1949, and April-June, 1950
($ Million)

	ERP Area and Dependencies		Canada and Latin America		Other		Total	
	1949	1950	1949	1950	1949	1950	1949	1950
Exports	+ 1437	+ 925	+ 1258	+ 1163	+ 760	+ 497	+ 3455	+ 2582
Imports	— 408	— 445	— 1000	— 1213	— 353	— 435	— 1761	— 1993
Invisibles (net)	+ 1	— 151	+ 217	+ 192	— 112	+ 109	+ 330	+ 150
Current balance	+ 1030	+ 329	+ 475	+ 242	+ 519	+ 171	+ 2024	+ 739
Unilateral transfers	— 1325	— 974	— 13	— 14	— 345	— 238	— 1683	— 1226
Govt. long term investment	— 96	— 26	— 6	— 5	— 4	+ 10	— 106	— 21
Private long term investment	— 19	— 35	— 174	— 10	— 46	— 32	— 239	— 76
Other capital transactions	+ 68	— 20	+ 80	— 18	— 29	— 2	+ 119	— 40
Transfers between areas and unidentified movements*	+ 619	+ 181	— 344	— 232	+ 5	+ 38	+ 280	— 13
Change in area's gold and dollar res.	— 277	+ 544	— 18	+ 36	— 100	+ 57	— 395	+ 637

* Receipts by area concerned shown as (—).

The story can now turn to the remarkable recovery between the second quarter of 1949 and the second quarter of 1950—the period that bridges the worldwide exchange rate realignment of September, 1949. The $1,285 million decline in America's surplus on current account in this period, to a quarterly surplus of only $739 million, is shown in some detail in Table II. It may be convenient, however, to summarise the position by reference to Table I first. It will be seen from this that by far the greater part of the improvement was due to a decline of $873 million in United States exports—that is to say a decline of 25 per cent. Between these two periods United States exports to ERP countries declined by 33 per cent., those to ERP dependencies by 50 per cent, those to Latin America by 27 per cent. It is very doubtful indeed whether American exporters would have been willing to accept this decline in their overseas sales if it had not been all too easy to sell the goods concerned in the booming home market. It should also be noticed that there were some signs at the end of this period that American exports were moving up again; American exports in the second quarter of 1950 were some $34 million more than in the first quarter. Some of the rigid creeds of self-denial that sterling area and other governments had imposed upon themselves at the time of devaluation were proving just a little difficult to bear. There was, however, no sign in June of any slackening of the rather slower rise in United States imports, nor yet of a decline in the volume of dollars flowing out of America in payment for invisible transactions; by this time, in fact, America's current invisible surplus had dwindled to a bare $600 million a year—and was still going down.

The main improvement in the capital account between the second quarter of 1949 and the second quarter of 1950 was the great increase in confidence in sterling and other soft currencies. This undoubtedly led to the increased accumulation of American short-term balances abroad and the reversal of the flow of speculative capital to America. This "confidence movement" offset three-quarters of the $457 million decrease in unilateral transfers from the United States between the second quarter of 1949 and the second quarter of 1950.

To sum up the position on the eve of Korea therefore: The world was at this period receiving unilateral transfers from the United States Government at the rate of almost exactly $5,000 million a year and was adding to its gold and dollar holdings at a rate of just under $2,550 million a year. The difference between these two figures was chiefly explained by the fact that the United States' surplus on current account was still running at a rate of just over $2,950 million a year; this latter figure, though large, was some $9,600 million less than the rate at which the current account surplus was running at the peak period of 1947. This remarkable bridging of some three-quarters of the original (1947) dollar gap on current account was due to a decrease of over $6,700 million in the annual rate of United States exports, an increase of over $1,700 million in the annual rate of United States imports and a decrease of over $1,200 million in the annual rate of the

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United States surplus on invisibles. If recession had come in the United States this autumn, the main problem for the older industrial countries of the world would have been to keep their exports competitive to third areas with United States exports—in other words their main problem would have been that of keeping the same degree of price flexibility within their economies as the United States was maintaining within its own. The actual and potential dollar problem was heightened by the fact that some other countries that were running a current account surplus (or would be running a current account surplus in an American recession) also required payment in dollars. It must also be recognised that the depletion of imports from the United States has been partly achieved by discriminatory restrictions rather than by improvement of competitive efficiency. But allowances of this sort must not be allowed to dim the fact that even before Korea the countries of the old world had proved themselves to be able to maintain a tolerable standard of life at a rate of imports from the dollar area that generated no more than a manageable dollar deficit on current account.

Since Korea the most striking development has been the rapid increase in the volume of United States imports. In August these amounted to $819 million—or some 23 per cent above the monthly average for the second quarter. United States exports in August were some 8 per cent below the second quarter's monthly average and, in consequence, the country ran a visible deficit (of some $58 million) for the first month in thirteen years.

It would be unwise to draw too many conclusions for the immediate future from these figures. Many questions about the future scale of stockpiling, of mutual defence aid and of the effect of rearmament programmes on the old world's own export effort have still to be answered. But it would be equally unwise to allow the exceptional nature of the present dollar glut to serve as an excuse for closing one's eyes to the remarkable progress that had been achieved before these exceptional circumstances arose. If "normalcy" ever returns, and if any scheme for irrigating the backward areas of the world with dollars comes with it, the dollar gap may conceivably prove to be manageable without any such comprehensive and drastic a system of exchange control as that with which international banking is currently cluttered. Until normalcy does return, the world dollar shortage should be less, not more, serious than the shortage that obtained on the eve of Korea. The conclusions that central banking authorities the world over should draw from this picture are as obvious as they are ignored.

EPU Teething Troubles

THE agreement for a European Payments Union, which was formally signed in September last, began to operate from July 1st and figures are now available covering its operations for the four months to the end of October, 1950. These figures show clearly that the EPU is being subjected to strains greater than those anticipated at its birth. It should be recalled at the outset that the philosophy that EPU was intended to foster was that of free transferability of currency and multilateral trade within a small, specified group. The EPU agreement therefore led, first, to a system of multilateral payments in which each member country would be concerned with its net surplus or deficit with the group as a whole and would no longer have to worry about its bilateral position with each other member, and, secondly, to trade liberalisation measures operated without any discrimination. The logical outcome of the system was that within the group of members there could no longer be differential softness or hardness of currencies.

In order to help the creation of this system a cushion of credit was provided; each member country was allotted a quota (based on its 1948 trade) within which it would extend credit and, conversely, obtain overdraft facilities. In addition, some countries likely to be in surplus with their colleagues were launched on their EPU career with initial debit positions; these were intended to cushion the impact of their surpluses on the resources of EPU. Others, for opposite reasons, were given the benefit of initial credit positions. Finally, provision was made in the agreement for gold payments after a certain proportion of a country's quota had either been drawn from or accumulated with EPU. These gold payments were to provide the element of incentive in the scheme; it was hoped that the prospect of these would induce countries to increase their exports to other members and encourage the chronic debtors to become solvent. It is important to note, however, that nobody expected gold payments or receipts to become widely operative at an early date. It was recognised that Europe could not afford a system of unrestricted trading in which payments would be widely made in gold or dollars—simply because the gold and dollars were not there to lubricate it.

These intentions have been far from fulfilled in the experience of EPU to date. The experience of the various member countries after four months of operation of EPU can be summarised as follows:—

Austria.—A cumulative deficit of $10,700,000 has been run up. This has been set off against an initial credit balance of $80 million and, consequently, no use has yet been made of the quota.

Belgium/Luxemburg.—The cumulative accounting position at the end of four months was precisely zero, so that neither the initial debit balance nor the quota has yet been utilised.

Denmark.—A cumulative deficit of $28,600,000 has been incurred and settled by a credit from the Union of that amount. Denmark was not allotted any initial debit or credit balance.

France.—A cumulative surplus of $161,700,000 has been settled by the grant of a credit of $132,900,000 to the Union and a receipt of gold from the Union amounting to $28,800,000. France was not allotted any initial debit or credit balance. The French situation changed abruptly in October. The cumulative surplus at the end of September was $185,600,000 but a deficit of $23,900,000 was incurred in October.

Germany.—A cumulative deficit of $289,500,000 has been settled by the receipt of a credit of

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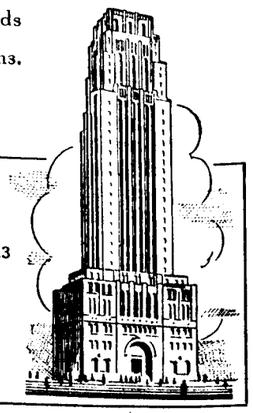
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$185,900,000 from EPU and a payment of gold of $103,600,000 to EPU. Germany received no initial credit or debit balance.

Greece.—A cumulative deficit of $53,300,000 has been settled by drafts on an initial credit balance that amounted to $115 million. No part of the quota has therefore yet been used.

Iceland.—A cumulative deficit of $1,600,000 has been settled by drawing from an initial credit balance of $4,000,000.

Italy.—A cumulative deficit of $17,100,000 has been settled by receipt of credit from the EPU. Italy was not allotted an initial credit or debit balance.

Netherlands.—A cumulative deficit of $72,700,000 has been settled by drawing the whole of the initial credit balance of $30 million and rest by a credit of $42,700,000 from EPU.

Norway.—A cumulative deficit of $25,300,000 has been settled by drawing on the initial credit balance of $60 million. The quota is not yet in use.

Portugal.—A cumulative surplus of $22,300,000 has been settled by granting a credit of $22,300,000 to the Union and the balance of $4,100,000 has been taken in gold from the Union. Portugal was not allotted an initial credit or debit balance.

Sweden.—A cumulative surplus of $13,800,000 has been totally settled from an initial credit balance. Consequently the quota is not yet in use.

Turkey.—A cumulative surplus of $10,600,000 has been settled by the grant of a credit of $10,300,000 to EPU and the receipt of $300,000 in gold from the Union. Turkey has confounded expectations and its current trading has moved in a direction contrary to that which had been anticipated. Turkey was given an initial credit balance of $25 million, but the anticipated deficit has not been incurred.

United Kingdom. — A cumulative surplus of $290,600,000 had been accumulated by the end of October. This was settled by use of the whole of the initial debit balance of $150 million and by a credit of $140,600,000 million granted to EPU.

It will be clear from this summary that three positions dominate the EPU picture. They are the surpluses accumulated by France and the United Kingdom, and the deficit incurred by Germany. The French surplus is less menacing than it appeared at the end of September. At that time France had a cumulative surplus of $185,600,000. The reduction in October indicates how far the surplus accumulated over the July-September quarter is due to purely seasonal influences, including tourist receipts at the height of the summer.

The British surplus is largely due to substantial and high-priced sterling area exports to Europe. The surplus was to some extent anticipated, as may be gauged from the fact that the United Kingdom was handicapped with an initial debit balance of $150 million. The speed with which that debit balance has been wiped out and the fact that within four months an approximately equal credit balance has been accumulated by the United Kingdom with EPU, suggest, however, that the estimates of sterling area earning power erred on the side of understatement. Official guesses in the dark by British representatives at the beginning of EPU suggested that the United Kingdom would neither lose nor gain appreciable quantities of gold through this mechanism. If recent trends are even approximately maintained, gold will soon be flowing in substantial quantities from EPU to the British reserves. One of the remedies for this situation would be to extend to the whole of the rest of the sterling area the trade liberalisation proposals that members of OEEC have extended to one another. It is probable that import policy in certain dominions and colonial territories is still weighted against former hard currency countries such as Belgium and Switzerland ; such considerations should no longer have any validity in sterling area dealings with EPU countries. The earlier that fact is recognised and the quicker the sterling countries concerned liberalise their import policies for European goods, the better it will be for all concerned.

The main structural difficulty with which EPU has so far had to contend, however, is that of Germany's cumulative deficit. It was soon realised that the free economic policy pursued by Germany—and the extremely liberal import policy that went with it—meant that the credit lines put at its disposal would be rapidly used up. Part of the trouble was that the quota allotted to Germany under EPU was wholly inadequate. It was based, as were those of all other member countries, on the total of their visible and invisible trade in 1948, a year when West German trade was still limping at a low level. This anomaly is being partly remedied by a grant to Germany of an exceptional credit of $120 million extended on condition that Germany accepts the main outlines of a report drawn up by two experts sent from the OEEC—Mr Jacobsson and Mr Cairncross. The main feature of their recommendations, which have been accepted by the Management Committee of EPU and by the Council of OEEC, is a suggestion that there must be some reimposition of controls, notably of import licences, and that these must be reinforced by stern fiscal and monetary measures if Germany is to be rescued from its present position as a structural debtor. The gist of the report was reassuring in that it pointed out that Germany had accumulated its deficit largely by paying cash for its imports while encouraging its export drive by the grant of generous credit facilities. This means that German traders in the last few months have been making immediate payment of foreign exchange debts and allowing the maximum prolongation of the date on which foreign exchange receipts are accepted and converted into domestic currency. It is not clear how far this has been due to official policy and how far to the ordinary symptoms of distrust of a weak currency. It may well be that a final correction of the German deficit position will not be possible until the mark has been at least moderately devalued.

The strains to which EPU has been subjected in its first four months of life inevitably raise the question whether this organism is able to encompass the considerable disequilibrium that still persists in intra-European balances of payments. EPU is a brave attempt to allow the principles of multilateral trade and free transferability of currencies to be reborn within Western Europe and related monetary areas. In view, however, of the volume of trade that has to be cleared through this new mechanism and of the abnormal influences to which that trade has recently been subjected (as a result, largely, of stockpiling and artificially high commodity prices) it may be that the credit margins

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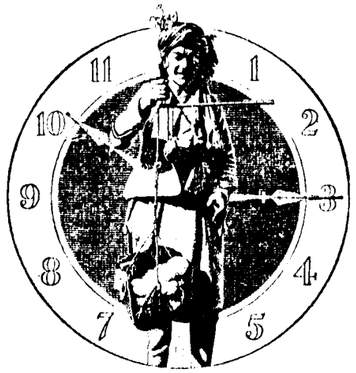
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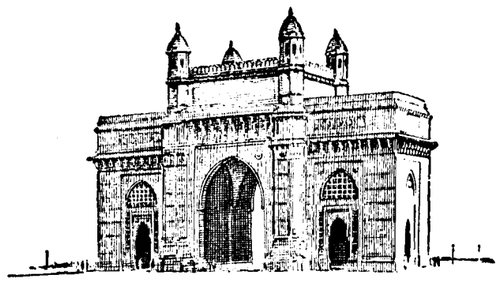
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provided in the original schedule of "quotas" are inadequate. The compulsion to make gold payments is already a looming threat before the Netherlands and Denmark—as well as being a present source of strain on Germany. In the prevailing circumstances these threats and this strain may introduce an element of restriction into intra-European trade. It is still too early to pass a verdict on the operations of EPU, but the first four months of its life have revealed dangers and problems that it would be unwise to disregard.

Interest Rates in Europe

SINCE the end of the war the main internal financial problem in all West European countries (except Switzerland) has been the high level of intended investment and the low level of voluntary savings. Some countries, including the Scandinavian countries, Holland and Britain, have tackled this problem largely by restriction of investment and consumption through physical controls and by forcing new saving through budget surpluses. Others, including Germany, France, Italy and (perhaps less consistently) Belgium, have relied much more heavily on high interest rates. The difference between the cheap and the dear money schools has been not so much a difference of political philosophy as a difference of historical experience ; it may be noted that the keenest exponents of scarce money have been those countries where hyper-inflation in the recent past has undermined public confidence in the national currency so severely that any increase in the volume of money is apt to give rise to widespread and reminiscent alarm.

In these circumstances it is not surprising that since 1948 no country in Europe, and perhaps no country in the world, has been harnessed to interest rate discipline more deliberately than Germany. Between the end of the war and the currency reform in mid-1948, Germany had no monetary policy (and, for all practical purposes, no money). At the opening of the D-Mark era the central bank discount rate was pitched as high as five per cent. It was lowered to four and a half per cent in May, 1949, and to four per cent in July of that year. Two months ago, in an effort to stem the deficit on the balance of payments, it was raised to six per cent. The discount charges of the German commercial banks, though not uniform, are all based upon this cost of rediscounting at the central bank and are generally one and a half per cent above it. In Bavaria there is an additional discount commission of one per mille per month. In Rhineland-Westphalia, where the banks finance the Ruhr industries, the commission is from 1/24th to 1/8th per cent. In Hamburg, the centre of foreign trade financing, the banks charge one per cent above central bank rate plus a commission up to $\frac{1}{4}$ per cent per month. In other words, the average rate on a bill of exchange in Germany is now rather over seven and a half per cent ; charges for acceptance credits are slightly higher than this.

Advances are more costly still. Commercial bank loan rates are based on the central bank loan rate, which is one per cent above discount rate—that is seven per cent at the present time. The commercial banks charge from one half to one and a half per cent above the central bank loan rate plus a commission of $\frac{1}{8}$ per mille per day. This means that a bank loan costs the best part of ten per cent per annum. The cost of long term borrowing is correspondingly high. Even when short loan rates were two per cent lower than they are now few Government-guaranteed bond issues were made at less than six and a half per cent per annum for ten years—and these were usually aided by various tax concessions.

In general, the policy of dear money in Germany has proved remarkably effective. Bank rate was originally raised in the early months after the currency reform when prices were rising sharply and traders were known to be borrowing money to hoard goods. This rise in interest rates was coupled with quantitative restrictions on bank credit. Minimum reserves against deposits were raised and the banks were requested to deny credits for any "unessential" purposes. Immediately these steps were taken stocks were disgorged in exemplary text-book fashion, prices fell and unemployment rose. It became apparent indeed that deflation was going too far. Consequently, minimum reserves and interest rates were lowered and the volume of credit was allowed to expand steadily for two years. As the cost of borrowing fell, unemployment steadily declined. Towards the middle of this year, however, Germany began to exhaust its foreign exchange resources. In part the sudden drain was the direct result of import liberalisation and represented a once-and-for-all demand for goods that had previously been kept out by controls. Much of it, however, was of a speculative nature and was financed with borrowed money. In October, therefore, the Bank Deutscher Laender raised its discount rate to six per cent and required the banks to maintain higher minimum deposits. These measures have had a speedy effect. Traders who had previously hoarded foreign imports, in particular raw materials, against borrowed money, have started to disgorge their stocks, for they have been virtually prevented from obtaining additional finance for further imports. These drastic monetary moves have not, of course, yet restored the German balance of payments to its former state of subsidised equilibrium. But the drain on foreign exchange has been sharply reduced without restoration of the physical controls that had been dismantled shortly before.

In France the interest rate weapon has been employed with less severity, and also with rather less effect, than in Germany. But it has undoubtedly played an important part in ending inflation. After the liberation, France first continued its prewar and wartime cheap money policy. The rate for tap treasury bills remained at one and a half per cent until January, 1947, when it was raised, modestly, to 1.625 per cent ; in October of that year it was lifted again to two per cent. The discount rate for treasury and commercial bills was 1.625 per cent at the beginning of 1945 and remained unchanged until January, 1947, when it was raised to one and three quarters per cent for treasury bills and to two and a quarter per cent for commercial bills. In several stages these rates were raised to three and a half per cent and four per cent respectively by October, 1948. By similar stages a bank overdraft had come to cost eight per cent and more by the end of 1948.

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This, however, proved to be the peak of the French Government's dear money campaign. Since then the rate on treasury bills and commercial bills has merged again and fallen ; it fell as low as two and a half per cent in June this year. The cost of a bank overdraft, though also lower, has not fallen *pari passu* ; it still stands at around seven per cent. The regime of dearer money was buttressed by quantitative restrictions on lending. Up to April of this year the banks had to obtain approval from the Banque de France for any credit in excess of Frs 50 million ; since then the ceiling has been raised to Frs 100 million. There is also a limit to the value of bills the central bank will rediscount for any one bank.

The high-level of short-term interest rates in France is reflected in the return on *rentes*. The one government bond issue that has been a success since the war was the irredeemable reconstruction loan issued in January, 1949, which carries five per cent interest ; this return will be raised if any other issue carrying a higher rate of interest is made by the French Government before 1960. The loan, however, was a success, not only by virtue of the return it offered but also because holders of 3 per cent and 3½ per cent *rentes* could tender these issues in payment of half their subscriptions to the new loan. The long-term rate of interest is currently quoted at somewhat over five per cent. In 1945 the annual average for the long-term interest rate was 2.99 per cent, in 1946 3.17 per cent, in 1947 3.91 per cent, in 1948 4.62 per cent and in 1949 4.78 per cent.

One of the most interesting results of high interest rates in France has been pressure on the London money market. French merchants are constantly attempting to finance themselves in London because of the lower rates ruling there. It has suited the authorities in France well to see merchants and manufacturers obtain accommodation in London at a time when France was short both of sterling and of internal loanable funds.

The discrepancy between interest rates in Italy and in Britain is also the main reason why Italian banks have striven to borrow in London and pass the credits obtained here to their customers in Italy—at the much higher Italian rates. But although France has obtained access to the London market, credit facilities have been consistently—and properly—refused to a country as flush of sterling as Italy. At present, the Bank of Italy's discount rate on treasury bills is four per cent ; it has been lowered to this level in three stages from five and a half per cent in 1947. A bank overdraft in Italy costs close on 10 per cent, the return on irredeemable government securities is over five per cent, and that on long-term government stocks six and a quarter per cent. There is at present a divergence in the movement of short- and long-term rates. Although the lowering of the central bank's discount rate has brought down the bank advances rate from the peak of twelve per cent in 1947 to something under ten per cent, the long-term bond rate has, if anything, risen over the same period. Very heavy reliance has been placed on the interest rate weapon in Italy ; the Government has run a constant budget deficit and there has been a virtually complete abolition of physical controls.

Belgium no longer falls into the camp of strictly dear money countries, although it is true that monetary discipline has always been preferred there to physical controls. Immediately after liberation, Belgium carried through a drastic currency reform that eliminated much of the wartime excess of funds. Since then a policy of balanced budgets has been vigorously adopted. Credit restrictions were also enforced with considerable severity from the end of 1946 until September of last year when the level of unemployment rose high enough to cause real concern. Bank rate in Belgium was raised from one and a half to two and a-half per cent in November, 1946, to three per cent in December and to three and a half per cent in August, 1947 ; it was lowered to three and a quarter per cent in October, 1949, but brought up to three and three-quarters per cent in September this year. Throughout these years bank accommodation has cost around five per cent, but the yield on government securities has been falling steadily. Four per cent "unified debt bonds" which yielded 4.7 per cent early in 1949 have since risen to give a return of 4.35 per cent.

The most interesting feature of European monetary policy in recent months, however, has been the way in which some former cheap money countries, especially those in Scandinavia, have made at least a modified return to monetary weapons. For a long time Sweden led the way as the most uncompromising cheap money country of all. Until the end of last month, bank rate was fixed at two per cent, and the commercial banks' advances rate was between two and a half and four and a half per cent ; call money rates declined from two to one and a half per cent in the early postwar years. In addition, until last August the Riksbank open market policy kept the yield on long-term Government bonds pegged at three per cent and steadily lowered the yield on short-term bonds from two and a half to two per cent. The main disinflationary weapon wielded by Sweden's Social-Democratic Government has always been that of budgetary policy (coupled, in 1946, with appreciation of the kroner). Towards the end of last summer, however, the Riksbank removed the peg from the securities market and, at the beginning of this month, bank rate, was raised to three per cent. At the moment of writing, the whole structure of interest rates is on the move to accord with these changes.

Whereas Sweden has been in a relatively strong external position throughout most of the postwar period, Norway has been more or less constantly in payments difficulties. Yet, until recently, it too pursued a policy of cheap money. The return on long-term Government bonds was maintained virtually stable at two and a half per cent, until a few months ago ; since Korea it has risen somewhat and is currently around 2.65 per cent. Bank rate was lowered to two and a half per cent in January, 1946, and bank advances have cost between four per cent and four and a half per cent throughout the postwar period. Latterly, however, a new system of control over the commercial banks has been introduced in Norway.

Denmark belonged to the cheap money camp in the early postwar years, though interest rates were higher than in the other Scandinavian countries. In the past few months there has been a distinct move towards a dearer money policy. Bank rate was raised from four to four and a half per cent in July and then from four and a half to five per cent last month. Discount charges of the commercial banks to their customers now range up to six and a half per cent, and the yield on long-term government securities has risen from three and a half per cent in early postwar years to rather more than four and a half per cent in the last few months. The recent return to monetary policy has been prompted by the grave

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deficit in Denmark's balance of payments. After the recent changes in discount rate Denmark must be counted as a relatively "dear money" country.

Holland, too, has made some outward show of retreat from a cheap money policy. Bank rate was raised to three per cent in September after remaining at two and a half per cent since 1941. It seems, however, that a rise in bank rate in Holland has less effect on the structure of other interest rate than it would have in other countries. The long-term interest rate on Government bonds in Holland still stands at about three per cent. Holland's cheap money policy in immediate postwar years was accompanied by external payments difficulties and by an unbalanced budget. Until about 1949 the budget was gravely in deficit and the banks became more heavily loaded each year with Government securities. The policies pursued were out of keeping with views held by the Nederlandsche Bank, in many ways of all European central banks the most orthodox minded. The majority of Dutch commercial banks, too, are in disagreement with the ultra-cheap money policies pursued, although their portfolios are by now so loaded with Government securities that a rise in interest rates would cause substantial losses. But a large measure of financial stability has been regained in Holland, thanks to a balanced budget.

America's Uneasy Money

TO the juiceless annals of American financial journalism, this summer's struggle between the Federal Reserve Board and the United States Treasury introduced a meaty chapter of power politics on the loftiest level. Headlines bloomed in the midsummer columns of financial pages: "Battle of the Billions!"; "Federal Reserve Squeezes the Treasury." Behind the headlines was a real conflict: the Treasury, charged by the Constitution with the responsibility of managing the national debt, wanted to keep interest rates low so that it could refund the old debt and raise new money for defence at the lowest possible cost. The Federal Reserve Board, charged by Congress with the responsibility of managing the money supply, wanted to raise interest rates, so that banks would be less able to grant inflationary loans. More important, it wanted to be free of the necessity of supporting an artificial price level for government bonds, which monetised the debt and sapped the "Fed's" power to restrain credit by flexible controls—and threatened to force the Government towards reliance on physical controls.

Hostilities broke out on August 18, 1950, when Mr Snyder, Secretary of the Treasury, announced that he would refund $13.5 billion of government bonds and certificates, maturing September 15 and October 1, with a new issue of 13-month notes, bearing 1¼ per cent interest. This was a direct slap at Mr McCabe, the Chairman of the Board of Governors of the Federal Reserve, and at Mr Sproul, President of the Federal Reserve Bank of New York, who had made a personal appeal for higher interest rates. Almost simultaneously with the Treasury's announcement, the "Fed" took counter-action: it approved a rise from 1½ per cent to 1¾ per cent by the Federal Reserve Bank of New York in its rediscount rate, the fee it charges for discounting bank commercial paper. Of little practical effect in itself, the rise warned banks that tighter credit restrictions were coming.

But the Federal Reserve still had to deal with the Treasury's $13,5 billion worth of notes. It began buying up the September 15 and October 1 maturities from bondholders who were disappointed at the low rate on the refunding issue. At the same time, it sold from its own portfolio, big blocks of Treasury securities, of shorter term than the forthcoming issue, with yields greater than 1.30 per cent, compared to the 1.25 per cent which Mr Snyder was offering. Not many bondholders were drawn to Mr Snyder's poor bargain: when the results of the refunding were announced on September 30, it was found that some $2,376 million of the old issue had been turned in for cash, while most of the rest had been sold to the Federal Reserve. It had soon become plain that the issue could not be refunded at the low rates that the Treasury wanted; the Federal Reserve absorbed Mr Snyder's unwanted notes to prevent the collapse of the government's borrowing programme. Later, by selling masses of government securities at improved yields, the "Fed" managed to nudge interest rates in the right direction: six weeks after the feud with the Treasury broke into print, open market money rates and loan rates had all increased a few fractions of a point.

To win this small victory, the Federal Reserve had to turn the government securities market on end. In the first week, it bought and sold $2½ billion of securities;

ASSETS OF ALL FEDERAL RESERVE BANKS
(Thousands of Dollars)

	1949	1950 (End of Month)			
	October	July	August	September	October
Gold certificates	23,320,318	22,885,963	22,389,466	22,235,054	22,044,847
Other cash	270,594	253,960	240,188	228,676	236,259
Discounts & advances	282,839	219,383	82,390	71,704	115,884
Industrial loans	960	2,394	2,249	2,214	2,228
US Govt. securities:-					
Bills	3,710,196	4,145,247	2,301,507	1,512,854	762,664
Certificates	5,771,900	2,790,550	4,847,536	4,974,970	69,950
Notes	298,100	6,145,600	4,438,800	9,290,998	14,239,218
Bonds	7,536,200	4,887,500	6,767,828	3,793,375	4,179,675
Total US Govt.	17,316,396	17,968,897	18,355,671	19,572,197	19,251,507
Other credit	260,216	275,000	379,341	693,486	428,633
Total Reserve Bank credit outstanding	17,860,411	18,465,683	18,819,651	20,339,601	19,798,252

by the end of October, its holdings of government notes had jumped to $14,239,218,000, more than double the amount on hand at the end of July. The wide variations in the "Fed's" holding of these notes is perhaps the most striking feature of the accompanying table. Perhaps impressed by the tumult he had aroused, Mr Snyder retreated a bit. Two weeks ago, he offered to refund more than $8 billion in securities by issuing 1¾ per cent five-year notes. This is ¼ per cent better than the last five-year notes, issued early this year.

In this way a point was scored by the forces of "harder money." But the skirmish shocked many American business men who had never plumbed the depths of the disagreement between the two agencies directly responsible for the nation's financial stability. Actually, the capacity for disagreement is guaranteed by law. The Federal Reserve system was created by Congress

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For 25 years, the Federal Reserve controlled the money market, and the Treasury carefully sought its advice before announcing interest rates on new government securities. But this relationship was reversed by the entrance of the United States into World War II. The national debt was already $47.9 billion, after the enthusiastic deficit-financing of two Roosevelt Administrations, and Mr. Morgenthau, the Secretary of the Treasury, quaked to think of the cost of servicing it after it had been swollen by a second world war. He therefore embarked on the lowest-cost government financing in American history, ranging from $\frac{3}{8}$ of 1 per cent on 90-day Treasury bills to $2\frac{1}{2}$ per cent on long-term bonds. The Federal Reserve agreed to manage the money market to suit the Treasury's plans, and it stood ready to buy at par all government securities that were offered to it, thus keeping prices steady and interest costs artificially low.

After the war, short-term rates were permitted to rise a bit, but the case for pegging the long-term market seemed as strong as ever—at least to the Treasury. The national debt had risen to $279 billion, much of it held by savings banks, commercial banks and insurance companies, and both the Treasury and the Federal Reserve feared that a crash in bond prices might bring these institutions tumbling down. In a single year, Federal Reserve holdings of government bonds rose from $970 million to $11,181 million, as the system held the price-line by buying bonds at par. When confidence returned to the postwar bond market, the Federal Reserve decided to retreat from the artificially low interest rate policy, and it thought that the Treasury should point the road back by offering slightly higher rates on its refunding issues. But the Treasury continued to charge full tilt to inflation under the banner of cheap money. Interest on the debt was costing the government $5 billion a year, and Mr Snyder, as Secretary of the Treasury in an Administration under constant fire to reduce expenses, continued to push out refunding issues at the same old low rates.

The Federal Reserve soon found that it was the main gear in a money-making machine. Before the war, the Board balanced the credit supply by selling securities to banks in an inflation, thus decreasing their reserves and money-lending power, or by buying in securities in a recession and thereby pumping new money into the banking system. But the guaranteeing of a stable market for low-interest government bonds in an inflationary situation meant that banks could get as much money as they wanted for commercial loans simply by selling off a portion of their government portfolio. The Federal Reserve was equally powerless to check inflationary lending by increasing the rediscount rate. Since the guaranteed market made their bonds as good as money, the banks had no need to rediscount their paper with the Federal Reserve. About the only

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one of the old orthodox weapons left unspiked was the Board's power to order member banks to increase the reserves that they are required to deposit with the regional Reserve banks. Any such increase cuts the supply of credit at a single blow; it is as effective as a meat-axe and just about as dangerous. Many responsible business men believe that a badly-timed increase of reserve requirements helped bring on the depression of 1937-1938, as well as to bring on the minor recession that precipitated the wave of worldwide currency devaluations in 1949.

The Board's skirmish with Mr Snyder received little support from the banking community, which tends to regard the Federal Reserve as just another control board. The American Bankers Association met in national convention in September, but piously declined to take sides in the controversy, an omission that *Fortune* magazine denounced as "downright poltroonery." However, many individual business men spoke up for the Federal Reserve, among them such manufacturers as Mr Lewis H. Brown, chairman of the board of Johns-Manville Corp., a building supply firm whose postwar prosperity benefited mightily by the Treasury's cheap money policy. "An increase of $\frac{1}{8}$ of 1 per cent in market rates of interest over the next year need not cost the Treasury more than $55 million on the securities it must refund," said Mr Brown, "while an increase of 1 per cent in the consumers' price index would cost the economy something like $4 billion."

As it spars with the Treasury over monetary policy, the Federal Reserve continues to fight inflation with selective controls. When Regulation W, revived in September, failed to bite immediately and deeply into the expansion of hire purchase credit, the "Fed" promptly added more teeth to it. An American must now pay $33\frac{1}{3}$ per cent down on an automobile, or 25 per cent on a refrigerator, and he must pay off the balance within 15 months. Similarly, to hold down the housing boom, the "Fed" has imposed Regulation X, requiring stiffer terms on purchases of new houses. The Board hopes that Regulation X will limit new housing starts in 1951 to about 800,000, compared to 1,300,000 this year. But the effect of these regulations has not yet been measured: the cost of living index in October rose to 174.8 per cent of the 1935-1939 average, thus breaking the postwar record set in 1948. The money supply has also broken all records, hitting $171.1 billion in September, largely in consequence of an increase in bank loans to business.

As inflation grows stronger, so do proposals for damping it down. Many have seized upon a proposal, made by a Senate subcommittee last year, that the Treasury be directed by law to follow the lead of the Federal Reserve in setting monetary policy. This assumes that an "outside" agency can be made strong enough to take the government by the scruff of the neck—President, Treasury, Congress and all—and heave it along the path of virtue. But as a practical matter, a central bank that consistently opposes the government on basic fiscal policy is in danger of being legislated out of existence. To win a hearing for its views, the Federal Reserve Board may have to join the President's official family, on a Cabinet status equal to that of the Treasury. This might allow the Federal Reserve to mould monetary policy through influence on the government's economic policies, but it would spell an end to its cherished independence as a semi-private institution.

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CANGALLO 456-ESCR. 209—BUENOS AIRES

IN BRAZIL — ANTONIO RONCHI
RUA XAVIER DE TOLEDO 316—SAO PAOLO

IN INDIA, PAKISTAN & CEYLON GIOVANNI BARI
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COMPANY MEETINGS

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

SOMETHING AMISS WITH TAXATION SYSTEM

MR J. S. CROSSLEY'S VIEWS

The twenty-fifth ordinary general meeting of Barclays Bank (Dominion, Colonial and Overseas) will be held in London on December 28th.

The following is an extract from the statement by the chairman, Mr J. S. Crossley, circulated with the report and accounts for the year to September 30, 1950:—

When considering our figures for the year, a striking change to be found in the balance sheet is the increase in deposits amounting to £41,000,000. This has taken place mainly in South Africa, where last year a heavy reduction was shown. It was there that the effects of devaluation were perhaps most quickly felt, enabling us to restore much of our former high level of liquidity within the space of a few months. The principal earning assets do not show any remarkable changes, but, as might be expected, the increased activity has resulted in slightly larger net earnings. We are proposing a repetition of last year's dividend.

BUSINESS DRIVEN ABROAD

The review of our figures for the year seems to me incomplete without some reference to the question of taxation. Our profit, as you know, is struck after full provision for taxation has been made. During the five years that have elapsed since the war, we have been paying taxes (on the average) at an annual rate of more than double the annual rate of the five pre-war years. The main beneficiary has, of course, been the United Kingdom Treasury, but a large sum is also paid in taxes to dominion, colonial and other overseas Governments. This is not the place, I think, to discuss in detail the incidence of the present tax regulations which form an involved subject. You will, however, have seen that certain United Kingdom companies, whose business lies mainly overseas, have transferred their domicile in order to reduce their liability to tax. It may safely be assumed that such an important step was taken only after full consideration. The sums involved are substantial, and these companies also have to consider, among other things, their ability to compete with companies which do not suffer the disadvantage of having their control in the United Kingdom.

A SIGNIFICANT MOVEMENT

This movement is not yet large, but it is significant, and, if reports are correct, other important companies may shortly follow suit. One would think that this trend might well cause anxiety to the authorities, for it suggests that the tax regulations bearing on these matters are not soundly based or are inappropriate to present conditions. Regulations need occasional examination and overhaul, and it is perhaps rather much to expect that our over-worked Treasury officials should have had time for this in recent years. But the current trend raises an issue calling for dispassionate consideration from the highest authority.

It is evident that there must be something seriously amiss with a system which has the effect of driving much valuable business beyond the boundaries of the United Kingdom. The loss of revenue likely to arise by adopting a more flexible system is probably not very large and is certainly incomparably less than the loss which the Exchequer may ultimately suffer if we persist on our present course, which would surely jeopardise assets more precious than mere revenue, by weakening the strong ties of mutual interest which now exist. If we cannot devise some means by which we can share equitably in these enterprises with our friends overseas, both we and they will be deprived of great opportunities for working together, with results for the future which are incalculable.

So far as we are affected in this bank, a matter that has been causing us some anxiety has been the dwindling body of our overseas stockholders. Apart from Barclays Bank Limited, our stockholders now number more than 9,500 and at one time a useful number of them were resident overseas. We believe it is of great value to us to have a large and influential body of them resident throughout all the territories we serve, but the overseas stockholder in a British company is now subject to such heavy disadvantages that his days appear to be numbered.

AFTERMATH OF DEVALUATION

When in my statement last year I referred to the highly topical question of sterling devaluation, I ventured to suggest that the result of this move need not all be unfavourable, but that under our existing system of controls there was no means of ascertaining precisely what the proper rate should be. Any rate which may be chosen in this arbitrary fashion may prove to be out of relation to the true value of the currency. Today, one year later, it may well seem that the rate then chosen was too low, but those who are now urging an upward revaluation of sterling against the dollar should first consider the wider aspects of the question.

The issue is not merely a domestic one as sterling is a world currency, which, in spite of its limitations, still forms the basis of exchange for a large part of the trading area of the globe. The devaluation, which was forced upon us a year ago, administered a severe shock to this entire system.

NEED FOR STABLE CURRENCY

The improvement which has taken place is due in part to the immediate stimulus given by devaluation and also to some of the consequences flowing from the American rearmament programme. We should nourish this tender growth, whatever its cause, but even at the present rate of improvement conditions will need to remain favourable to the recuperation of sterling for a long time before it can be fully convertible again for current payments.

We cannot afford to repeat the fiasco of 1947. On the other hand, we should make it unmistakably clear that we intend to work steadily towards the goal of full convertibility. Without making dangerous experiments we should aim at a gradual relaxation of restrictions as and when possible. In this way we should be putting the real strength of the position constantly to the test while at the same time giving much needed encouragement to the principal trading nations of the world. Our aim should be to ensure that the underlying strength of the pound becomes such that it can freely take its place in the exchange markets. But this time let us first be sure that it is fit to face the competitive world once more, for there are few things capable of bringing greater benefits to mankind than a sound and stable currency system without which a healthy trade cannot survive.

BANK OF MONTREAL

WORLD UNREST

MR B. C. GARDNER'S VIEWS

The one hundred and thirty third annual general meeting of the Bank of Montreal was held on December 4, in Montreal.

Mr B. C. Gardner, M.C. (the president), in the course of his speech, said: We meet to-day under conditions significantly different from those of a year ago. In many important respects the past 12 months have been, for Canada, a period of continued progress. Industrial expansion and development of new resources have been proceeding apace. In summary, the year's developments have once again confirmed the views of those, at home and abroad, who have maintained a reasoned confidence in the Canadian business outlook and in this country's impressive long-run potentialities.

That, in brief, is the brighter side of the picture. But there are shadows also. A year ago it seemed that, on a broad front, the forces of inflation were subsiding. To-day we are witnessing a marked revival of inflationary pressures, and in Canada both wholesale prices and living costs are at all-time peaks. This, of course, is but one of the manifold problems and anxieties brought about by international tension and unrest.

Fiscal and monetary measures alone cannot provide a smooth transition from a peacetime economy to partial mobilisation. Intelligent public co-operation is vitally necessary.

VALUES TO DEFEND

We are coming to learn that national security in a dangerously uncertain world must be paid for by productive effort, by sacrifice, and by liberal use of common sense. Above all, let us not forget that we have in this happy country much to defend. Whatever our shortcomings as a nation, the Canadian concept of the good life stems from a belief in the inherent value of the individual, a belief which has its roots deep in religious principle and democratic tradition. These are values which we take for granted, and it comes rather as a shock to realise that over large areas of the earth's surface they are not recognised as ideals. To preserve our legacy and to enrich it we, with other nations of good will, must at all costs be strong, resolute, and united.

Within the experience of a single generation this country has played a worthy part in two world wars and in post-war reconstruction. We have also achieved tremendous economic and social progress. Once more we face another challenge, different in nature from those confronting us hitherto. To meet it will test those qualities of enlightened and intelligent citizenship which will determine not only our national stature but also our influence for peace.

GENERAL MANAGER'S REMARKS

Mr. Gordon R. Ball, general manager, said, *inter alia*: The one hundred and thirty third general statement of the bank shows a traditionally strong balance-sheet position at the close of a year of intensive business activity. The balance-sheet retains its traditional liquid character. Cash in the form of deposits with notes of the Bank of Canada aggregated $222 million, equivalent to 11.33 per cent. of our deposit liabilities in Canadian dollars. Total cash assets at $376 million were equivalent to 17.9 per cent. of all public liabilities. Quick assets, including cash assets, investments and call loans total $1,602 million, equivalent to 76.2 per cent. of all liabilities to the public. Total deposits at the year-end stood at $2,063 million, compared with $2,019 million at the end of the previous year.

The report was adopted.

K.M.S. (MALAY STATES) RUBBER PLANTATIONS

HEAVY BURDEN OF TAXATION

SIR JOHN HAY'S STATEMENT

The fortieth annual general meeting of the K.M.S. (Malay States) Rubber Plantations (1911), Limited was held on December 5th at 52, Gracechurch Street, London, E.C.

The following is an extract from the statement by the chairman, Sir John Hay, which has been circulated to stockholders.

Despite the heavy burden of taxation which the industry already bears, the Malayan Government has recently been busy devising and advancing a succession of proposals for extracting still greater revenue from the rubber industry. These proposals, in some respects at least, have been so novel and unpracticable, and supported by arguments so varied and contradictory, that one is inevitably reminded of the boast made by the Queen in "Alice Through the Looking Glass"—"Why, sometimes I've believed as many as six impossible things before breakfast." Two proposals for increasing export duty have already been submitted to the industry and rejected as being both oppressive and unworkable.

Although the worst excesses of the two earlier proposals have been modified, the latest one is still of a kind which is ill-suited to rubber, the price of which is so notoriously unstable. It includes a new provision under which some proportion of the export duty in excess of the former rate is to be returned to contributors for the purposes of replanting. Whilst there is undoubtedly a responsibility upon Government to help the smallholder to replace his old trees with high-yielding stock, the proposals now being advanced are too evidently the fruits of hasty improvisation and not the outcome of any well-considered plan.

Under the latest proposal the provision of funds for replanting is made dependent upon an indefinite continuance of rubber well above 60 cents per lb. There is nothing in the history of the industry to warrant such an assumption. Replanting is essentially a continuing long-term operation and cannot be financed on the uncertain basis that if rubber is high, money will be forthcoming. But if perchance the price falls to its more normal level of 60 cents or less the source from which the necessary funds are to be drawn dries up. Moreover, the difficulties of replanting smallholdings are by no means merely financial and there is no evidence at all that any serious thought has been given to the manner in which the many other difficulties are to be surmounted.

GOVERNMENT'S QUAINT ARGUMENT

As far as estate owners are concerned in this matter of replanting, quaint argument seems to have been advanced from official quarters which is reported to run somewhat as follows: Replanting by estate owners at their own pace when planting stock and labour are available leads to inflation, which must be checked. There must be substituted for such initiative working under private enterprise a Government-sponsored plan, under which estates and smallholdings must advance together to replanting, making excessive and simultaneous demands on planting stock and labour which cannot be supplied and the necessary finance is to be derived from a source which under certain not unlikely circumstances may yield nothing. These remarkable proposals no doubt bear the now familiar label, "economic planning."

If, despite the considerable contribution already made to Government revenue by the rubber industry, about 40% on very rare occasions enjoys any real measure of prosperity, there is a good case for its paying more, the industry would willingly do so provided the burden is fairly shared by other industries and commerce which in the post-war years have enjoyed better fortunes than rubber. But the manner in which any further taxation should be levied should be made a matter of careful consideration to be discussed freely with the industry and should not be the subject of hasty improvisations and ill-aimed shots.

FISONS, LIMITED

RECORD SALES OF FERTILIZERS

CONTINUED INCREASE IN DEMAND

MR F. G. C. FISON'S REVIEW

The fifty-seventh annual general meeting of Fisons, Limited, was held on December 4th in Ipswich, Mr F. G. C. Fison, the chairman, presiding. The following statement by the chairman was circulated with the report and accounts:—

During the year important changes have taken place in the functional and operational duties carried out by members of the board. The position of managing director has been abolished and Mr. P. T. Chevallier, who has occupied this position for the past 20 years, has been appointed a vice-chairman of the Company.

We have elected Mr A. Wormald to the board and have appointed him to be commercial director. Mr Wormald came to us from British Nylon Spinners, Limited, where he gained very considerable experience as head of their commercial department, and we believe his appointment will be of great benefit to our organisation.

THE ACCOUNTS

During the course of the year we raised new permanent capital by the issue in September, 1949, of £2,219,278 ordinary stock, and in April, 1950, of £3,500,000 four and a-quarter per cent. first mortgage debenture stock.

This year the accounts are presented in a simplified form, such elaboration as is necessary to comply with the Companies Act being provided by way of notes.

The consolidated trading profits of the group, after providing for the ordinary expenses of the business, have risen from £707,438 to £1,233,724.

It was reported last year that the Government is removing the subsidy on fertilizers in two equal stages, on July 1, 1950, and on July 1, 1951. There is no doubt that the prospect of increased prices resulted in some stockpiling by our customers, and to that extent our fertilizer sales were inflated. A similar position may arise during the current year.

A further £292,829 has been added to the reserve for future income tax in respect of relief obtained from initial allowances and certain annual allowances in respect of new plant which was not in production during the whole of the year.

From the profits available for appropriation by Fisons, Limited, we have transferred £50,000 to the reserve for special depreciation and obsolescence, bringing that account up to £450,000, and £132,201 to general reserve, bringing that account up to £250,000.

FERTILIZERS

Our sulphuric acid plants have continued to operate to capacity and in May the new contact acid plant at Immingham commenced production. This plant is the largest and most modern of its type in this country and its coming into operation has made a very material contribution to our sulphuric acid requirements. The high efficiency of this plant fulfilled our best expectations during its initial operation. Despite this large increase our demands for sulphuric acid still exceed our production.

Our superphosphate producing plants have also operated at full capacity and in addition we have increased our capacity with production at Immingham. Construction of the triple superphosphate section of the Immingham factory has not been as rapid as was hoped a year ago, unfortunately a common experience these days with all new construction, but we still anticipate that we will be able to make some quantity of triple superphosphate available to agriculture this season.

INCREASED PLANT CAPACITY

We have continued to increase our compound granulation capacity and a new plant at our Goole works came into operation during the year. Our capacity will be further augmented when units at Barking and Immingham come into production during the year.

All our factories have been maintained in good working order during the year and our production, particularly in compound fertilizers, has been increased to meet the demand.

Our production of sulphuric acid, superphosphate, compound fertilizers and basic slag were all materially higher than last year.

Under the auspices of the Anglo-American Council on Productivity a productivity team from the fertilizer industry visited the United States during the autumn of 1949. Of the twelve members of the team our company provided six, consisting of a works manager, an engineer, a chemist, a foreman, a charge-hand and an operator. Their report has been published and, while there is much to be learnt from it, it is satisfactory to note that, taking account of the different circumstances, our works methods are not behind those of the United States.

I am pleased to say that our relations with the trade unions who represent our employees, and indeed with all our factory employees, remain happy and cordial. This is a state of affairs which has existed for many years and of which we are proud.

REMOVAL OF SUBSIDY

On July 1, 1950, the Government removed the first half of the subsidy on fertilizers, which has resulted in a rise of price to the farmer. As compared with a figure of 100 in 1939 the official figures indicate that in July, 1950, the prices of all farm products had increased to 243, whereas fertilizer prices had only increased to 189. There is no doubt that the use of fertilizers is still extremely profitable and there is room for an increase in their use.

Our sales of fertilizers in the United Kingdom have again increased and constitute a record in our history. A comparison with the previous year is interesting—

	1949	1950
Fertilizer sales in tons	1,477,000	1,823,000
Value of fertilizer sales	£10,428,000	£13,591,000

Although our main fertilizer business is in England, we have a valuable section in Scotland which is also expanding, not only in fertilizers, but in the manufacture of feeding stuffs and trading in farm produce.

A large part of our business is done with the members of the National Association of Corn and Agricultural Merchants, with whom we work on a most friendly basis.

PROGRAMME OF EXPANSION

It will be seen from this review of the operations of the company for the past year that the demand for fertilizers continues to increase and that the company, by the expenditure of a great deal of capital, has equipped itself for meeting this increasing demand. This programme of expansion was embarked upon as a direct result of a request made by the Government in 1944 to submit plans for the extension of manufacturing capacity for soluble phosphates in the United Kingdom to meet the requirements of agriculture. The projects which we submitted were approved by the Government and are now in production.

It should be explained that the manufacture of superphosphate can be increased as a temporary measure by the purchase of sulphuric acid from outside sources at a high price, and during the past ten years nearly all companies producing superphosphate have thus temporarily increased their production, which has involved them in little capital expenditure. But it has only been possible because the Government have subsidised the expensive and uneconomic sulphuric acid which the industry required, which was often transported great distances.

The extensions of production which we undertook at very considerable capital costs were regarded as permanent additions to the manufacturing capacity of the United Kingdom and were based upon economic supplies of sulphuric acid.

SHORTAGE OF SULPHURIC ACID

During the last few months the threat of a serious shortage of sulphuric acid has developed owing to a reduction in the amount of sulphur available from the United States.

The Government have, therefore, decided to reduce the quantity of acid available to the superphosphate industry for the 1950-51 season and have, to our great surprise, also seriously reduced our supplies of economic acid for the important permanent projects referred to above, while continuing the supply of some acid at uneconomic prices to the superphosphate industry.

We have objected most strongly to this treatment and have received an assurance that for 1951-52 our representations will be further considered.

For the current year our production programme is seriously affected. On the other hand, the Government have purchased foreign superphosphate to make good the loss of home production due to the acid cut, so that we hope the general volume of our sales will be maintained. It will be understood that our costs of production must be increased by this procedure.

In the meantime, we are examining proposals to increase our supplies of sulphuric acid, but it must be two or three years before we can satisfy our requirements.

POTASH IN N. E. YORKSHIRE

In last year's statement I said that we had embarked on a programme of drilling to ascertain the possibilities of winning potash in North-East Yorkshire.

You may have already noted from announcements in the Press that we have completed the first part of our programme at Robin Hood's Bay and I am glad to be able to tell you that the results have proved highly satisfactory. The site for drilling was selected by our geologists after careful consideration of all the factors and in particular an area was chosen where it was believed that the potash would be at a minimum depth. The results of the test bore have justified their choice.

Examination of the cores shows the presence of a zone containing potassium chloride extending for over 30 feet with a 7-foot rich seam averaging 23 per cent. K_2O at 3,455 ft., of this a 12-in. thick band is pure potassium chloride and gauged by Continental standards may be regarded as a remarkable find.

A study of the detailed mineralogy of the cores has shown that whilst correlation of the "salt zones" throughout the area should not prove difficult, the distribution of potash within these zones is not easily predictable. But in view of our favourable results we decided to proceed with further bores, by which it is hoped to make an assessment of potash reserves over a considerable area.

It is of interest to note that for the year ending June 30, 1950, potash supplied for agricultural use amounted to 234,000 tons K_2O, of which our company was the largest single user. As the industrial use of potash only amounts to some 10,000 tons K_2O per annum, it must be evident that our interest in winning potash in Yorkshire is a logical development to our business.

ASSOCIATED COMPANIES

Our associated company in Canada, International Fertilizers, Limited, has maintained its business well in spite of an overall reduction in consumption of fertilizers in that country, due largely to low prices for the potato crop.

In South Africa we have increased our sales substantially and the demand still exceeds the supply. The Government of South Africa have decided to continue the rationing of fertilizers until the end of 1951.

In Rhodesia our new factory is now in operation and granular fertilizers will be available for the 1951 season.

PROPRIETARY PREPARATIONS

During the year the turnover of our proprietary preparations has been well maintained.

The growing importance of the company's interest in ethical medicinal specialities has led us to reorganise this section of our business and we have formed a new company, Benger Laboratories, Limited, which will be entirely concerned with the development of these products. New specialities introduced during the year include "Hyalase" and "Dextran-Benger," the latter being an infusion solution which can be used in cases where blood and plasma would otherwise be required.

While the demand for fine chemicals in the home market has continued at a high level, substantial increases have been gained in the export market, and for certain products we are sold forward for many months ahead.

Special attention is being paid to finding new uses for our products and at the same time to the expansion of the range.

Our milk factory at Coleraine has been operating at full capacity. This plant has performed valuable service in dealing with the increased production of milk in Northern Ireland.

I would like to express my appreciation to all those working in our organisation for the valuable services they have rendered to the company during the past year.

The report and accounts were adopted.

HARRIS LEBUS, LIMITED

A BIG IMPROVEMENT

The third annual general meeting of Harris Lebus, Limited, was held on December 6th in London, Sir Herman Lebus, C.B.E., J.P., chairman and managing director, presiding.

The following is an extract from his review circulated with the report and accounts:

The profit for the year to July 14, 1950, before charging taxation, amounts to £569,650, as compared with £320,022 for the preceding year, an improvement of £249,628 after charging against profits in 1950 items for which no comparable charge was made in 1949. The proposed Ordinary dividend is 8 per cent.

The improvement in the timber supply situation continued and veneers which we use in our production, together with plywood from certain sources, have since then been freed from Government control. In the furniture we make we are unfortunately still precluded from using hardwood from dollar sources or softwoods of any kind, but we have been able to satisfy our timber requirements to the full largely by increased purchases of Colonial timbers, and the forward supply position at this time appears to be satisfactory.

During the year there has been a significant increase in the price of oak and beech, whilst other timbers have in general shown an upward tendency. The prices fixed by the Government for some types of plywood have on the other hand been substantially reduced. There has been a steady increase in prices of other materials and this tendency appears to be continuing.

In my review last year I drew attention to the revision of the Board of Trade utility scheme, which had been made during the year then under review. There have been no further changes of importance in those regulations since that date. The freedom of design possible within the limits of the regulations and the price control structure have enabled competition to operate again within the industry and I am satisfied that your company is more than maintaining its leading place as suppliers of low-priced furniture of a high standard of quality.

THE PAST AND THE FUTURE

At the last annual general meeting I was tempted, in view of the satisfactory state of your company's trade at that time, to make some sort of forecast as to the financial results which could reasonably be expected in the year we are now considering. I refrained from doing so, however, because in the grave situation of our country factors might arise "which could quickly and adversely affect sales and profits." During the latter months of your company's financial year, and unfortunately into the present financial period, the whole industry suffered a sharp recession of trade, which affected your company's sales and profits. This recession has, however, not persisted, at any rate so far as your company is concerned, and sales and the order book are now satisfactory.

The national and international situations cannot be said to have improved over last year. The difficulties in the Far East, the Government rearmament programme, the expectation of a General Election in the not far distant future are but some of the factors which create a state of uncertainty and make it unwise for either your directors or for me to attempt to forecast the trend of profits to be expected in the company's current financial year. I affirm, however, that the company's products, methods of production and methods of marketing continue to improve and reinforce the confidence of your directors in the future of your company.

The report was adopted.

AUSTIN MOTOR COMPANY

A GOOD YEAR

MR L. P. LORD'S REVIEW

The thirty-sixth annual general meeting of The Austin Motor Company, Limited, was held on December 6th at Longbridge Works, Northfield, Birmingham, Mr. L. P. Lord (chairman and managing director) presiding.

The chairman, in the course of his speech, said: We have had a good year, free from stoppages of any kind, although output has been restricted by the lack of sheet steel. However, the freer flow of production has allowed us to keep down the amount of material in progress, and this is reflected in the value of stock and tools, which is practically the same as for last year, although production was 24 per cent. higher in the year under review.

DISTRIBUTION OF PROFIT

The motor industry is Britain's largest exporter, and your company is the largest within that industry.

The Exchequer has, of course, benefited doubly: firstly by the foreign currency which we have brought to England, and secondly by their large share of the profit earned. The workpeople have also benefited by higher wages and regular work; thus prosperity is spread. It is fair that the shareholders—there are thousands of small ones, in fact over 20,000 altogether, many of them workpeople themselves—should benefit from this prosperity, and therefore the dividend on the Ordinary shares has been increased.

The following figures illustrate to you how the benefits arising from the prosperity of the company are shared. For the year ended July 31st last:

1. We paid in wages and salaries £9,526,000 gross.

2. We had to provide for taxation £2,481,522. It should also be remembered that in addition to this the Government collects taxation on wages paid and in the form of surtax on some of the dividends.

3. On our export trade to U.S.A. and Canada we collected $33,936,000.

4. We propose to pay in dividends to our Ordinary shareholders £340,316 net.

Last year I referred to the institution of a Supplementary Provident Fund. Satisfactory arrangements have now been made with the Board of Inland Revenue, and the necessary Trust Deed was executed on April 17th last.

PRODUCTION

We have still maintained our position as the premier exporter of cars and commercial vehicles. The production of 157,628 vehicles is an increase of 24 per cent. over last year, and therefore a new high record. For the first fifteen weeks of the current financial year, that is since July 31st last, production has risen again, and is up by 11 per cent. over the year under review, and for the three months ended October 28th has been running at the rate of over 165,000 vehicles a year plus an average of nearly 300 tens of spares a week. Increased supplies of steel would make still higher output possible.

The new models, shown for the first time at Earls Court in October, have been very well received, both at home and overseas. It is obvious already that the new "Hereford" will be a very worthy successor to the "Hampshire."

For a model introduced just three years ago the A.40 has not only maintained but increased its popularity, over 80,000 having been despatched to world markets in the year; in fact, it is universally acclaimed as the world's best light car.

The new "Loadstar" 2- and 5-ton trucks, introduced just a year ago, have also proved exceptionally popular overseas, more than 15,000 having been exported in the year.

With both these models we entered the current year with an overflowing order book, and at the present moment have truck orders in hand for the entire production of these vehicles for the rest of the current financial year.

You will have seen from announcements already made that we have secured a contract for the manufacture of several thousand four-wheel drive light fighting vehicles for the army.

The initial contract was for the vehicles without the engines. Within the last few weeks we have received orders for four-cylinder engines to fit into these vehicles and also for a large number of eight-cylinder engines.

I have stated that these orders should not interfere with normal production, always providing that the materials are made available. The question has naturally arisen in many minds as to how we are going to find room for this extra work. That has been overcome by taking a lease of the whole of the aeroplane factory at Cofton Hackett adjoining the Longbridge Works.

EXPORT

I have mentioned in previous years that we could not expect our intensive overseas operations to be very remunerative in the early stages; in fact, as you know, we did make initial losses in America. However, our policy has turned out to be the right one, and I am pleased to be able to tell you that all our trading subsidiaries have earned satisfactory profits. We have, of course, made profits from devaluation in America and Canada. These are shown clearly in the accounts and will not recur unless the pound is again devalued. If, however, the pound is revalued upwards some losses may be incurred, although, naturally, we are watching our stocks very carefully and are keeping our commitments down to the minimum. In order to strengthen the balance-sheets of the Canadian and American subsidiaries, all the profits and gains they made have been retained and no dividends have been paid to the parent company.

Turning to our general export business, we have had another excellent year. Our total sales to world markets outside North America exceeded £33,000,000, which figure included nearly £3,000,000 for spare parts and components. This total compares with £19,700,000 in the previous year and represents a 68 per cent. increase.

IMPORTANCE OF AUSTRALIAN MARKET

Australia continued to hold first place in our export shipments, and absorbed over 42,000 of our cars, vans and trucks. Outside Australia and the American continent, to which I shall presently refer, our best results were in Belgium, Sweden, South Africa and Eire, in that order, but these markets combined represented only one-third of the Australian volume. We are well in the lead in Australia and we must make sure that we maintain that position.

In Canada and U.S.A. the year was equally satisfactory, our turnover in Canada being over £9,000,000, or a 275 per cent. increase on the previous year. In the U.S.A., with sales of just under £2,000,000, the increase was 128 per cent.

The report was adopted.

TOWN TAILORS LIMITED

RECORD NET PROFIT

The twentieth annual general meeting of Town Tailors Limited, was held on December 4th at Leeds, Mr. Hector M. Frazer, chairman and managing director, presiding.

The following is an extract from his circulated speech:

It is with pleasure that I have to report another period of steady progress by the parent company and its subsidiaries for the year ended July 29, 1950. The net profit of the group is £370,609, after charging depreciation and all expenses (apart from taxation) —a new record. The increased profit is entirely due to a substantial rise in turnover, occasioned by the better value we have been able to give our customers consequent upon our lowering of profit margins. The year's results reveal the benefits which have accrued to the company and to the public by the reorganisation of production methods. Our quality of workmanship has been fully maintained and given satisfaction.

This record profit is apportioned as follows:—

		Amount £	% of Profit
Taxation (estimated)		197,801	53·4
Sundry allocations:—			
Welfare, insurance fund, expenses of capital increase, special depreciation		9,503	2·6
Ploughed back into the business		126,592	34·1
Represented by:—			
Additional fixed assets	£ 89,025		
Additional net current assets	37,567		
Proposed dividends		36,713	9·9
		£370,609	100

THE DIVIDEND

To conform with the "limitation of dividends" request of the Chancellor of the Exchequer, dividends are being limited to the same monetary distribution as for last year. Your directors recommend a final dividend at the rate of 23½ per cent. to be paid to Ordinary stockholders which, together with the interim dividend, makes a total of 40 per cent. for the year. As this amount is payable on the increased capital, it is equivalent to the former rate on the original capital (or 6½ per cent. on the real capital).

It is interesting to note that the country is now experiencing a plethora of claims for wage increases supported by the argument that justice demands that wages should keep abreast of the rising cost of living; yet a similar right is denied to those who rely on dividends for their sustenance.

During the past year the orders placed by our customers have outstripped our production capacity, and we are constantly building up our labour force to keep pace with the demand for our products. Owing to the impossibility of obtaining sufficient quantities of a certain type of cloth from manufacturers, another mill has been purchased where the company is to extend its weaving operations to cover export and home trade requirements.

We have decided to recommend a bonus issue to the holders of our Ordinary stock of one Ordinary stock unit of 2s. for every three Ordinary stock units held.

Sales for the current year have been high, due no doubt to the foresight of the public in purchasing their requirements before the recent high advance in the price of wool is passed on to them. When that stage has been reached, consumer resistance may become an important factor. Beyond this the future is uncertain, but I have no reason to believe that your company will be any less successful than in the past.

The report was adopted.

THE FINANCIAL NEWS LIMITED

PROFITS MAINTAINED

MR BRENDAN BRACKEN'S REVIEW

The fifty-third ordinary general meeting of The Financial News Limited was held on November 30th at Winchester House, Old Broad Street, London, E.C., Major-General Guy P. Dawnay, C.B., C.M.G., D.S.O., M.V.O., the vice-chairman, presiding in the unavoidable absence of the chairman, the Right Hon. Brendan Bracken, M.P.

The secretary (Mr. A. E. Knock) read the notice convening the meeting and the report of the auditors.

The vice-chairman then read the speech of the chairman, as follows:

Gentlemen, with your permission I will take the report and accounts as read. (Agreed.) Apart from an improvement of some £13,000 in the net liquid assets position, the balance-sheet figures show little change from those of the preceding year, and they call for no comment. The consolidated profit before tax for the year ended June 30th last amounted to £119,740, which compares with £114,379 and £117,935 in the two preceding years.

The slight increase in our profit arises principally from the fact that we have received a modest first dividend on our investment in W. Speaight & Sons. Our three subsidiary companies, the Investors' Chronicle, Limited, the Practitioner Limited and the Banker Limited, have all traded at a profit substantially similar to that earned in the previous year.

We are recommending the payment of a final dividend of 35 per cent. making an unchanged total of 60 per cent. for the year. As I stated last year, this 60 per cent. is equal to about 12½ per cent. on the capital employed in the business.

THE FINANCIAL TIMES

The Financial Times earned substantial profits in the year ended December 31, 1949. It continues to earn good profits, but we shall be fortunate if we can maintain this good result. The costs of newspaper production rise monotonously. As you probably know, the printing works in which *The Financial Times* is interested have suffered considerably from the recent protracted printing dispute. Restrictions on the use of newsprint have lately been reintroduced on a near wartime basis. The effect of these restrictions has been to reduce the number of pages which *The Financial Times* can publish, and this, of course, must have an effect on advertisement revenue.

So far we have contrived not to restrict the circulation, which in recent months has been growing, but, unless there is some easing in the newsprint position, I fear that we shall once more be compelled to peg the sale. Our plans for introducing new features and for improving existing features are therefore at present frustrated. *The Financial Times* has qualities of resilience and enterprise which, I have every confidence, will enable it to surmount most of the baffling problems that confront the press today.

THE INVESTORS' CHRONICLE

The Investors' Chronicle maintains its high position in weekly financial journalism. It naturally lost much revenue through the recent printing dispute. It was only by the strenuous efforts and ingenuity of its staff that the paper was able to maintain a weekly service for readers. The emergency issues which were produced during the stoppage at London printing works left much to be desired and were costly to produce, but they enabled readers of the paper to enjoy some continuity of service. I am hopeful that the greater part of the revenue lost during the dispute will be recovered in the remaining months of our financial year.

The Practitioner and *The Banker* were fortunately not affected by the dispute, since they are not printed in the London area. *The Practitioner* goes from strength to strength and its editors and management are to be congratulated on the great services which the paper renders to the medical profession.

THE ECONOMIST

The Economist, of which we own half the share capital, suffered as severely as *The Investors' Chronicle* in the recent dispute. Here, too, magnificent efforts were made to overcome the difficulties with which that newspaper was confronted. Well does it deserve its present prosperity.

Had I been addressing you three months ago, I should have been able to give you very satisfactory reports upon the two printing companies, St. Clements Press and W. Speaight & Sons, in which we are directly or indirectly interested, but the recent dispute has had a sharp effect upon their profits. Since the resumption of work, both companies have been extremely busy and I am hopeful that they can retrieve a goodly part of the profits lost through this deplorable dispute in the printing industry.

The report and accounts were unanimously adopted; the proposed dividend was approved; the retiring director, Viscount Moore, O.B.E., was re-elected and the remuneration of the auditors, Messrs. Price, Waterhouse & Co., was fixed.

UNION FREE STATE COAL AND GOLD MINES LIMITED

PROGRESS ON HARMONY LEASE

MR G. V. R. RICHDALE'S ADDRESS

The annual general meeting of Union Free State Coal and Gold Mines Limited, was held in Johannesburg on November 24th.

Mr G. V. R. Richdale, the chairman, who presided, in moving the adoption of the report and accounts, said that the report of the directors and audited accounts for the year ended June 30, 1950, together with the reports of the consulting engineer and the managers of the Harmony property and the Raleigh Colliery had been in shareholders' hands for some time. Those reports, together with his statement which accompanied them, had dealt comprehensively with the affairs of the company during the period under review and he proposed to comment only on the progress achieved since the date of the statement.

ISSUE OF HARMONY SHARES

Formal ministerial consent to the grant of the Harmony lease had been received in a letter from the Secretary for Mines dated September 29, 1950, and at an Extraordinary General Meeting of Harmony Gold Mining Company Limited, held on October 6, 1950, the authorised capital of that company had been increased from £5,000 in 20,000 shares of five shillings each to £3,000,000 in 12,000,000 shares of five shillings each. At the same meeting, the Board of Directors were authorised to issue a further 7,980,000 shares, making the issued capital of the company £2,000,000 in eight million shares of five shillings each and leaving four million shares in reserve.

The company was entitled to subscribe for a total of 4,014,240 Harmony shares, including those already subscribed in the initial capital and 501,780 shares for which it would subscribe against receipt of its proportion of the total vendor consideration of £250,000. While the Board had always recognised that shareholders would wish to have as large a participation as possible in the Harmony company, it was, nevertheless, considered to be in their interests that their Union Free State Coal and Gold shareholdings should be safeguarded against too sharp a fall in value when the shares became ex-Harmony rights on the Stock Exchange.

OFFER TO SHAREHOLDERS

It had, therefore, been decided that the rights in respect of 2,213,235 shares should be offered to shareholders in the ratio of three Harmony shares for every ten shares held in Union Free State Coal and Gold Mines Limited and that the balance of 1,801,005 shares, together with any rights offered to but not taken up by shareholders, should be retained in the company's portfolio.

As soon as the Harmony company received the proceeds of that issue it would refund to the Company an amount expected to be of the order of £1,400,000 which would have been expended up to that time on development of Harmony property, together with interest thereon calculated on a daily balance at the rate of 4½ per cent. per annum. In that connection, he mentioned that expenditure of £991,334 mentioned in his statement as having been incurred by the company on Harmony property, did not include the value of stores and materials which, when taken into account, brought total expenditure on behalf of that company as at June 30, 1950, to £1,038,491.

SHAFT SINKING

Shaft sinking at Harmony was proceeding satisfactorily. The No. 3 shaft had reached a depth of 606 feet on November 23rd, while the ventilation shaft was at a depth of 733 feet. Permanent headgear at No. 3 shaft had been completed and one of two permanent winding engines was in use. Steam hoists at the ventilation shaft were now in commission; the compressor house was nearing completion and good progress was being made with workshops.

A further 13 permanent houses had been erected bringing the total number now completed and occupied to 31. In addition, 45 houses intended for the future use of married native employees were temporarily occupied by European families pending completion of further accommodation for Europeans. A total of 43,000 feet of piping had so far been laid from the Welkom Ring Main, a further 21,440 feet having still to be laid.

RALEIGH COLLIERY

At the Raleigh Colliery, the erection of a coal-washing plant was proceeding and should be in operation early next year. A change house, lamp room, four senior staff houses and six workmen's cottages were now finished, while single quarters were already occupied. The manager's house was in the course of construction.

Coal-drilling programmes in the Coalbrook area and in the Ermelo district had been completed, but it was too early to draw final conclusions from the results obtained. Drilling on Farm Braakfontein in the Newcastle area of Natal was still in progress and, although analyses so far available had been encouraging, it was not yet possible to assess with accuracy the true potentialities of that area.

The report and accounts were adopted.

GLAXO LABORATORIES LIMITED

SUBSTANTIAL HOME AND OVERSEA PROGRESS

RESEARCH AND DEVELOPMENT SAFEGUARDED

The sixteenth annual general meeting of Glaxo Laboratories Limited was held on December 5th, in London. Sir Harry Jephcott, M.Sc., F.R.I.C., Ph.C., the chairman and managing director, presided.

The following are extracts from his circulated statement: £250,000 has been allocated from the profits of the year to reserve for obsolescence and £250,000 to general reserve. In addition, a new reserve has been set up—reserve for future research and development; further reference is made to it below.

The fixed assets have increased by about £750,000 as a result of the completion of plant extensions at Greenford and elsewhere. The extending operations of the subsidiary companies are reflected in the increased investment in these companies. Stocks have necessarily increased with the company's expanding business, but they are smaller than is desirable for the smooth flow of work, and their further increase must be expected.

OVERSEA ASSETS

It is the purpose of the consolidated balance sheet to show the total value of the assets of the group expressed in sterling. In the absence of free rates of exchange, the conversion of oversea assets becomes arbitrary and liable to fluctuation. Current assets and liabilities are converted to sterling at the rate ruling when the accounts are closed and fixed assets at the 1949 values, plus additions at the rate ruling when acquired. Should circumstances vary, consideration would be given to revaluing the assets affected. The directors are satisfied that the fixed assets in the accounts of the subsidiary companies are conservatively valued, and in their opinion this valuation is as fair as possible in existing circumstances.

The true value of these assets must be measured within the ambit of our total activities, some profit accruing to the parent company from exports to subsidiaries. All subsidiaries have operated profitably, although from some companies dividends reasonably commensurate with the investment could not be transferred to this country.

CAPITAL EXPENDITURE

A further expansion of business has resulted in increased trading profit. This result is the more satisfactory in that it has been achieved in spite of many price reductions.

The level of dividend upon the ordinary stock was in the past mainly related to the need to conserve our financial resources over a long period of years. Having regard to all the circumstances, and not least to the fact that more than one-half of our business is transacted overseas and to the hazards of such business, a final dividend of 12½ per cent., making 17½ per cent. for the year, is recommended for approval. In the opinion of the directors the distribution of less than one-twelfth of the profits by way of dividend reflects in full measure a policy of moderation and restraint—a policy with which they are in full accord.

We are at present committed to capital expenditures amounting to £691,000. These are far from adequate to provide for the expansion of business that is envisaged and further capital expenditure is projected that at home and overseas exceeds £2,000,000 in all. Effect will be given to the schemes as rapidly as circumstances permit.

Owing to the continuing expansion of the business and to the magnitude of the development programme, it may not be possible indefinitely to finance the growth of the business from our present resources. The directors therefore consider it timely to increase the authorised capital by £1,500,000. It should, however, be clearly understood that there is no present intention of issuing further capital.

PRODUCTIVITY

Throughout the year particular attention has been given to increasing the efficiency of all manufacturing processes and thereby the company's productivity. In this respect we have welcomed the reports of the Anglo-American productivity teams and have benefited from the participation in them. We believe that further benefit will follow from the continuous development of friendly interchange between American and British industries.

The saving from economies in production has enabled us not only to absorb the considerably increased cost of many of our raw materials but also to give to our customers the benefit of price reductions. In the aggregate these price reductions have been substantial, especially for our antibiotic products. During the year further reductions have been made in the price of penicillin and streptomycin, which have resulted in a saving of no less than £300,000 to the hospitals of this country.

EXPORTS

Our oversea and export business continues to make excellent progress. During the year the total sales overseas by the parent company and its subsidiaries have increased by more than 30 per cent. This is a real achievement for a company of our size.

Our investment overseas continues to grow, and it will be necessary to increase it as further development becomes desirable. Admittedly, oversea investment presents to the stockholder a greater risk than does expansion at home, but it is only by taking such a risk that our oversea business will progress further and the exports from this country continue to increase.

While most of our oversea and export business is within the sterling area, it is especially satisfactory to report that we now have a substantial dollar export business. With the object of further enhancing our dollar sales, we have recently formed a Canadian subsidiary company, Glaxo (Canada) Limited.

RESEARCH

Expenditures upon research and development steadily increase and are now more than ten times greater than in 1939. During the year the research department at Greenford has more than doubled. The new research laboratory for work on antibiotic substances and related problems at Sefton Park has been in occupation since June. In addition, development facilities at Ulverston have been increased and further expansion is planned.

We believe that we have a very effective research organisation and, although it would be inappropriate for me to mention the problems upon which they are at present engaged, I am well satisfied with the progress made. It is of the nature of research work that success cannot be guaranteed: research expenditure must in any event be continued over a period of years if results of value are to be achieved. We consider it wise to make such financial provision as will ensure continuity of this work and we have now created a reserve for future research and development specifically for this purpose. Should less favourable years await us we shall not hesitate to draw upon this reserve to maintain our work of research and development, for upon it we believe the long-term future success of the company largely depends.

I take this opportunity of acknowledging the excellent work of those outside our own organisation, with many of whom we have had happy business relations extending over more than 30 years, and of our own staff at home and overseas which has made possible the accomplishments of the year.

The report and accounts were adopted and the capital increase was approved.

NATIONAL CANNING COMPANY

A BONUS ISSUE

MR S. W. SMEDLEY'S ADDRESS

The nineteenth annual general meeting of the National Canning Company, Limited, was held on December 4th, in London, Mr S. W. Smedley (chairman and managing director) presiding.

The following is an extract from the chairman's speech:—

The profit of the group, after taxation, amounted to £414,332. Of this sum £309,924 has been retained by the subsidiary companies and, in addition, the subsidiary companies have applied a total of £5,000 to pension reserve funds.

The National Canning Company's own profit and loss account shows a surplus for the year of £98,078, which, with last year's carry forward, leaves a sum of £249,033 available for distribution. Of this sum, £30,000 has been transferred to the general reserve fund and, after payment of the dividend of 20 per cent. recommended by the directors, the carry forward will be increased by £18,578.

I should perhaps tell you that we are taking steps to centralise our farming activities. In July last we purchased a farm near Wisbech and this farm, together with the farm at Evesham and our Scottish farms, will now come under one management. The company now owns a total of 2,472 acres.

This year, in certain lines, particularly in the case of canned peas, we have again increased our pack. So far as canned and frozen peas are concerned, the season has been a favourable one, and I believe that this year's pack of canned and frozen foods is undoubtedly one of the best we have ever turned out.

PRICE OF CANNED FRUITS

For some time past I have been of the opinion that certain varieties of canned fruits, particularly strawberries and other soft fruits, were priced too high. Your company has always been looked upon as a leader in the industry, and I felt it was appropriate that we should make a move in helping to combat the general increase in the cost of living. The price we have to pay for our raw materials governs the price paid by the ultimate consumer and this summer afforded us the first opportunity since the war ended of reducing the price of certain lines we process. Where these reductions have been made it must be borne in mind, however, that our goods are still in short supply, and we are not always able to ensure that any reductions in price which we make are passed on to the consumer.

There is now evidence, which has been growing for some time, that the nature of

public demand is changing. However, we endeavour to adjust our activities to meet the requirements of the public, and while there is a certain amount of difficulty in obtaining adequate supplies of cans, I think you may take it that all the signs point to another satisfactory year's trading.

You will have seen from the notice you have received of the extraordinary general meeting, to be held after this meeting, that a resolution will be proposed to increase the authorised capital of the company to £750,000. There is also a second resolution in which it is proposed that the issued ordinary share capital should be increased to £467,500, by capitalising £42,500, part of the general reserves of the company and issuing 42,500 fully paid ordinary shares to the existing ordinary shareholders in the ratio of one new share for every ten shares held.

The report was adopted.

At an extraordinary general meeting subsequently held, resolutions were passed approving: (1) an increase in the authorised capital of the company to £750,000, and (2) the capitalisation of part of the general reserves and the issue of the bonus shares to existing ordinary shareholders.

NORTH BRITISH RAYON

WORLD'S CHEAPEST TEXTILE FIBRE

The twenty-second ordinary general meeting of North British Rayon, Limited, was held on November 30th in London, Mr Ernest Walls, the chairman, presiding.

The following is an extract from his circulated statement:

The year to June 30, 1950, now under review, coincided for the main part with the first year of the devaluation of the pound sterling in September, 1949.

Increase in prices of our imported materials began immediately after the devaluation and continued through the year. It affected not only our most important material imported wood-pulp, but also our chemicals and numerous sundry supplies. Later on we had the rises in base metals and other primary materials which have been so notable a feature in recent months. The year's trading results were, however, only partially affected by these increased costs. We were well situated with regard to stocks of materials so that we reaped the benefit and were able in this way to maintain our profit margin. But the deferred effect of devaluation and of the rise in world prices is certainly being felt in the present financial year.

Output showed a moderate increase during the year. Demand is very strong, both at home and abroad, and likely to continue so. The ever rising prestige of rayon has been reinforced to a remarkable degree by the somewhat sensational increase in the price of natural fibres, wool, silk, and cotton during this year. Rayon is today the world's cheapest textile fibre and in versatility and adaptability never ceases in its forward stride.

Capital expenditure during the year amounted to £117,309, making a total of £552,000 since the end of the war. The year's expenditure has been partly at Jedburgh, Scotland, and partly at Holmfirth, Yorkshire, where we have just completed our new processing works, which for its size will, I believe, stand comparison with any similar plant in this country.

DEVALUATION AND RISING COSTS

Following the end of the company's year, as I said, we were experiencing the deferred effect of the rise of costs due to devaluation. By this time, also, the general rise in world prices of primary materials had begun to make itself felt. In addition, the price of Canadian as well as Scandinavian woodpulp was steeply advanced. The freeing of the Canadian exchange has also worked against us. All this coincided with the end of the so-called wages freeze, resulting in a large increase in our wages rates as from mid-October.

Since September, 1947, the rayon industry had suffered successive increases in cost of materials and labour, but had endeavoured to offset them by increased output and productivity, with the result that the selling price of rayon was held steady during these years. This was a remarkable achievement, but to absorb the succession of increased costs was beyond any possibility and an increase in the selling price was established as from October 16th.

The advance is very moderate in relation to the heavy increase in costs we have to bear, and if we are to maintain our recent levels of earnings we shall still need to continue even harder than before to apply ourselves to the task of increasing productivity by reducing unnecessary waste of materials and labour, by ingenuity and invention, and generally by better and harder work on the part of all concerned, which is the only road by which this industrial island can ever find its way back to real prosperity. We have not been unsuccessful in that direction in the past, and I am confident that we shall have the co-operation of everybody employed in the North British organisation in bringing these further efforts to a successful result.

The report was adopted, and the proposed dividend of 10 per cent., less tax, was approved.

INDIAN IRON AND STEEL COMPANY

INCREASED PRODUCTION

MR T. LESLIE MARTIN'S SPEECH

The thirty-third ordinary general meeting of The Indian Iron and Steel Company, Limited, was held on November 13th in Calcutta.

Mr T. Leslie Martin, the chairman, who presided, said: Production for the year showed a welcome increase which has enabled us to cover the reduction in the selling prices of pig-iron imposed as a consequence of the 1949 Tariff Board inquiry and to show a balance of profit sufficient to maintain the dividend at the rate of 10 per cent. per annum.

The main features of the accounts are the final allocation and consequent additions to fixed capital expenditure of approximately Rs.3½ crores and an increase of some Rs.1½ crores in borrowing. The major item of new capital replacement plant is the new battery of 72 coke ovens at your Hirapur works to take the place of the range of four old and original waste heat type batteries which had become obsolete. The new battery came into operation towards the close of the year under review and has already shown a marked improvement in the quality of furnace coke coupled with a considerable reduction in production cost. With the completion of this project at a cost of some Rs.2½ crores we are once again not only fully self-supporting in the matter of our coke requirements and have been enabled to discontinue the outside purchase of coke at relatively high cost but, also, to supply a fairly large quantity of coke to the Government's fertiliser plant at Sindri. The increase in borrowing is a direct result of this expenditure and consists of the sum of Rs.1 crore advanced by the Government of India against an agreed total of Rs.1½ crores and taking further advantage of overdraft facilities.

DEPRECIATION AND TAXATION

The increase in capital assets is only partly reflected in the increased allotment for depreciation, the provision for which has been raised from Rs.30 lakhs to Rs.32½ lakhs representing about two months of the year under review. This reserve must necessarily be further raised in subsequent years to cover the proper annual depreciation charge on this account.

I should, perhaps, amplify the remarks in your directors' report concerning the somewhat complicated position in regard to taxation that results where heavy capital expenditure is incurred. In computing assessable profits for taxation purposes initial depreciation is allowed in respect of buildings and plant in the year of their installation at rates of 15 per cent. and 20 per cent. respectively on cost, while a further special allowance is granted in the earlier years equal to the normal depreciation allowance. The sole object of these allowances is to offer the inducement of a taxation concession as an encouragement to industry to re-equip, and not for the purpose of an extra distribution in the shape of higher dividends. In the case of your company these extra depreciation allowances exceed the sum of Rs.80 lakhs with an immediate relief in outgoing cash for taxation purposes of some Rs.33½ lakhs, but it must not be overlooked that this so-called "saving" in taxation has to be met in future years and, consequently, must be provided for. At first sight, it would seem to be a valuable concession, but it is necessary to examine the position in closer detail. The law provides that the total depreciation allowable for taxation purposes in respect of any individual asset is limited to the original cost of that asset and extra depreciation is permitted for taxation purposes during the earlier years of the life of that asset. Conversely, the depreciation allowance will be reduced in later years and the original liability for taxation will have to be met. It is not escaped but merely deferred. Assuming the rates of tax remain constant, it will be seen that the so-called "saving" in taxation in the earlier years by reason of the enhanced depreciation allowable must later be offset by a corresponding increase in taxation when this depreciation is no longer available, and has become exhausted. What, therefore, appears to be a taxation concession proves, on examination, to be nothing more than a deferment of a definite taxation liability to be met at a later date. It will, therefore, be seen that where depreciation allowances of the magnitude involved in the present case are concerned, it would be more than folly to ignore the deferred taxation liability, and this explains the appropriation in the accounts for the year under review of Rs.33½ lakhs to a reserve for taxation contingencies.

BENEFITS OF MODERN PLANT

The installation of replacement plant of the latest and most modern design has shown considerable benefits and further expenditure of approximately Rs.2 crores must be incurred during the next year or so to bring your plant, both at Hirapur and Kulti, completely up to date. This should show further benefits to the company's operations, not only by increased production but by reduction in costs also. As you are aware, your

directors had planned to raise additional capital by the issue of further Ordinary shares and a new issue of Preference shares, the total proceeds of which would have amounted to some Rs.3 crores. Such an issue would have enabled us, in addition to financing necessary further capital expenditure, to relieve to some extent the heavy indebtedness of the company on loan account, which cannot be allowed to remain a permanent feature of our accounts. With the prospects of an improved profit margin and a saving on interest charges it is, therefore, a matter for regret that the reaction to the announcement of the company's application to the Controllers of Capital Issues in Delhi and London was so clearly unfavourable in certain quarters that your directors had no option but to abandon for the present and to defer the proposal for the issue of Ordinary shares and to increase the amount of the proposed issue of Preference shares from Rs.1 crore to Rs.1½ crores to ease the position to some extent. I do not think that shareholders fully appreciate the fact that during the past ten years as a result of the last war there has been little opportunity to install new modern plant in replacement of old and obsolete machinery. There was no alternative but to defer action until this became possible. We commenced our replacement and modernisation programme in 1946-1947, that is by ordering the plant, and during the past two years or so have been busy on its installation. The cost of this, as you should fully realise, has been inordinately high and rather more than double when compared with pre-war prices. This has, naturally, been a heavy drain on our finances and is responsible for the present extremely tight cash position. The present issued capital of Rs.2½ crores falls far short of the real value of your plant at Hirapur and Kulti, which, based on present day values, is more in the region of Rs.15 crores on a conservative estimate. Under these circumstances, your Board considered themselves as fully justified in putting forward a proposal to raise fresh capital and I repeat the reception this proposal received is greatly to be regretted. In short it amounts to this, if you will not give us the tools it is not easy to understand how we should be expected to do the job.

It has been pleasing to note that there have been signs of improvement in the general economic position of the country of late. It must be realised that any acceleration in this direction is entirely dependent upon the expansion of industry in India and the forthcoming of the necessary investment capital.

The report and accounts were adopted.

KAMUNING (PERAK) RUBBER AND TIN COMPANY, LIMITED

PRICE OF RUBBER AND STOCKPILING

SIR JOHN HAY'S VIEWS

The forty-first annual general meeting of The Kamuning (Perak) Rubber and Tin Company, Limited, was held at 52/4, Gracechurch Street, London, E.C., on December 6th.

The following is an extract from the statement of the chairman, Sir John Hay, which had been circulated to stockholders:—

The rapid and dramatic rise in the price of rubber which has occurred since June last—the end of our financial year—has focused unusual attention on rubber, has been productive of statements which have little foundation in fact and, too often, of expressions of ill-justified feelings. It is impossible for me, within the limits of what should be a brief speech, to deal with all of these but it is not desirable that all of them should pass without some correction. To attribute this rise in price to the machinations of producers is mere foolishness and the story of "rubber barons" gathering round the table to manipulate the price for their own profit is, of course, a fiction unworthy of inclusion in a schoolboy's story-book.

The cause of the rise in the price of rubber is easy of diagnosis. As has recently been acknowledged and emphasised in responsible quarters, the rise in the price is due to stockpile purchases rendered urgent by the course of political events engendering apprehensions regarding the certainty of the continuance of supplies. Such purchases have turned what would otherwise have been a surplus of production into an acute shortage and even the merest tyro must understand that persistent buying in the face of a shortage inevitably raises prices to an abnormally high level. The rise in the price of rubber is, however, no isolated phenomenon. What does distinguish rubber from other world commodities is that up to very recently it continued to be sold in the postwar period at little above its prewar price whilst all other values had long ago risen substantially. Even allowing for the high price to which it has recently risen, the average price for 1950 up to the end of October is only a fraction above 2s. 4d. per lb.

A short time ago *The Times* published a table showing the average prices of world commodities for the period January/September, 1950, as a percentage of 1939 prices. Of the sixteen commodities listed, over the period mentioned rubber showed the smallest rise. The truth is that there is a whole range of world commodities the prices of which are much too high for general economic health, but within that range rubber is the least of the offenders and if remedial measures are to be considered they should first of all be applied in the more flagrant cases which include many commodities of which on balance we are buyers, not sellers.

Rubber is a world commodity sold on a world market at a world price. No unilateral or even national action could determine price or the direction of supplies. Control of prices and supplies could only be effected by agreement on a wide international basis reinforced by administrative action within producing territories which in too many instances would, under present disturbed circumstances, prove impracticable. Rubber producers would welcome a decline in the tempo of stockpile purchasing with its promise of greater stability of price at a lower level. They are only too acutely aware of the fact that purchasing for this purpose can only be temporary and that when that ends a situation may confront them under which supplies of rubber and rubber substitutes may be in excess of demand.

HIGHER COSTS AND TAXATION

In the meantime the first benefits of the present price of rubber go deservedly to labour and, perhaps less deservedly, to Government. It is difficult in a short sentence to contrast directly the rise in the price of rubber with the rise in wages, but the figures at my disposal show that as compared with 1941 the average price of rubber for 1950 shows an increase of 141 per cent. whilst wages to labourers on rubber estates have increased over the same period by 160 per cent. to 350 per cent.

A large part of the increase in wages was granted before the rise in the price of rubber had taken place and such subsequent increases as have been made were granted in full realisation of the fact that the present high price of rubber can only be of a temporary duration whilst wage increases, once given, are liable to become permanent. Moreover, in addition to cash wages, labourers on rubber estates receive benefits in kind, all supplied by their employers, such as housing, medical services, including maternity grants, and recreational and educational facilities, the cost of all of which has multiplied several times since 1941.

As far as Government is concerned, the proceeds of the 5 per cent. *ad valorem* duty will in the current year yield to the Government of Malaya four times as much as was originally estimated, whilst the 30 per cent. Income Tax will also give a substantially increased return. In respect of producers registered in this country the United Kingdom Government, as is well known, levies taxes up to 55 per cent. of profits. Despite these heavy imposts, it is undeniable that producers will for the time being earn larger profits, but if the rubber producing industry is to be left to bear the burden of long lean periods which has more or less been its lot for the last twenty-five years and is to be deprived of the benefits of these rare profitable intervals, then by no means can it set aside the sums necessary for replanting, the rehousing of labour and similar progressive measures.

As compared with others, this company is probably regarded as being outstandingly successful and yet, including the dividend of 15 per cent. which has just been paid, the average return for the past twenty years has been only just over 5 per cent. For the industry as a whole the return has probably been about half that. Not only its past history but the composition of its ownership should abate Government's tendency to impose too readily increasing burdens on the rubber producing industry. Of the total production of rubber at present coming from Malaya 42 per cent. is derived from smallholdings of only a very few acres each, the owners of which at frequent intervals over the last twenty-five years have been forced out of production by low prices. Ownership of the more highly organised rubber estate is also widely diffused.

Our own case is perhaps typical. This company, modest in size, has nearly 3,600 stockholders with an average holding of no more than £56 and there are only 47 stockholders who each own £500 or more. Thus the labours and the savings of the small man have been united together to form the rubber producing industry, our greatest Colonial enterprise, the outstanding postwar achievements of which are neither too well known nor appreciated. It would seem that the main fault of the industry lies in its failure to tell its own story. This statement may help to some small extent to repair that omission.

FILLERYS TOFFEES

SIR HERBERT MORGAN'S SPEECH

The sixteenth annual general meeting of Fillerys Toffees Limited was held on November 28th at Birmingham.

Sir Herbert Morgan, K.B.E. (the chairman), in the course of his speech, said: The position of the company, which has been improving year by year, is sound and the profits are satisfactory; the result of efficiency in production and administration.

The improvement has been brought about by a considerable increase in our output due to two principal causes. The first is the exceptional quality of our toffee which it has been our policy to maintain at all costs. The other reason is the increase in our export sales which are three times as great as those shewn in the last accounts. Of this, by far the larger part is represented by exports to hard currency countries. This represents a considerable achievement.

The position so far as raw materials generally are concerned is that many of these remain subject to allocation of supplies from the Government, but, except sugar, are available in increased quantities, particularly glucose and fat. Supplies of sugar are one of our main anxieties and there seems little hope of an immediate improvement.

One of the commodities has, however, been freed from general allocation. Condensed milk, which is so vital to the manufacture of good toffee, is now available in unlimited quantities.

Our agencies abroad, and our representatives who keep in touch with our export trade in particular, tell us that the public are asking for "Fillerys" and when possible insisting on "Fillerys" without any mention of the word "Toffee." That is popularity indeed. The Toffees of Good Taste.

The report was adopted.

BRITISH CELANESE LIMITED

SALES AGAIN A RECORD

SUBSTANTIAL EXPORT BUSINESS

MR G. H. WHIGHAM'S ADDRESS

The thirty-first annual general meeting of British Celanese Limited was held on November 30, 1950, at Winchester House, Old Broad Street, London, E.C., Mr G. H. Whigham, the chairman, presiding.

Mr W. H. Poxon, F.C.I.S. (director and secretary), read the notice convening the meeting and Mr T. Lister, of Messrs Thomson McLintock & Co., read the auditors' report.

The chairman said: Ladies and gentlemen,

I regret that Dr Camille Dreyfus, who is at present in America, and Sir William Alexander, who is indisposed, are unable to be present.

I propose, with your agreement, that the report and accounts be considered as read.

The net profit before taxation constitutes a further record and shows a substantial increase over the previous year.

Dealing with the balance sheet of British Celanese Limited, the financial position shows that a further strengthening has taken place during the year. This is reflected in the reserves (excluding the item future taxation) which have increased from £2,274,000 to £3,149,000.

After providing for future taxation, working capital has increased from £5,324,000 to £6,334,000, although no new money has been raised and despite the fact that £1,046,000 was expended on the item land, buildings, plant and machinery; £159,000 on additional trade investment and investment in subsidiary companies, and £88,000 on the reduction of fixed long-term liabilities.

Total current assets have increased by £1,783,000, whereas total current liabilities, together with future taxation, have only increased by £773,000. Ignoring the item future taxation, total current assets are now approximately three times total current liabilities.

TAXATION AND DIVIDENDS

A further £285,000 has been placed to the credit of taxation equalisation account which now stands at £765,000. The larger amount set aside this year arises mainly because the increased rate of the initial allowances announced in the 1949 budget was effective during the whole of the financial year under review, whereas it was only effective for a portion of the previous year.

You will have noted from the report that the directors recommend a dividend of 10 per cent. as compared with 8 per cent. for the previous year. In this connection, I would point out that the substantially improved results during recent years have been largely due to the costly technical and commercial development and plant expansion carried out in past years. Since the end of the war, expenditure on plant expansion, modernisation and replacement alone has amounted to £4,377,000, in addition to which further substantial sums have been utilised for working capital. Notwithstanding these factors, £1,800,000 only has been raised by the issue of new capital (in the form of first preference shares).

TRADING

I am pleased to report that the year's sales constituted another record both as regards volume and value. Each of the main products made its contribution to this. Last year I referred to a falling off in the demand for plastics, but this year sales have recovered to a very marked degree.

In the home market there has recently been a number of indications that the rise in the cost of living and the increases in the prices of many cotton and woollen goods have forced the public to become more selective in their purchases of clothing. The Wholesale Textile Sales Index shows that sales of some important articles have fallen off sharply. This tendency has not been reflected in the demand for your company's products. Indeed, despite increased volume and turnover, we were very far from being able to satisfy the requirements of our customers.

To compete in the export market necessitates an outlet in the home market denied at present by the incidence of purchase tax. It is difficult to market fashion fabrics for the export trade without this home trade outlet, and the present purchase tax rate of 66⅔ per cent. on the wholesale price of non-utility fabrics for the home trade seriously complicates this desirable form of export trading.

The recently proposed modifications in the continuous filament rayon fabric utility schedule, the principle of which has been agreed by the Board of Trade, should permit of a greater variety of fabrics being sold free of purchase tax, and will, therefore, to some extent alleviate the position as regards export fabrics, but we still feel that purchase tax should be abolished on all types of rayon goods.

EXPORT BUSINESS

A substantial part of the company's turnover is represented by export business, and here also figures are higher than ever before.

Devaluation helped the company to re-establish itself in certain of the hard currency markets, and very special efforts have been made to expand our sales in these countries. During the year members of our sales and technical staffs have visited these countries and studied market requirements at first hand, and hard currency sales show an encouraging increase.

For the remaining export markets business in the main is now limited by our ability to supply, but we view with concern the recent abnormal increases in the tariff on British woven rayon goods into Australia. The new duty is at approximately 10 times the previous rate, and this imposition must indeed be a very questionable advantage to Australia since their own weaving industry can supply only a small proportion of Australia's requirements

In some markets we are having to refuse certain export business that is being offered to us both in yarn and fabrics.

HARD CURRENCY SALES

We have, of course, to give preference to hard currency sales. Otherwise, wherever possible, we endeavour to be selective and to direct our efforts to building up a regular and steady export business based for the most part upon branded lines. Export orders are offered to us today which would give a better profit per unit than our regular export trade, but these are refused since they are offered in circumstances where there is small likelihood of repeat orders or of our being able to build up any goodwill. Our aim is to consolidate our export business, although this policy involves penalising, to some extent, our long-suffering home trade customers who continue to press us for more goods than we can give them in practically every section of our business.

As a matter of interest, the volume of our textile exports during last year was nine times the prewar figure; the value, of course, shows a much larger increase.

PLANT EXPANSION

As indicated in my speech last year, it is the board's intention to undertake a considerable amount of plant modernisation each year, and, pursuant to this policy, your board have approved during the year further substantial expenditure, the major part of which is in respect of Spondon Factory, where good progress continues to be made.

As regards the proposed yarn spinning plant at Wrexham, site levelling and other preliminary work have been undertaken during the year. Certain difficulties of terrain have been encountered in excavating for plant foundations, also delays have occurred in finalising the lease as well as in securing satisfactory arrangements for the necessary services; in consequence, it has not yet been possible to commence the construction of the plant. It is expected, however, that these difficulties will shortly be resolved. While it is the present intention to utilise a portion of our cash resources for the project, it will be necessary, as I intimated last year, to raise further capital in this connection.

At our Wigan, Jarrow and Blyth factories plant installation continues satisfactorily, and production is progressively increasing as labour becomes trained.

FUTURE OUTLOOK

The future outlook is overshadowed by the world political situation with its accompanying uncertainties. Apart from this, the events of the past year give plenty of support to a confident long-term outlook for rayon, and especially for acetate rayon.

We are fortunate in having cellulose acetate as the main basis of our manufactures. In the hands of our production and technical staffs, it continues to show wide

capabilities of progress and versatility in application. These advantages apply not only to its methods of manufacture but also to the yarns and plastics made from it. Our yarns have shown their adaptability to modern processing methods and our plastics to the most modern technique in producing film sheet and moulded materials.

Germany and Japan are rapidly recovering from the low immediate postwar levels of their production and exports of rayon. Germany's output and exports in 1949 were nearly double those in 1948, while Japan trebled both output and exports. Even so, the volume of yarn coming on to the world markets from these two countries is, in view of the demand, not yet sufficiently large to be a disturbing factor. Obviously, it can only be a question of time before adjustments in the existing markets will have to be faced. It is, nevertheless, worth bearing in mind that the bulk of the capacity that remains to be brought back into production by these two countries is chiefly designed to produce viscose and not acetate rayon.

INCREASED PRICE OF YARN

We have recently announced an increase in the price of Celanese yarn—the first increase since 1947, and I would like to make a few remarks in explanation of this. It is the policy of the company to keep the price of its yarn as low as possible consistent with a reasonable return on the large capital employed and having regard to the high cost of plant replacement and technical development.

Since 1947, there have been various increases in the cost of fuel, transport, other services and wages, which until recently we have been successful in absorbing by improved techniques and higher production. During the last few months, however, the prices of our main raw materials have, due to abnormal circumstances, increased to such an extent that we had no alternative but to raise the price of our yarn.

This country is almost entirely dependent upon external sources for supplies of cellulose, our main raw material in the form of cotton linters and wood pulp—and the position has become difficult not only on account of price but also on account of availability.

We are also large consumers of liquid organic chemicals and, while we are at present not unduly disturbed about supplies of these, the prices are also advancing.

COMPENSATING INCREASING COSTS

The increases we have made in our yarn selling prices will about compensate for the increase in costs with which we are now confronted, but the price rise would have had to have been larger were it not for the fact that we had on hand stocks of low-priced raw materials. Unless our raw materials become available to us at prices very much less than those we are paying today, a further increase in the price of our yarn will be inevitable.

Despite this recent price increase, Celanese yarn is still only about 60 per cent. dearer than prewar, whereas cotton and wool, the chief natural textile fibres, have increased in price some six or seven times. Before the war, Celanese yarn was more than three times the price of cotton yarn; today it is nearly one-third cheaper than cotton yarn; the comparison with wool is even more favourable. Even should the prices of natural fibres fall somewhat from their present high levels, the competitive position of Celanese yarn would remain extremely favourable.

The number of people employed by the group at the end of the financial year was over 15,000. Several of our factories have been established in development areas where we are progressively employing more people.

I take this opportunity, on behalf of the Board, of thanking all our employees for their excellent services during the year under review and for maintaining and increasing the output and distribution of our various products.

The report and accounts were approved, the retiring directors re-elected, and the new articles of association were adopted.

NOTICES

WEST AFRICAN INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH

UNIVERSITY COLLEGE, IBADAN

Applications are invited from ECONOMISTS for posts at the Institute, on the salary scale £900—£1,300 p.a. F.S.S.U. Partly furnished residential accommodation at not more than 10 per cent of salary. Passages for members of staff and wives paid on appointment and leave. Considerable research facilities offered.

Applications (six copies), giving full details of qualifications and experience and the names of three referees, should be sent to the Secretary, Inter-University Council for Higher Education in the Colonies, 1 Gordon Square, London, W.C.1, from whom further particulars may be obtained. Closing date December 16, 1950.

UNIVERSITY OF BRISTOL

The University proposes to make an appointment to the Chair of Economics made vacant by the retirement of Professor Hamilton Whyte, and has also decided to establish a professorship in applied economics, e.g. social economics, industrial economics, public administration.—Further particulars of these appointments may be obtained from the Registrar, to whom applications for either Chair should be submitted not later than February 1, 1951.

ADMINISTRATIVE STAFF COLLEGE

Applications are invited for the post of Director of Research at the Administrative Staff College. Candidates should have exceptional qualification in one of the Social Sciences and have demonstrated their capacity to contribute to learning by research. Salary will be equivalent to that of a University Reader or Professor according to the age and experience of the selected candidate, with allowances. The College is a member of the F.S.S.U. The successful candidate will be expected to take up duty in May or September, 1951.—Applications should be sent not later than December 31, 1950, to the Principal, The Administrative Staff College, Greenlands, Henley-on-Thames, from whom further information can be obtained.

PETROCHEMICALS LIMITED has a vacancy for junior Executive to act as Liaison Officer with its overseas selling organisation. Candidates must be fluent speakers of French, have either University degree in chemistry or good previous technical background in general chemical or allied industry, and preferably have had previous experience of export sales. The appointment calls for pleasant personality and qualities of tact and discretion. Frequent travel to Western Europe may be involved, but work is normally in London. Salary according to qualifications and experience. Generous non-contributory Staff Assurance Scheme.—Apply in strict confidence, giving full details of age, experience, etc., to Export Manager, Petrochemicals Limited, 170 Piccadilly, W.1, marking application "Liaison."

OLD-ESTABLISHED East India Merchants, with offices in Singapore, Indonesia, Sydney, New York, etc., require Manager, Senior Assistant for their Export Department in London (textiles, hardware, building materials, chemicals, pharmaceuticals, etc.).—Write full particulars, qualifications, etc., to Box 544.

ASSISTANT SECRETARY-ACCOUNTANT. — Major Company invited to consider appointment of person now concluding full-time study for qualification with comprehensive supporting experience. Age 33 years.—Box 542.

INFORMATION bulletins, Journals of Societies or Institutions: Consultant editor and designer will undertake production, layout and finalization of text for printer. Moderate fees. Inquiries invited from Embassies, literary, social and industrial bodies.—Box 547.

PETROCHEMICALS LIMITED has an outstanding vacancy in its Export Department for senior Sales Executive to hold overall responsibility under the Export Manager for sales to Europe. The appointment is at London Head Office. Candidates should preferably be not more than 40 and have sound technical background in general chemical or allied industry. Fluent knowledge of French and/or Italian and/or German essential (in that order of proficiency) as well as previous first-class experience of export selling. Salary to successful candidate will be commensurate with the responsible nature of the appointment. Generous non-contributory Staff Assurance Scheme. —Apply in strict confidence, giving full details of age, experience, etc., to Export Manager, Petrochemicals Limited, 170, Piccadilly, W.1.

MONSANTO CHEMICALS LIMITED require Sales Trainees in the age group 21/26, of good general education. Some commercial experience an advantage and knowledge of Export practice desirable.—Apply, by letter only, giving full details of age, education, and experience to Chief Personnel Officer, Monsanto Chemicals Limited, 8, Waterloo Place, London, S.W.1.

ASSISTANT STATISTICIAN required in London office of leading Merchant and Agency House. Should have Honours Degree in Statistics or Economics. Age under 30 preferred. The post holds interesting future possibilities for a highly intelligent and adaptable man.—Write, giving full details and salary asked, to Box 614, Dorland Advertising, 18-20, Regent Street, London, S.W.1.

APPLICATIONS are invited for Executive position requiring extensive knowledge of engineering industry. Experience in merchandising of machine tools and engineers supplies and ability to assess and exploit sales potentialities of such articles, through existing sales organisation. Suitable salary will be offered to the right man who must have the experience, personality and energy to share control of existing, well-established company. Prospects will depend on ability of successful applicant to take full share in profitable development of business. State age, qualifications, experience and salary level in confidence to Box 516.

A VACANCY exists in a large organisation for a young man about 30 years of age who holds a degree in economics with honours in statistics. Some knowledge of Powers Samas accounting machines and methods would be useful but not essential. He would be given a period of training in the Head Office of the organisation and if in 4 or 5 years he is satisfactory he would take over the management of the organisation's Statistical and Sales Analysis Department with a four figure salary.—Apply giving age and full particulars to Box 536.

INCORPORATED Accountant, Graduate (32), holding senior Public administrative post, seeks appointment with responsibility in mercantile, commercial or industrial organisation; energetic, adaptable, tactful; references.—Box 545.

LADY Graduate (age 21-30), required by marketing research organisation in Oxford for position of Research Assistant in statistical department. Statistical knowledge essential (preferably with economics degree though mathematics considered). No previous experience necessary. Write, Personnel Manager, Nielsen, Oxford.

CHRISTMAS AND NEW YEAR HOUSE PARTY AND WINTER SPORTS HOLIDAYS.—Join an informal party of professional and university people and enjoy Christmas in pleasant surroundings and interesting company.—Full details of these and other arrangements from Erna Low, 9, Reece Mews, London, S.W.7. KENsington 0911.

ECONOMIC JOURNAL, 1911-49. Unbound. Complete. Good condition. What offers?—Box 541.

Statistical Summary

EXCHEQUER RETURNS

For the week ended December 2, 1950, total ordinary revenue was £82,717,000, against ordinary expenditure of £64,980,000 and issues to sinking funds nil. Thus, including sinking fund allocations of £11,271,000 the surplus accrued since April 1st is £99,063,000 compared with a deficit of £47,524,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	Receipts into the Exchequer (£ thousand) April 1, 1949 to Dec. 3, 1949	April 1, 1950 to Dec. 2, 1950	Week Ended Dec. 3, 1949	Week Ended Dec. 2, 1950
	£'000				
ORDINARY REVENUE					
Income Tax	1388000	489,036	479,793	12,173	13,784
Sur-tax	120,000	43,000	44,700	1,000	1,100
Estate, etc., Duties	195,000	127,700	123,350	3,800	3,800
Stamps	50,000	34,700	35,160	1,200	1,760
Profits Tax	270,000	181,660	181,820	5,400	7,150
E.P.T.		29,000	9,150	600	...
Other Inland Rev.	500	80	60	...	...
Special Contributn.	4,500	16,000	3,650	100	90
Total Inland Rev.	2028000	921,176	877,683	24,273	27,684
Customs	870,650	552,893	603,510	29,130	23,216
Excise	713,150	493,715	496,310	8,321	16,610
Total Customs and Excise	1583800	1046608	1099820	37,451	39,826
Motor Duties	56,000	12,488	13,464	152	265
Surplus War Stores	35,000	65,120	26,298	205	270
Surplus Receipts from Trading	85,000	15,945	41,904	...	10,931
P.O. (Net Receipts)	...	300	7,000	...	800
Wireless Licences	13,000	7,190	7,300	1,250	1,300
Sundry Receipts	27,000	11,916	19,212	...	...
Miscell. Receipts (in. Crown Lands)	70,000	53,523	59,412	1,486	1,640
Total Ord. Rev.	3897800	2134266	2152095	64,817	82,717
SELF-BALANCING					
Post Office	172,150	107,300	109,200	2,500	2,600
Income Tax on E.P.T. Refunds	5,700	8,295	6,332	317	44
Total	4075650	2249861	2267627	67,634	85,361

Expenditure	Estimate, 1950-51	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1949 to Dec. 3, 1949	April 1, 1950 to Dec. 2, 1950	Week Ended Dec. 3, 1949	Week Ended Dec. 2, 1950
	£'000				
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	490,000	331,937	340,438	29,061	27,232
Payments to N. Ireland	36,000	23,075	22,860	...	...
Other Cons. Fund Services	11,000	6,104	5,104	23	37
Total	537,000	361,116	368,402	29,084	27,269
Supply Services	2918069	1809587	1673358	67,420	37,711
Total Ord. Expd.	3455069	2170703	2041760	96,504	64,980
Sinking Funds	...	10,987	11,271	120	...
Total (excl. Self-Bal. Expd.)	3455069	2181690	2053031	96,624	64,980
SELF-BALANCING					
Post Office	172,150	107,300	109,200	2,500	2,600
Income Tax on E.P.T. Refunds	5,700	8,295	6,332	317	44
Total	3632914	2297285	2168563	99,441	67,624

After decreasing Exchequer balances by £408,045 to £2,811,007, the other operations for the week decreased the gross National Debt by £4,769,362 to £26,682 million.

NET RECEIPTS (£ thousand)

Tithe Act, 1936, s. 26	235

NET ISSUES (£ thousand)

P.O. and Telegraph (Money) Act, 1948	360
E.P.T. Refunds	53
Export Guarantees Act, 1949, s. 3(2)	380
Local Authorities Loans, Act 1945, s. 3(1)	5,200
Cotton (Centralized Buying) Act, 1947, s. 21(1)	4,000
Overseas Resources Development Act, 1948, s. 17(1) Overseas Food	300
Miscellaneous Financial Provisions Act, 1946, s. 2(1) War Damage: War Damage Commission	3,000
Finance Acts, 1946 and 1947: Post-war Credits	317
	13,610

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	36,124	Nat. Savings Certs.	1,100
Tax Reserve Certs.	22,142	2½% Def. Bonds	130
		3% Def. Bonds	370
		Other Debt:—	
		Internal	715
		Ways & Means Advances	21,720
		Treasury Deposits	39,000
	58,266		63,035

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
Dec. 3	2940·0	2043·7	423·6	6·5	785·5	6199·3
1950						
Sept. 2	3120·0	1897·8	423·1	8·8	450·0	5899·7
" 9	3120·0	1898·1	417·3	...	475·0	5910·4
" 16	3120·0	1889·8	408·2	...	505·0	5923·0
" 23	3130·0	1869·6	401·3	...	505·0	5905·9
" 30	4,975·9		451·0	...	505·0	5931·9
Oct. 7	3130·0	1820·0	467·6	2·7	530·0	5950·3
" 14	3140·0	1789·4	469·9	...	555·0	5954·3
" 21	3160·0	2077·8	490·2	...	574·0	6302·0
" 28	3170·0	2041·1	471·3	...	585·5	6268·0
Nov. 4	3180·0	1885·7	353·3	...	573·0	5992·0
" 11	3180·0	1897·3	374·5	0·5	543·0	5995·1
" 18	3190·0	1968·7	372·5	...	555·5	6086·7
" 25	3190·0	1960·0	390·9	...	564·0	6104·9
Dec. 2	3220·0	1966·3	369·1	...	525·0	6080·4

TREASURY BILLS

(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
Dec. 2	230·0	312·5	230·0	10 4·03	60
1950					
Sept. 1	240·0	333·5	240·0	10 2·90	62
" 8	240·0	313·4	240·0	10 3·22	70
" 15	250·0	294·4	250·0	10 3·45	81
" 22	240·0	310·2	240·0	10 5·21	34
" 29	240·0	307·0	240·0	10 3·23	72
Oct. 6	250·0	312·3	250·0	10 3·23	74
" 13	260·0	319·4	260·0	10 3·25	76
" 20	250·0	332·3	250·0	10 2·94	66
" 27	250·0	335·8	250·0	10 2·98	65
Nov. 3	250·0	347·7	250·0	10 2·70	60
" 10	250·0	318·4	250·0	10 3·17	72
" 17	250·0	325·6	250·0	10 3·13	69
" 24	260·0	310·6	260·0	10 3·36	79
Dec. 1	250·0	347·5	250·0	10 2·74	60

On December 1st applications for 91 day bills to be paid from December 4th to December 9th were accepted dated Monday to Saturday as to about 60 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £260 million are being offered for December 8th. For the week ending December 9th the banks will be asked for Treasury deposits to a maximum of £50 million; £25 million at 1½ days and £25 million at 182 days.

NATIONAL SAVINGS

(£ thousand)

	Week Ended Nov. 26, 1949	Week Ended Nov. 25, 1950	Total, Apr. 1 to Nov. 25, 1950
Savings Certificates:—			
Receipts	1,600	1,700	58,700
Repayments	3,100	2,800	87,300
Net Savings	*Dr1,500*	*Dr1,100*	*Dr28,600*
Defence Bonds:—			
Receipts	280	320	11,320
Repayments	801	1,085	33,449
Net Savings	*Dr 521*	*Dr 765*	*Dr22,129*
P.O. and Trustee Savings Banks:—			
Receipts	11,579	10,200	422,518
Repayments	12,048	10,322	446,543
Net Savings	*Dr 469*	*Dr 122*	*Dr24,025*
Total Net Savings	*Dr2,490*	*Dr1,987*	*Dr74,754*
Interest on certificates repaid	645	644	19,234
Interest accrued	2,393	2,442	82,023
Change in total remaining invested	*— 742*	*— 189*	*— 11,965*

BANK OF ENGLAND RETURNS

ISSUE DEPARTMENT

December 6, 1950

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1307,992,079	Other Govt. Securities	1334,216,790
In Bankg. Department	42,364,744	Other Secs.	755,692
		Coin (other than gold)	4,012,418
		Amt. of Fid. Issue	1350,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1350,356,823		1350,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	581,881,441
Rest	3,433,422	Other Secs.:—	60,983,009
Public Deps.:—	280,624,028	*Discounts and Advances*	*35,941,619*
*Public Accts.**	*14,209,906*	*Securities*	*25,041,390*
H.M. Treas. Special Acct.	*266,414,122*		
Other Deps.:—	388,187,692		
Bankers	*302,741,112*	Notes	42,364,744
Other Accts.	*85,446,580*	Coin	1,568,948
	686,798,142		686,798,142

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1949	1950		
	Dec. 7	Nov. 22	Nov. 29	Dec. 6
Issue Dept.:—				
Notes in circulation	1283·7	1279·6	1286·0	1308·0
Notes in banking department	16·7	70·8	64·3	42·4
Government debt and securities*	1299·4	1345·3	1335·3	1345·2
Other securities	0·6	0·7	0·7	0·8
Gold and Coin	0·4	4·4	4·4	4·4
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	9·3	18·7	18·4	14·2
Treasury Special Account	81·0	266·4	266·4	266·4
Bankers	308·9	307·5	305·0	302·7
Others	111·0	82·8	82·2	85·4
Total	510·0	675·4	672·0	668·7
Securities:—				
Government	467·1	557·0	550·5	581·9
Discounts, etc.	15·2	37·8	37·8	35·9
Other	23·9	25·8	35·4	25·0
Total	506·2	620·6	623·7	642·8
Banking dept. res.	21·9	72·8	66·2	43·9
	%	%	%	%
"Proportion"	7·7	10·7	9·8	6·5

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,300 million to £1,350 million on June 27, 1950.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Nov. 30	70	80	183 5	110 0
Dec. 1	70	80	183 3	109 9
" 2	Markets	Closed	182 12	109 4
" 4	70	80	182 11	109 5
" 5	70	80	Markets Closed	
" 6	70	80	182 11	109 6

AGGREGATE ASSETS at 31st March, 1950 £102,585,433

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Success of a Mission

TWO things have happened since Mr Attlee left for Washington which have changed the specific context in which his talks with Mr Truman began. There are whispers of Chinese willingness to negotiate a cease-fire in Korea, and there appears to be a chance that, even without it, the position of the United Nations forces can be stabilised. If either of these possibilities materialises, Britain and America will be faced with a more precise problem in their relation to each other and the rest of the world than was apparent when the President and the Prime Minister met last week. Are they prepared to negotiate with the Chinese? If so, on what terms? This, there is no denying it, is the main question to which no answer was given in Washington.

Before judgment is passed on what was achieved there, it is only fair to remember that the question had hardly arisen in this clear cut form when the two men met, and that they could not have been expected—they might even have been wrong—to produce a unanimous answer. They came to the meeting with different mandates, and to have reconciled them before they parted could only have exposed one government or the other to the full blast of public opinion on the disappointed side. It is not by the measure of their agreement on specific issues but by the extent to which they have improved the prospects of agreement on all issues current and future that the success of their meeting must be judged. By this standard, it was largely successful. Mr Attlee went to Washington to do three things. First and foremost, he went to close the rift in the Anglo-American alliance, or, rather, to assure himself and Mr Truman that there was no rift. This was entirely distinct from the need to iron out differences of policy; it was the need to overcome a crisis of confidence such as might have led to a permanent divorce. He went, secondly, in his own words, "to align our policies in the new and troubled situation in the world." Finally, more or less coincidental in timing but important for all that, he went to sort out the confusion over the atom bomb.

The crisis in confidence is over—over, that is, for the heads of the two states and their officials, though it remains to be seen how far it is over for the peoples of the two nations. So far, despite some outrageous behaviour by the extremists on each side, public opinion on both shores of the Atlantic has been moderate and sensible; whether this continues may depend on how great a strain, and how soon, events will impose on it. But it is a great "source of satisfaction" to the whole western world "that the views of the two governments on basic problems are so similar" and a great comfort to hear, if with some wishful thinking, that "the peoples of the United States and the United Kingdom will act together with resolution and unity to meet the challenge to peace." This affirmation of Anglo-American solidarity has immediate and tangible advantages. It will help to overcome the domestic crises of confidence which were threatening the two heads of state in their own countries. It will strengthen the faltering

determination of the rest of the free world to face the bitter realities that determined resistance to Communism must now entail. Above all, it makes possible that cool-headed approach to the strategy of the coming months in which lies the best chance of avoiding war—and the absence of which, in America at least, might have become a very serious danger to peace. This has borne immediate fruits in the three powers' reply to the Russian note, agreed in Paris last weekend.

On the atom bomb, Mr Attlee has done the best that could be expected. He has got an assurance from the President that he hopes never to have to use it, and that he has no immediate intention of doing so. Further, he was assured that he would be told if and when the President felt differently about it, though he received no promise that the President would be guided by British reactions if he ever felt that he ought to use it. None of this is new, but such was the state of international nerves that it needed restating. Immediate flutterings in Western Europe and Asia about an imminent atomic attack have been stilled. The President has retained the right to make the final moral decision, but this is a right which in practice must always be his.

*

Though there are gaps, and very important ones, there has also been impressive progress in the alignment of policies. Briefly, there was unqualified agreement about the need for a united front in Europe, and upon the broad balance of effort between Asia and Europe. Both issues were at stake when the Prime Minister went to Washington, and on neither could the West afford uncertainty. On the other hand, there was almost no explicit alignment on the Far East, and apparently no mention at all of the vital strategic area which lies between—the Middle East. With the short time and full agenda before them, the delegations may perhaps be pardoned this omission. But the fact remains that the Middle East is just as vulnerable and strategically as vital to the West as any area on the globe bar Europe itself, and there is no reason to suppose that the Russians will allow time for it to be made more secure.

The two Governments were agreed that they had "no other choice but to devote themselves with all vigour" to building up their own defence forces; they will expand their production for the common effort; they will jointly distribute existing supplies of raw materials in the common interest and jointly set about increasing these supplies. In other words, they will do what has got to be done to defend Europe—and, within the limits of healthy civilian economies, they will do it now and count the cost afterwards. This is the kind of lead that Western Europe has needed for some time. If the President and his advisers had not been hamstrung at home, Europe might well have got it already from America, but it is all the more effective for Britain's unconditional association in it. It was supported by the unanimous agreement that the integrated force must now exist in truth as well as in theory, and that the force should be launched by the appointment of its supreme commander as early as possible. Finally, these decisions were given their essential perspective by a joint reiteration that the purpose of all these preparations is peace, and that it is still open to Russia to render them unnecessary.

All this means that China's latest actions have not succeeded in distracting attention from the main battle-field of the cold war, which is Europe. It is accompanied by a stolid declaration that the two powers will continue to help the free nations of Asia against Communist aggression. This alone will clearly not keep Asia with them. But it is a statement of policy which clearly needed to be made—provided always that the two governments really felt there was still a chance that they could mean what they said.

*

It is on the implementation of this general policy, however, that visible agreement peters out. Some possibilities of flat disagreement were, it is true, ruled out. There shall be no appeasement and no reward for aggression on the one hand, and on the other, there is readiness to end hostilities by negotiation. The extremes have thus been eliminated: the extreme British Left which might press for peace at all costs; and the extreme American Right which was pressing for war against China with no punches pulled. To realise how enormous a gain this represents, it is only necessary to glance back at the fears of two weeks ago. It is now clear that Communist aggression in the Far East is not going to achieve its primary purpose of driving the free nations apart. And it is also clear that nobody in the western countries is going to allow himself to be driven by anger or chagrin at what has happened in the Far East into precipitating another world war. These are achievements of the highest importance.

But if these terrifying extremes have been ruled out the ground between them is still bleakly blank. It is still very difficult to see how the problem of Korea itself is to be resolved. It has become clear in the last two weeks that virtually every member of the alliance of the free nations, except the United States itself, would be willing to accept the Chinese Communists as members of the United Nations and to engage with them in a discussion on the future of Formosa, if by these means a satisfactory and honourable end could be put to the fighting in Korea. But the Americans have made it equally clear that they will accept neither condition. On the letter of the communique and subsequent semi-official statements, they are, it seems, prepared to negotiate in terms of Korea alone and not in the broader context of Chinese questions generally. Furthermore, they insist on a cease-fire first, and talks afterwards. But there is no sign that the Chinese will agree to this. Sir Benegal Rau believes that the Chinese want a peaceful settlement which, if they and Mr Vyshinsky are really speaking with one voice, might mean that they would settle for the moderate price of a seat in the United Nations and a share in discussing Formosa—in addition, presumably, to a settlement in Korea which left at least a buffer state on their own frontier. But there is no reason whatever to believe that they will accept the much lower price that the Americans are offering.

For all the hopeful messages that are appearing in the press, it is thus difficult to see a way out of the deadlock. There is certainly no possibility whatever of a general settlement in the Far East. Those who cling, rather pathetically, to the belief that, with one or two small concessions, the Chinese Communists will be ready to settle down as good neighbours, are flying in the face of obvious facts. The evidence is that Mao's policy is as aggressive and as expansive as Stalin's and that, if he is prepared to treat at all, it will be for purely tactical reasons. It would be pleasant to be able to believe that the Far Eastern problem can be solved; but it cannot. The best that can be hoped for is a temporary *détente* in the present international tension and an end to the actual fighting on terms that do not reward aggression. But even that, in the view of the majority of the United Nations, would be worth a good deal. Whether or not it can be achieved depends more than on anything else on the military situation in Korea. If the Chinese are encouraged to believe that they can force further large retreats on the United Nations forces, it is difficult to see why they should have any interest in being moderate. But if they think that they have got about as far as they can go (and General Collins's report encourages the belief that it may be so), then they may be willing to allow deadlock to become stalemate, in which case diplomacy can get to work.

Much also turns, of course, on the choices that the Americans make in the dilemmas that confront them. But at least we now know that any decisions will be reached with a full sense of responsibility and in the light of an appreciation of the world situation that is closely similar to the British. The great comfort that Mr Attlee brings back from Washington is the assurance that loyalty to the American alliance is not merely the compulsory policy for Britain but also the one that we should wish to follow.

Desperation in Coal

IT has taken the National Coal Board only four years to acquire all the characteristics of an *ancien régime*, rigid, unimaginative and helpless before forces which its function is to control. Like other regimes of the kind, it is by refusal of reforms putting itself in danger of making revolution inevitable. If a fuel crisis comes in February it will probably be beyond the power, if not the wish, of Mr Noel-Baker and the Labour Party to preserve the present organisation of the coal industry. And even if this winter no one loses his job for lack of the one material this country can still have for the taking, that is unlikely to mean for the Coal Board more than a post-ponement of its own crisis.

This conclusion is as uncertain as most attempts to see present affairs in historical perspective. But no thoughtful observer of Tuesday's debate in the House of Commons, and of the events that have led up to that debate, can avoid at least some strong suspicion that it is the right conclusion. To anyone of any party it must be unwelcome. No serious politician or practical economist, whatever his reservations about other early measures of the Labour Government, opposed the nationalisation of coal in principle or even criticised comprehensively the particular form laid down for it in the 1946 Act. This, if any, was the case where change of ownership might directly work large and rapid improvements both in welfare and in efficiency. It would have been foolish to imagine that the ideal new organisation had been found at the first attempt; it was reasonable to think that by gradual modification, with the ready learning from experience that the brave new spirit of the industry would stimulate, the initial defects could be smoothly removed, and the National Coal Board could in time settle down to provide the coal the country wanted with a high standard of living for the miners.

Four years is a reasonable trial period for most organisations; and at the end of it we are importing coal. It is perhaps still necessary to emphasise that the forces which have brought the country again to this situation, the forces that the Coal Board has proved unable to master, are in no way the product of nationalisation. They are, essentially, the unwillingness of men to be (and, especially, to remain) miners, and the unwillingness of miners to get coal. And these attitudes are the product of economic changes extending over thirty years and more. They have been made acute by the social revolution involved in full employment after years of depression in the coalfields. Though its worst effects may be modified, the revolution is in substance permanent. Nothing will quickly re-establish in the new conditions either the coal industry's ability to attract and keep workers or the miners' will to work. Gradually, no doubt, the status as well as the financial rewards of mining can be raised. Gradually, no doubt, the miners and their wives will become accustomed to the new standards of living open to them; it will no longer be a big minority that prefers three days a week of leisure to high earnings. But these, even on the best assumption, will take a long time. In the short run there are no effective remedies. It is doubtful whether the conventional way of drawing fresh labour into an industry, by putting up real wages, would increase output at all. The extra miners—"green" labour whose productivity would be low—might contribute less output than would be lost by higher absenteeism if the experienced men could earn as much in three days as they now get in four. This seems to be the Coal Board's fear. Whether or not it is justified is difficult to tell in the absence of convincing evidence about the miner's motives for taking irregular days off; that this evidence has not been collected is, indeed, one of the symptoms of the Coal Board's inadequacy to its tasks.

*

There is no reason to take seriously claims that better organisation or any other specific could quickly restore the coal industry to health. The Board's failure is not so gross and direct as that would imply. The fact remains that the Board has in four years failed to make such small impression on the coal industry's problems as could reasonably be expected. Output per man year remains even in 1950 nearly 10 per cent smaller than it was in 1937. Absenteeism has barely been reduced since the five-day week began. Even output per manshift worked is only a little above the prewar level, and after the improvement of 1948 and 1949 has shown hardly more than seasonal changes this year. All the scarce machinery and equipment poured into the mines during the past ten years has perhaps arrested what would otherwise have been a continuous decline in productivity; more than this could be said even for the limited and unsatisfactory mechanisation of British mines between the wars. It would have been too much to expect the Coal Board to remove in four years all the bitterness of the past and revolutionise the miner's attitude to his job; but what it has failed to do is to produce even those immediate improvements in the psychological atmosphere of the industry on which the advocates of nationalisation so confidently counted. Judged by the figures, the miner

does not work any more willingly for the state than he did for the capitalist.

The immediate question is whether, now that coal supplies have again sunk to the point of crisis, the Coal Board can succeed where for four years it has failed. All that happened this autumn was that the drift of workers from the mines, which has been going on steadily since early in 1949, got to the point at which it balanced the diminishing improvement in productivity. The Board is doing nothing that looks in the least likely to alter these trends. Saturday working will no doubt yield some extra coal again today. Previous experience provides no reason for thinking that after Christmas, when the miners' usual seasonal effort is exhausted, it will make any net contribution at all to output.

Most of the further measures that Mr. Noel-Baker outlined on Tuesday are rather feeble repetitions of remedies of proved ineffectiveness. Proposals to recruit Irish and Italian workers, even if they ever come to much in practice, are not going to revivify mining manpower when attempts to draw on the much more extensive sources of foreign labour available in 1947 had little effect. The promise of special Government action to provide miners with houses also repeats a type of administrative discrimination in favour of the mining areas that has proved to be of little use. And while it is no doubt sensible that miners should be discouraged from entering the Forces, the numbers involved cannot be large. The total result of this programme may be to limit to, say, 15,000 what would otherwise be next year another fall of 20,000 in mining manpower. The smaller reduction will be as adequate as the larger to ensure, unless there is a sharp improvement in productivity, that there will be an acute fuel crisis next winter if it is avoided this winter.

There is, in other words, no prospect of relief along the lines of policy that the Coal Board has followed for the past four years. If these are the only measures possible, then the sooner the Government settles down to the organisation of a siege economy in the use of coal, the better it will be. If this defeatist conclusion is unacceptable, as it surely must be, then the one alternative must somehow be found. There has to be some new, truly imaginative, effort to reverse the forces that are pulling coal output so far below demand ; what is necessary is not to scrape round for foreign coal here and foreign workers there, but at last to achieve that sharp revival of an ailing coal industry which was hoped from nationalisation four years ago.

There is still no inevitable reason why this revival should not be achieved, if it can be achieved at all, by the National Coal Board. Plainly, that is the best chance. No one wants to have to make a fresh start in organisation at this stage. The coal industry has suffered quite enough from the inevitable delays in getting management running smoothly after the upheaval of 1947. To be forced now to a drastic reorganisation, or even to radical changes of personnel in the top posts of the industry, would be to take an enormous risk of doing far more harm than good. Yet public opinion (and, one may guess, the Government) is losing patience. Coal will certainly not be won by timidity. The last thing the Coal Board can afford to do is to shrink from novel or drastic measures in fear that they will provoke criticism. It should not even shrink from incurring extra costs—provided that they are less than the extravagant price of shipping coal from the United States.

No one can honestly pretend to certainty about what new policies would be effective. Probably an increase in wages, at least enough to keep pace with the cost of living, has to be tried. That will mean an increase in the price of coal and a further rise in the cost of living ; but if it is inevitable in any event, it will be more likely to do good as an act of deliberate policy now than if it appeared to be given late and reluctantly under union pressure after wages in other industries had already risen. Probably a drastic decentralisation within the present organisation—not so much from the London headquarters to the divisions and areas as from the areas to the individual managers in the pits—would still do as much as anything quickly to secure at any rate some small increases in output. No solutions are simple. What it is impossible for the outsider to believe is that there are no solutions at all, that nothing more than is being done can be done. When one has made every reasonable allowance for the intractability of the coal industry's problems and for the difficulties that beset a large new organisation in its early years, the Coal Board's record encourages no confidence in its capacity to make the imaginative effort of formulating new policies. If new policies are not apparent soon, the assumption will have to be—if only because the other conclusion is so grim—that the failure is in large part human and organisational. All that could then be done would be, of course, to scrap the Coal Board as it now stands and to replace it by some twenty or more coal corporations. That is the one alternative which has been seriously thought about. Whatever the arguments for such a revolution in the long run, it would be a desperate measure of last resort when the urgent need is for more coal quickly. The onus of finding ways of avoiding measures of last resort clearly lies upon those who so confidently put forward nationalisation—and this particular form of centralised and cumbrous nationalisation—as a panacea.



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Commonwealth Conference

IN three weeks' time the Prime Ministers of the Commonwealth will be meeting in London for about ten days to discuss foreign affairs. Mr Attlee sent out his invitation before the Chinese launched their attack in Korea, but it is obvious that the value of his decision has been enormously increased by what has happened since. Recent world events have rubbed home the fact that the whole Commonwealth, western as well as eastern, is faced for the first time by a common danger. Communist pressure in both Europe and Asia is certainly controlled with much greater singlemindedness than ever came out of the Berlin-Tokyo axis. This not only accentuates the importance to the Commonwealth itself of any decisions that may be reached at the conference, but will emphasise the role of the Commonwealth to the rest of the free world. The universal emergency has already disclosed considerable internal divisions of opinion, and has thrust more importance on some member countries than others. Nothing, for instance, can detract in the immediate future from the importance of India's views, either inside the Commonwealth or at Lake Success—where Delhi has been proved right about Chinese intentions and where the patience and wisdom of Sir Benegal Rau have won him a high authority.

In these circumstances, the internal workings of the Commonwealth may well stand in need of some review. Its members have never maintained closer contact than they do now ; it is a remarkable fact that, whereas London sent 5,656 telegrams to Commonwealth countries in 1938, the figure for 1949 was 21,790, while at the present moment they are going out at the rate of over 60 a day. Yet it is far from certain that the members of the Commonwealth are obtaining the maximum value from this contact in terms of world influence. The peculiar position of India, Pakistan and Ceylon as representatives of that almost indefinable thing, Asian opinion, and the growing economic and military strengths of the older dominions have shifted the balance of influence inside the Commonwealth. It is worth asking, as a result, whether any improvement might be made in the Commonwealth's internal machinery in order to allow for these changes.

The evidence would certainly seem to suggest that mere written communication, for all the increase in its volume, is not proving to be enough. There has been a notable increase since the war in the frequency with which the statesmen of the Commonwealth meet in person. It is little more than two years since the Prime Ministers themselves last met in general session in October, 1948—and they have had a special meeting in the interval, in April, 1949, to deal with India's decision to adopt a republican constitution. There have also been meetings of the Commonwealth Finance Ministers in July, 1949, and of the Foreign Ministers at Colombo in January, 1950.

For all this effort, there is still something missing, as is shown by the willingness of the Prime Ministers to come together again and by the long list of topics that they are likely to review. The date of the meeting had to be chosen with considerable care just because each Prime Minister was anxious to be present (except Dr Malan, whose health forbids the journey and who will be represented by another Minister). The date chosen is a compromise, enabling each Prime Minister to put off a minimum of other engagements in order to be present ; but all have put off some, not the least being Mr Nehru, who has expressed a strong desire to come. As is traditional on these occasions, there is no agenda for the conference ; the Prime Ministers fix this themselves on the first day. But the subjects to be discussed are expected to include recognition of the Peking government—only India, Pakistan, Ceylon and the United Kingdom have so far recognised it—the development of the struggle in Korea, the future of South-east Asia and the Chinese invasion of Tibet. Asia is at present the main front in the cold war, and, if any general agreement is to be achieved on Commonwealth policy towards the Communist powers, most of the discussion must be devoted to the Orient. In addition, the conference is almost certain to discuss the economic and political progress made in Europe during the past year and the steps that are being taken to build up the North Atlantic Treaty Organisation, including the rearmament of Germany. Up to the present there has been no clear suggestion that the Middle East will be discussed at any length, but it would be a serious mistake not to do so ; the Commonwealth has as deep an interest in this part of the world as it has ever had in the past.

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With so much importance attaching to a meeting that can only with some difficulty be arranged, it is inevitable that the question should once more be raised whether there is not need of some central organ for the Commonwealth by which policy can be hammered out in the intervals of Prime Ministers' meetings. Voices have recently been raised in Australia to suggest that a permanent central committee should be established, to help in this and any matters, whether foreign or internal, affecting the Commonwealth as a whole. This suggestion has not so far found favour elsewhere in the Commonwealth, and Mr Menzies, the Australian Prime Minister, is understood not to have pressed it when he visited London some time ago. For the United Kingdom, Mr Attlee has lately stated in the House of Commons that he does not consider a sufficient case had been made out for such a committee. Nevertheless, the Australians nowadays consider it necessary to keep a Resident Minister rather than a High Commissioner in London. And it is certainly arguable that the increasing frequency of Ministerial meetings since the war suggests a growing desire to align Commonwealth policy as a whole, rather than merely to exchange information.

Mr Attlee's recent visit to Washington provides a clear example both of what the present system of consultation between the members of the Commonwealth can and of what it cannot achieve. Mr Attlee kept the members of the Commonwealth informed of his views and intentions before he left ; he also summoned the High Commissioners to Downing Street after he had seen the French Premier, M. Pleven, so that when he took off, he was as fully briefed on the views of the Commonwealth governments as they were on his. Undoubtedly, this lent both breadth and weight to the views he put forward in Washington. But he did not go there as the representative of the Commonwealth, nor could he commit any government but his own.

In circumstances like these, it is a great temptation, especially to those whose minds naturally incline to the idea of federalism, to expatiate on how much greater would be the authority of Britain in the counsels of the world if the Commonwealth would speak with one voice and pursue one policy. That is true enough ; but it is an academic statement with very little relation to the actual state of affairs. The truth is that the Commonwealth could not speak with one voice, because it is not all of the same mind. This also can be illustrated by the Far Eastern crisis. In spite of the shaking that Delhi has had from Chinese action in Tibet, Mr Nehru preserves an impartial silence about the Russians. Speaking as recently as December 5th, however, Mr Lester Pearson, the Canadian Foreign Minister, clearly stated his view that the leaders of the Soviet Union might "gamble with the future of the world in order to extend the boundaries of the system under their control." India, it may be said, comes nearest to seeing the Russian point of view among the members of the Commonwealth, and Canada the American. Both, on the other hand, are on record in favour of a cease-fire in Korea, followed by a settlement—although their motives are not quite the same ; Mr Pearson wants it in order "to reach a *modus vivendi* with the Asian Communist world," since "we must guard freedom by wisdom as well as by arms." Mr Nehru dwells more simply on the need at almost any cost "to avoid the terrible alternative of a catastrophic war."

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Both these views spring from deep conviction, and it would be impossible to reconcile them merely by meeting round a table in London or elsewhere. In fact, neither side would wish to reconcile them. If the Commonwealth were an organisation which felt itself compelled to reach a common view on all matters of importance, there would be much less willingness to belong to it. This is the essential fact that should be grasped by all who concern themselves with the organisation of the Commonwealth. Rightly or wrongly, there is no possibility at all of creating any central organs which can take decisions binding on the Commonwealth ; the Commonwealth governments insist on remaining entirely free to pursue their own policies, and the oldest of the Dominions is no less insistent than those who, having only just attained to full sovereign status, might be expected to be most jealous of it.

But to say this is not an end of the matter. What fruitful possibilities lie in closer consultation can be very easily seen by imagining what pleasure there would be throughout the Commonwealth if the Prime Ministers were, by some magic, to find it possible to meet, say, every three months. This is not, of course, within even the widest bounds of possibility, but the idea suggests a line of thought. If the men at the top cannot meet so often, is there any way of enabling others to fulfil part of their function for them ? If the Prime Ministers cannot themselves meet very often, could they appoint deputies, as has been done by the Foreign Ministers in the North Atlantic Treaty Organisation ? If this meant calling the High Commissioners in London by a new name, it would serve very little purpose. Indeed, the essence of such a proposal is that the deputies would not be, as the High Commissioners are, rooted in one spot away from home, but that they should come to each meeting fresh from their own capitals and that each should act as host in turn. This, incidentally, would also avoid the difficulty of finding men who are of sufficient standing in the politics of their own country to know the minds of their governments and are yet willing to risk that standing by residing abroad. Whether such a proposal would commend itself to the Commonwealth governments is difficult to say before it has been widely discussed. But it would be as foolish to wave away all such suggestions and pretend that the Commonwealth needs no machinery as to rush to the other extreme and propose federal solutions which nobody will accept. Though all the Commonwealth governments would equally reject the idea of being compelled to find a common policy, all of them are willing and anxious to do what they can to arrive at their policies in common.

Is Full Employment Secure ?—II.

The Forced Draught

THE first article of this series set out to examine how far the general public's confidence in the permanence of full employment—which is based entirely on the belief that the economists, under Keynes's leadership, have discovered effective means of heading off any incipient slump that might put in an appearance—is shared by the economists themselves. It was pointed out that recent work on the theory of industrial fluctuations, without rejecting Keynes's conclusions—indeed, with a full use of the weapons of analysis he forged—has shown a tendency to re-emphasise the "real," as distinct from the monetary or institutional, causes of fluctuation. So long as there is any economic progress, there will be changes, from time to time, in the appropriate relations between capital creation and consumption, and these changes, even without any mismanagement of the monetary system, will render some resources of labour or capital redundant and unemployed—or at least they would do so in the absence of remedial action.

What remedial action can be taken to neutralise the disturbing effect of these "real" changes ? The simplest remedy of all is the totalitarian remedy. Given, in any sphere, the prospect of a superfluity of labour, one can always find some perfectly genuine social need which that labour can fill but will not fill of its own accord, and direct (or if necessary march it off) to fill the need. If the labour to be regarded as superfluous is that of the careless, the unpunctual, the chronic absentees, the askers of awkward questions, the politically unreliable elements, then stability and relative freedom of choice for the rest can be neatly combined with the requirements of industrial discipline and the security of the regime. There is no reason to doubt the Communist claim to have solved the problem of unemployment —any convict establishment could claim as much— nor to wonder at the remarkable reticence of Communist spokesmen on the mechanics of the solution. By the same token, machinery which would be idle, and

stocks which would be unsaleable, were consumers left to purchase what they preferred, can always be kept moving by a sufficiently wholehearted use of either rationing and prohibition or tax and subsidy. The various disharmonies which produce, in a free economy, fluctuations in the level of activity, are not abolished in a totalitarian setting. They are merely translated into variations between a greater and a lesser use of servile or semi-servile labour, between a more and a less acutely uncomfortable shortage of those things which the public most wants.

The next simplest solution is that in practical favour in Britain today: look after demand and supply will look after itself. Keep up a steady forced draught of inflation —or, given an inflationary situation, do nothing effective to reverse it—and almost anything will be saleable and almost any worker consequently employable. Were this solution permanently effective it would, for all its disadvantages, have much to commend it. It requires lenders to be permanently fooled into making a free gift to borrowers of a fraction of their capital each year (which is what all savers under the National Savings scheme have been doing for the last ten years). It assumes that, failing the necessary supply of voluntary savings, the government can raise enough capital to provide, directly or indirectly, for the appropriate level of investment, without driving taxation up to heights that would be seriously injurious to incentive or enterprise. It assumes that consumers really do not mind very much whether they can purchase their first choices or only their second, third or tenth. It assumes that the discrepancies between the outputs of various goods (between consumer goods and capital equipment, electrical apparatus and generating plant, bricks and bath tubs) do not widen to the point of actual breakdown. If all these conditions can be fulfilled, and if any incidental balance-of-payments difficulties are left out of account, it may very well be argued that the inconveniencies and wastes involved in continuous inflation are unimportant beside the greater waste and far more humanly repugnant hardships and frustrations of slump.

So, in fact, it is argued today. Britain is doing very nicely ; production and productivity are rising fast, and were it not for the prior claims of defence and of the balance of payments the standard of living would be rising to match ; though prices are creeping up, wage and dividend restraint has kept the movement within bounds ; the chronic shortfall of savings is a nuisance, but has had no catastrophic effect. When any particular groups of workers have found their livelihood threatened by an emerging disharmony—by an over-supply of fishing boats, for example—it has always so far been possible to pull a subsidy or other special concession out of the hat, and to pacify or ignore the complaints of consumers. Why worry?

The trouble is that physical disharmonies and discrepancies are cumulative. Encourage, or undertake, investment with a view to maintaining demand through the "multiplier effect," and there is no guarantee that the things produced by that investment will be such as consumers will eagerly buy. Encourage, or undertake, spending on consumer goods through lower taxation, increased allowances, or social services, and there is no guarantee that the things demanded will be such as existing capital equipment is fitted to produce. Unless this dual process starts from a very low level of employment, in which a wide assortment of idle resources of all kinds is standing ready to be called into action, it is bound soon to encounter bottlenecks. Acute shortages of the labour and equipment in strongest demand will appear ; they will bring either steep cost increases or physical controls, or both, long before there has been a complete absorption into employment of all the men and equipment unlucky enough to be specialised in producing the things least in demand. This need not, it is true, immediately frustrate the expansionist policy. If bottlenecks and consequent specific restrictions prevent the public getting what it primarily wants, then its expanded buying power will be diverted to the second best, and will provide employment for the less fortunately specialised labour and equipment. Thus a boom that shows signs of faltering can be established, for the time being, to the satisfaction of the planners, with whatever concomitants of cheerfully rising production indices may be permitted by technical progress and by the looting of past savings through inflation.

But the next time the expansionist recipe has to be used, the partial shortages will appear earlier and be more stringent. The residue of unemployed resources, human and other, will be more obstinately resistant to absorption. For both shortage and superfluity will have been merely masked, not done away with. They will continue to underlie, even between incipient depressions, the apparently healthy balance of the economy. Inflation must be carried further, savers bled a little more severely, a little more economic initiative transferred from private producers and consumers to the state, before the tide of demand refloats the fish-out-of-water of a disjointed economic system. And so for the next time, and the next, until either control reaches a totalitarian comprehensiveness or inflation breaks bounds and, by discrediting the entire mechanism, leaves the economy to face, ill-equipped both institutionally and physically, the painful task of readjustment on the old lines.

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Must one conclude that the Keynesian technique of stimulating or maintaining demand is a habit-forming and eventually ineffective drug? The answer depends, surely, on how much is expected of it. If it is used as a substitute for particular adjustments, as a means of evading the discomforts involved in the unequal growth or occasional shrinkage of particular industries, as a guarantee that no worker, however little worth his pay, shall ever lose his job, however little use that job may be—then there appears no escape from pessimism. But it should not be impossible to use the Keynesian technique as other potentially dangerous drugs are successfully used every day—that is, in conjunction with measures to make it, as soon as possible, unnecessary. The proper course of action for particular groups of business men and workers engaged in unremunerative pursuits is either to lower their claims, direct or indirect, on the consumers, or to seek another occupation. In no circumstances can this course be entirely pleasant. Not even the classical economists, with their assumption of automatically adequate total demand, regarded it as such. Given that total demand was adequate the thing was possible ; that was all they claimed, and no monetary policy can, in the long run, do more than provide the conditions in which the classic claim holds good. No such policy can indefinitely underwrite physical discrepancies and unwarranted economic claims ; which is as much as to say that no such policy can entirely and permanently avert those "real" fluctuations which underlie the trade cycle. It can, properly and cautiously

used, ensure that they shall be comparatively mild; it can avert the catastrophic aggravations introduced, as in 1931, by monetary and credit deflation; and it can be supplemented by every kind of administrative measure to smooth and expedite particular adjustments and to reduce the discomforts, and ease the anxieties, which they impose upon the economically weakest.

This proper and cautious application, however, can hardly be carried out under the influence of a public opinion convinced that 100 per cent employment is a possible norm and that a decline, say, from 98.5 per cent to 98 per cent calls unequivocally for a bucketful of priming in the pump; that the appearance of a shortage of A and a surplus of B is the signal not for a transfer of resources, but for a ration scheme and a subsidy; that a man's job, useful or useless, is a man's indefeasible property. Such, without exaggeration, is the state of public opinion today—not, emphatically, on the Left alone. It would be a dangerous state even without the complications, to be considered separately, of international trade.

(To be continued)

NOTES OF THE WEEK

Regrouping in Korea

The military situation in Korea has not been made any clearer by the partial blackout on information about the fighting which was imposed by General MacArthur's headquarters last Saturday. Far too much information about the detailed movements and intentions of the UN formations has been appearing in the British and American press ever since July; but to restrict the briefing of correspondents and to demand a "voluntary self censorship" is to place an obligation upon the press which should fall on the soldiers, and leaves the whole military situation shrouded in mystery punctuated by flashes of indiscretion. The wartime practice of giving war correspondents a full and accurate account of current operations, followed by an official censorship of their despatches, is more orderly and just.

Nevertheless the period of chaos and confusion seems now over. The Eighth Army has halted on an arc north of Seoul and the 10th Corps is being evacuated by sea from the Hungnam beachhead, while most of the South Korean forces in the far north-east have been successfully extricated. The Eighth Army clearly intends to fight where it stands. Operations during the past eight or nine days have illustrated the weak point of the Chinese armies—the lack of armoured or mobile divisions to exploit an initial success—with the result that General Walker has had a fair breathing space in which to build up his new position. If the Chinese conclude that the main defensive position is too strong for direct assault, they may yet decide to pin down the British and American formations of the Eighth Army by a large concentration of forces opposite their front, while launching the reformed North Korean divisions against the Kaesong-Chunchon flank of the perimeter (held by South Korean divisions), with a view to driving southwards and linking up with the guerrilla forces operating in Southern Korea. Kim Il Sung, the Prime Minister of North Korea, has issued two bellicose directives to the North Koreans during the past week, which suggests that his troops are being prepared for this role.

Until the Chinese intentions have been made clear it is obviously difficult to decide whether to use the 10th Corps and South Korean Capitol division to reinforce and extend the Eighth Army's position north of Seoul, or whether they must be employed to protect Pusan and the supply route to Seoul. Guerrilla activity is making the route from the south increasingly precarious and it may be necessary to base the supply of the Eighth Army on Inchon—the Piraeus of Seoul—which is an indifferent port but provides a safe passage for reinforcements and supplies to within a short distance of the front.

As a correspondent on page 1088 points out, it is difficult to believe that there are any sound military reasons for concluding that the Chinese must inevitably be able to push the United Nations forces out of Korea. Now that the Eighth Army has had time to dig itself in and to learn that infiltration does not necessarily involve withdrawal, the technical advantages of the United Nations forces should begin to reassert themselves.

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Tangled Policies at Uno

Unreality in war never lasts long; it is a pity that the same cannot be said of diplomacy. The last few days at Lake Success have seen the launching of several well-meant proposals which, unless the Chinese and their malevolent Soviet tutors change their tune, may unfortunately maunder on into long-drawn-out confusion, presumably designed by them to discredit the United Nations and bleed America's fighting strength. Let there be no mistake about this. Until the Chinese show some sign that they will not again unleash their forces—or those of North Korea—no resolutions at Uno can stop the Korean war going on unless it is ended by either evacuation of UN troops or by the unlikely defeat of the Chinese.

The Americans have only grudgingly supported a motion in favour of a cease-fire; and the British, in the words of Mr Kenneth Younger, would not "dream of supporting the proposition" if the price to be paid is victory for aggression. Sir Benegal Rau, the indefatigable Indian delegate, deserves immense credit for the way he has continued to marshal his team of Asian and Arab states through a haze of doubt and uncertainty even about the simplest objectives of the Chinese. But unless his patently sincere and friendly attitude can break through the barriers that they have built around themselves, Uno can offer little more than a meeting ground for hopes.

The course of events in the General Assembly has been extremely confusing. Three separate sets of proposals are under negotiation or discussion: one by the six Security Council powers demanding Chinese withdrawal; another by the Soviet bloc condemning American violation of Manchuria and aggression against Formosa and Korea; a third by a group of Asian and Arab states aiming at a cease-fire and then a general Far Eastern settlement. The political committee of the General Assembly, after tortuous discussion throughout Monday and Tuesday, voted on Wednesday by 51 to 5 (the incorrigible Soviet bloc)—with Nationalist China sensibly abstaining—to defer the first and second sets of proposals in favour of trying to arrange the cease-fire. This proposal, designed to appoint the President of the Assembly with two other persons "to determine the basis on which a satisfactory cease-fire can be arranged," was due to go before the plenary assembly on Thursday.

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The Russians Stir the Pot

The motives behind Russian tactics in the Assembly are still obscure—almost as obscure as the long-term aims of the Chinese. Moscow appears to have voted in two contrary senses and against its own interests. For on Tuesday it even opposed—with 5 votes to 48—the political committee's decision to postpone discussion of the firm six-power resolution demanding the withdrawal of Chinese troops. Two possible reasons for this action spring to mind; one chooses between them according to one's estimate of the Russians' view of Uno's usefulness. Either they wanted to leave nothing undone which would tie the proceedings into as many knots as possible, thus frustrating all action. Or they are still anxious, wherever possible, to avoid running directly counter to world opinion, in so far as it is expressed by Uno decisions.

The main point emerging from all this was probably best expressed by Sir Benegal Rau when he suggested that China with Russian support, appears to be moving to a kind of Monroe Doctrine in regard to any territory adjoining its own borders. Certainly the strident and hissing hostility of General Wu's voice, as he has addressed the Assembly, has had some bitter echoes of the past. The white man is obviously expected to pay for several decades of extra-territoriality and treaty ports.

In directly opposing the cease-fire motion the Russians acted true to form. But it is also reasonable to suppose that they may have done so because they are now prepared to back China up to the hilt over Formosa. By miscalculating American and United Nations attitudes and attacking South Korea in force, the Communist camp spoilt Peking's chances of attacking its main objective, Formosa. Moscow and Peking appear to have aligned their policies closely; if so, every advantage gained from success in Korea must be pressed home in the battle for Formosa. The Communist powers feel on top of the situation in the Far East, and mean to exploit to the full the discomfiture of the Americans while they can. This does not bode well for any rational settlement.

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Aid Suspended

December 31st has been chosen as the formal date when Marshall aid to Britain stops. This country loses the support without which it could not have had, through two postwar years, its food, its full employment, and its rising production. There can be neither regret nor complaint that the support has been taken away eighteen months early. The sterling area's dollar gap was closed a year ago. It is perhaps the best expression of the spirit in which aid was given that the Americans have willingly waited through 1950 to see that this achievement appeared reasonably secure; they have been content in the meantime to go on taxing themselves not to finance their own exports but to rebuild the monetary reserves of the sterling area to a higher level than they were when the European Recovery Programme began.

The only cause for regret is in the circumstances that have enabled the sterling area to close the dollar gap so long before the middle of 1952. The reason is not that Britain's capacity for earning dollars has proved to be greater than anyone expected in 1948. What is different from expectations is the shape of the world economy. The extended postwar boom has given place not to a normal competitive world but to the dangerous and unwelcome necessity of a rearmament boom. It is on this, now that the immediate reliefs flowing from devaluation are exhausted, that the present strength of sterling rests. Marshall aid is suspended not because Britain has achieved what was thought impossible before 1952 but because 1952 as it was foreseen in the comparatively hopeful days of 1948 has been indefinitely postponed. The ability of the postwar British economy to survive in competitive conditions remains untested.

This the United States has recognised, in spite of the booming British gold reserve, by leaving open the possibility that aid may be given again before 1952. Everyone in Britain must be as determined not to take advantage of it as he is grateful to the Americans for the offer. Marshall aid is the most straightforwardly generous thing that any country has ever done for others, the fullest expression so far of that American idealism on which all the hopes of the West depend. That the dollars put into the recovery of Europe have also been a fruitful investment for the United States is the measure of the way in which the interests of the Atlantic community are bound together. Without Marshall aid the North Atlantic Treaty would have been impossible. The suspension of aid means merely that Britain has become a stronger partner in the wider co-operation that has grown from it; and it is by making the British contribution to the Western partnership fully commensurate with Britain's strength that gratitude for the generosity of the American people can best be shown.

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The Battle of the Cost of Living

Mr Douglas Jay's weekend speech at West Hartlepool provided a suitably confused postscript to last week's Parliamentary debate on the cost of living. An astute speaker on this theme enjoys rewarding possibilities of unnoticed transition between what are really two very different subjects: between the cost of living—which is the converse of the standard of living, the relation between income and what income will buy—and the cost of living index, a statistical device establishing the relation between the monetary unit and a more or less suitably selected "basket" of commodities. What happens to the former is a matter of productivity, of the terms of international trade, and of inflationary or deflationary changes in the money income of the community; what happens to the latter depends at least as much on what jiggery pokery of ration, subsidy and tax is applied to goods selected for inclusion in, or exclusion from, the basket in question. Mr Jay, skilfully modulating from one meaning to another, regretted that, owing to rearmament, "we could not now enjoy relaxations and advances in standards which would otherwise have been possible" and that it was necessary to "fight the battle of the cost of living"—a mild warning, to say the least, of the actual decline in standards which is to be expected.

The "battle of the cost of living," he explained, was to be fought by controls, "distributing the cost of rearmament fairly." And he supported the case for controls by statistics showing how much better Great Britain had managed, with a fall of only one-sixth in the purchasing power of the pound since 1945, than had the United States and Canada, with falls averaging a quarter during the same period, or than New Zealand with an increase in food prices, since Labour's electoral defeat there, of twice the British percentage. Neither standards admittedly higher than those of Britain (and rising faster), nor the merits, presumably recognised in principle even by Mr Jay, of freedom of expenditure, nor those of honest social accounting, outweigh in his view the advantages of statistical presentation bestowed by the combination of ration, subsidy, tax, and ingeniously selective weighting. The "battle of the cost of living" certainly has to be fought, and in that battle, given the urgencies of defence, only the most unreconstructed adherent of the Manchester School would deny a part to controls. But it should be fought to keep down the real cost of living, to preserve the standard of living so far as may be; not to impose, to the disadvantage of that standard, a deceptive stability or an ingenious statistical artifact.

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Durham and London Airport

After maintaining, in the face of expressed Ministerial disapproval, its original decision to require all its employees to be members of a trade union or professional organisation,

Durham county council now appears to be having second thoughts. This change of mind does not imply a change of heart. It is merely that the Labour councillors now realise that professional people—teachers, doctors, nurses—cannot be coerced by their employers into joining a trade union or professional association. For one thing, the associations themselves would not merely dislike having their membership increased by coercive measures but would actively fight against it. Secondly, if the Durham councillors found themselves unable, because of their insistence on the closed shop principle, to carry out their obligations to provide health and educational services, they would very likely have found themselves deprived of their Government grant.

The lesson of Durham county council's action, as of Willesden borough council's similar action in 1946, is that members of the professions need not worry about attempts to apply the closed shop to them. There are powers that will fight for them. On the other hand, attempts by unions or unionists to compel employers to apply the closed shop are a very different matter. A Birmingham firm recently dismissed a hundred workers who went on strike because it had refused to enforce the closed shop. Not many employers are strong-minded enough to do this. It is, for instance, still not certain who will be the ultimate victor in the dispute at London Airport. Here a hundred or so electricians went on strike because British Overseas Airways Corporation suspended 25 men who refused to work overtime in protest at the continued employment of two electricians who are non-unionists. The strikers have now returned to work, but the question of the two men's joining a union is still under discussion.

Except in the case of Durham, the Government's attitude over the closed shop has been equivocal. But a strike on this issue, which costs BOAC £320,000 and possibly loses it traffic permanently, ought to have called for stronger Government action. Again, it is possible—though not certain, as an appeal on the case in question has gone to the National Insurance Commission—that a person who is dismissed because he does not belong to a union can be refused unemployment benefit on the grounds that he contributed to his own dismissal. If penalisation can be carried this far, the Government will not be able to stand aside much longer.

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The Bomb

To many it has come as a shock—and a salutary shock—to realise that there are limits to what even the Prime Minister can say to Parliament about the atomic bomb. Mr Attlee's right to be consulted by President Truman about its use rested on little more than American confidence that his judgment and discretion about a vital military secret could be trusted absolutely. To demand that he should reveal details of what was said in Washington is to ask him to kill the root of that confidence and all possibility of future consultation. On Tuesday Mr Attlee very properly asked the House of Commons to accept his "assurance that there is no difference of opinion" between him and Mr Truman on this vital matter.

If there is one piece of intelligence that would, if it reached Moscow, decisively assist the Kremlin in planning its campaign of imperialist expansion, it is knowledge of the considerations of ethics, politics, place and time that would weigh with the President if the use of the atomic bomb was called for. It is because of their uncertainty on this score, because they move uneasily between respect and contempt for the scruples of free opinion, that Communists have been at such pains since 1948 to persuade people that to start a "war of liberation" is not an act of aggression, whereas the use of atomic weapons to stop it is a "crime."

To encourage such doubts about the resolve behind the free world's main deterrent to aggression—for that is what the bomb has been since 1948—is to increase the risks of miscalculations in the Kremlin's strategy. It is the right, indeed the duty, of MPs to express privately to the Prime Minister their misgivings about a strategy over which Parliament has incomplete control; although that is part of the price of partnership in collective security. But the more doubts they express in public, the more they encourage would-be aggressors to take the plunge. It is no reflection on Mr Attlee's calm and firm handling of the present international situation to recall the time when his party's pacifism proved a real threat to peace, and contributed not a little to the climax of appeasement. We are still, after all, in what Halévy called the "era of the tyrannies."

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Invitation to Moscow

It is not unlikely that the international control of the use of atomic energy will again come up for discussion between governments. Moscow will receive shortly from London, Paris and Washington replies to its Note of November 3rd suggesting talks on the demilitarisation of Germany; and it is understood that they will propose in not unfriendly terms that the deeper and more general causes of international tension should be discussed. The three western governments could not accept the Russian invitation as it stood; partly because talks about Germany without some fund of goodwill would have been fruitless, partly because it was accompanied by a copy of the uncompromising Prague programme—that is to say the terms of a German settlement already agreed between the Soviet and East European governments.

If the Russians accepted this wider basis of discussion, the powers would presumably follow their normal procedure: preparation of agenda, followed by a meeting of the Foreign Ministers. The work on the agenda will show fairly soon in what mood they might meet. It should be apparent in every capital that this could be a crucial meeting, on which public opinion—especially in France—would set high hopes. Mr Vyshinsky would have everything to gain by taking up an attitude different from that which he has consolidated in previous meetings.

There are a number of risks that public opinion should foresee and think about in advance. One is that the exchanges might begin in secret and then leak—officially but copiously—to the press. This happened in the past; it merely brings out the undiplomatic qualities in each Minister and substitutes brawling for negotiation. Another is that a wide agenda would lead to the appearance at the table of China and to a grand confusion of European and Asian affairs. Another is that all the resolution so painfully mobilised behind Atlantic defence plans—and the inclusion of Germany in them—might be undermined by a few of those bonhomous smiles which Mr Vyshinsky can command, when his instructions allow. The risks would be considerable, but they would not be all on one side. For Russian policy has suggested, both officially and unofficially, some far reaching proposals for pacification. To carry them out would require drastic modifications of the Soviet Union's relations with the outside world.

* * *

Taxing Capital Gains

Most of the inequality of incomes depends, as is well known, not on unequal earning but on unequal ownership of income-yielding property—a form, and degree, of inequality for which there is very little to be said either on economic or on general social grounds. The wider distribution of property is, indeed, a step towards economic democracy which might have secured the support not only of Socialists but of the entire Radical wing of public opinion, had it not become confused with a very different aim—the

actual abolition of property, at all events as a source of income. The author of the Fabian pamphlet "Towards Equality"* retains most of the traditional Socialist attitude towards property as such (though, as a sociologist, he realises that deep-rooted institutions can only be modified gradually) and the appeal of his arguments is narrowed accordingly; but he provides some useful and significant information on the persistent inequality of property, a suggestive discussion of its causes, and a reasoned survey of the possible means of reducing it.

The statistics of ownership are notoriously tricky, but, assuming that no fresh errors have crept in, application of the methods used before the war by Dr Campion in his "Public and Private Property" show that in 1946-47 1 per cent of the population owned 50 per cent of the wealth, as against 55 per cent in 1936-38 and 65 per cent in 1911-13. This is an unimpressive result of forty years of death duties. The obstinate survival of inequality is ascribed less to the comparative ease with which very large fortunes can be reconstituted by automatic saving—a factor which post-war taxation has made insignificant—than to the existence of untaxed capital gains. This conclusion, the author admits, has to "rely on deductive arguments," but they are arguments not easily controverted. What measures, then, should follow? Death duties cannot be pushed much higher; the capital levy is both relatively unprofitable and a source of maximum dislocation and resentment. Mr Cooper-Willis reaches a conclusion in favour of the taxation, American style, of capital gains. The Fabian Society is traditionally in the van of socialist thought, and it may well be that the Labour Party's allegiance, long given to the capital levy, is about to be transferred to the capital gains tax. The difficulty about it is that either the taxpayer is refused permission to set his capital losses off against his capital gains (which is illogical and unjust), or else persons who, in the ordinary sense of the word, are very rich can wholly escape taxation in years of falling prices. There are other snags as well in the capital gains tax—for example, should "gains" be taxed that are simply adjustments to the falling value of money?—but it looks as if the public is going to hear more about a fiscal expedient with such obvious superficial appeal to the Left.

* * *

Money for Social Science

Research in the social sciences is discussed in two reports published in the past few days. They discuss the progress made since the Clapham report on "the provision for social and economic research" was issued in 1946, and since the Government agreed that additional financial assistance to the universities should be given for this purpose. This assistance has increased annually and for the year 1951-52 will be £400,000.

How has this money been spent? What research has been encouraged by it? Are research workers being trained in adequate numbers? Will the new developments be sufficiently established by 1952 to allow the grants specially earmarked for social science to be absorbed in the general Treasury grant to the universities? An attempt to answer these questions is made in a broadsheet—"Government Aid for the Social Sciences," Planning No. 321—published by PEP (Political and Economic Planning). In most cases the answers can only be tentative, partly because many new schemes have only just started, partly because the fruits of research are always so hard to assess. In criticism of the universities it might, however, be said that so far they have used the special grants mainly to keep pace in the social science departments with the growth of the universities as a whole, instead of using the normal grant for this purpose and the special grants for special purposes. As a result many new schemes of development and research are only just starting; it is doubtful whether they will be sufficiently well advanced by 1952 to seem worth while in open competition with the claims of better established departments. PEP therefore urges that the earmarked grants should be continued, particularly in order to shelter the newer social sciences, such as social medicine, social anthropology and social psychology. What the universities have done is to concentrate on increasing the numbers of students and teachers. Though this provides research workers for the future, as is essential, it does not ensure that they will be used unless the lines of research have been laid down clearly enough to establish their claims on public money.

The second report (Cmd. 8091, 6d.) comes from the standing Interdepartmental Committee on Social and Economic Research. It follows up the Clapham report's recommendation that the vast amount of material collected, often for other purposes, by government departments should be made available for those doing social research, that it should be collected in such a form as to be of general value, and that departments should be encouraged to undertake social research themselves or to sponsor it in the universities. The report gives an account of modest progress in all these fields.

* * *

The Double Red Line

Russian propaganda is making no secret of the fact that the object of Moscow's diplomacy is to split the United States from Europe, and the European governments from the organised workers. Neither the purpose nor the technique used is new; and it is doubtful whether open encouragement of dissension by wireless and newspaper is by itself any more effective than the more personal and surreptitious methods used in the aristocratic diplomacy of the past. But

* "Towards Equality." A study of the ownership of wealth. Evan Cooper-Willis. Fabian Research Series 144. 26 pp. 1s.

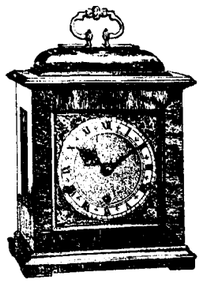
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what is new and strikingly effective is the Communist technique of playing on the pacifism of the western democracies with appeals to the self-interest of the individual.

It has never been easy to remind the average British voter what his standard of living owes to national power, world-wide interests, and priority in vital markets—all advantages won by the exercise of strength and influence in the past. But Communist propaganda finds no difficulty in explaining—or appearing to explain that the effort to maintain those advantages means, in present circumstances, a halt or falling back in progress towards better times. It points to rising prices—and blames American stockpiling; to heavier taxation—and blames rearmament; to the threat of inflation and falling standards—and blames a warmongering capitalism bent on destroying the Soviet Union. At the same time it drums in the idea of Russian peacefulness and American ferocity. In this propaganda policy, which is being followed by Communist parties all over Europe, the ingenious and insidious feature is not the individual point of argument, but the way in which the two main themes, pacifism and industrial unrest, are combined. If the loyal Social Democrat trade unionist, enemy number one of the Communist Party, agitates for higher wages to keep pace with rising prices, he finds himself willy nilly associated with persons and organisations who declare that rising prices are entirely due to the foreign policy of Mr Acheson and Mr Bevin. In other words, to defend his standard of living he is called on to oppose his government's foreign policy and his country's vital overseas interests. The moderate Left in Europe—and this country—will have to be much more active in exposing this dialectical trick than it has been hitherto.

* * *

Schuman Plan's Final Stage

The Schuman plan has temporarily been cast in a shadow by the crisis in the Far East; but it is now bound to assume new importance as part of the effort to speed up the defence of the west.

So far as the technicians' work is concerned, the plan is said to be all but complete. The ideal of a single internal market has been preserved, by an arrangement that will give coal to the Belgian steel industry at the single market price—an average of about $10 per ton. On commercial policy—the trade relations of the group with the outside world—only a makeshift agreement has been reached. The Dutch failed to convince their partners that the low-level Benelux tariffs should be adopted by the whole group, and they have accepted a compromise allowing them to import a percentage of their coal and steel from outside the Schuman area at their own low tariff rate. This is an interim measure which is to operate until a common tariff policy can be fixed for the whole group.

Also troublesome has been the Italian demand for the inclusion of French North African iron ore within the Schuman area in the hope of getting larger and cheaper supplies. This suggestion the French rejected, presumably because they would find it more profitable to sell freely to the world at large and because they are not anxious to help Italy to maintain its uneconomic steel industry. As the largest importers of North African ore, the British steel industry will undoubtedly welcome this decision; but France may yet give the Italians some concessions through a long-term bilateral trade agreement.

One final technical point which still causes controversy with the Germans is the French attitude toward trusts and cartels. If in the end the French proposals are accepted, it will mean that no mergers within the coal and steel industries of the area can take place without the approval of the High Authority, and no firms will be allowed to control more than 20 per cent of the common market in either commodity. There would also be a ban on any moves between individual firms to fix prices or to allocate markets and sources of supply.

Much work now remains for the politicians, before the Schuman plan becomes what its authors—especially the French—intended: the firm basis for Franco-German *rapprochement*. For Bonn the outstanding political attraction was that Germany, for the first time in postwar Europe, would be treated as an equal by its neighbours. It is for this reason that Dr Adenauer has been demanding the abolition of the Ruhr Authority.

Since the discussions opened, however, the problems of West European co-operation and military security have become too urgent and too far-reaching to be settled by a local industrial agreement alone. All the partners to the plan—and particularly Germany and France—must now consider the politics of the project against a world background. If, as a result of this reconsideration, Germany can be convinced that its political aspirations will not be thwarted, and if France can be persuaded that a rearmed Germany will not bring Europe into open conflict with Russia, then the plan may achieve its original political objectives.

* * *

Chloramphenicol on Prescriptions

Mr Bevan's latest appeal to doctors to resist "importunate demands" from patients for branded drugs coincides with the announcement that supplies of chloramphenicol are now large enough for it to be generally available on doctors' prescriptions. There is no contradiction in this. What Mr Bevan is trying to stop altogether is the prescribing for health service patients of proprietary drugs and preparations which are advertised to the public. He is also trying to encourage the prescribing of the standard equivalents for proprietary drugs as a whole, whether publicly advertised or advertised solely to the medical profession. There is no standard equivalent of chloramphenicol, which is an antibiotic known, until it was synthesised, as chloromycetin. Its cost, although unmentioned by the Ministry of Health, is high.

Chloramphenicol's chief and unquestioned value is in the treatment of typhoid fever. In this disease, the cost of treatment with chloramphenicol, which is estimated by the *British Medical Journal* and the *Lancet* respectively as at least £7 and £10 a week, is more than offset by the considerable reduction in the duration of the illness. The other diseases for which the use of chloramphenicol is unquestioned, such as typhus, are rare in this country. Its use in the treatment of virus pneumonia, in which penicillin and the sulphonamides are ineffective, is unquestioned at the moment because aureomycin, which is reported to be more effective even than chloramphenicol, has to be imported from America.

More questionable would be the use of chloramphenicol as a routine treatment for whooping cough, in which its effectiveness has not yet been fully established. Nor does the Ministry of Health accept some claims that it has a place in the treatment of ulcerative colitis or is effective in gastro-enteritis of infancy. In short, the medical press is right to warn doctors that the drug should be used with discrimination; in particular that they should not prescribe it blindly before making a diagnosis even if faced with "importunate demands" for this latest wonder drug. It is worth pointing out, by way of comparison, that a week's treatment with penicillin or the sulphonamides is said to cost ten shillings.

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THE ECONOMIST 22 RYDER STREET, LONDON, S.W.1

The LCC's Magnifying Glass

The London County Council last week had before it the annual housing accounts for 1949-50. To examine these accounts is like looking through a magnifying glass at the problems of housing authorities all over the country. Scores of towns are meeting the same difficulties on a smaller scale in the same way. If the LCC's dilemmas and difficulties are discouraging, they are only more obvious than those which occur elsewhere.

The LCC last year spent £5,900,000 on the running costs of housing built between 1919 and 1950. The bulk of this was for interest charges, repairs and maintenance. The tenants contributed in rent £3,300,000, the Exchequer £1,300,000, and the ratepayers £1,200,000. The tenants thus meet only a little over half of the costs of the houses they live in and the ratepayers, instead of providing the equivalent of one third of the Exchequer contribution (as was intended under the 1946 Housing Act), pay a nearly equal contribution. Separate accounts for houses built since 1945 would show an even heavier burden on the ratepayers.

The LCC's building costs are very high, higher probably than those of most other large authorities, while rents have been kept relatively low. The cost of repairs has risen from £6 a house in 1938-39 to £18 a house in 1949-50, without any increase in prewar rents; as a result, annual outgoings other than interest charges and income tax now absorb 55 per cent of the income from rent, compared with 37 per cent before the war. It is hardly surprising that the repair fund is dwindling rapidly and that ratepayers are paying through the nose. It would seem reasonable to expect the authority to think out its policy afresh. Not so the LCC. As recently as November 21st the council reaffirmed the principles on which the rents of its dwellings have been fixed. These make rents depend on "comparability" with other dwellings; costs of construction and maintenance are explicitly excluded from the calculation. At the same meeting the council approved expenditure on a large new scheme of mixed houses and flats at Putney, at an average cost of £585 a room.

* * *

Standing Tariff Conference

There have as yet been no reports of any striking achievements by the contracting parties to the General Agreement on Tariffs and Trade (GATT), now meeting at Torquay. A first and promising step has been taken, however, toward turning the organisation into a more stable body which will work continuously on the problems of international trade and tariff restrictions.

The main barrier to such a step has been the hope that the American Congress would ratify the charter of the intended permanent institution—the International Trade Organisation (ITO). But for some time it has been clear that the US Administration would not even submit the charter to Congress; other controversial pieces of legislation are more pressing, and it is far from certain that the Administration could persuade Congress to accept such a broad and binding agreement on international trade policy.

One way out of the dilemma was suggested by the Canadian delegation last week and seconded from Washington. Their proposal was to set up a permanent committee for GATT which would prepare the ground for the bi-annual sessions of the contracting parties and provide a channel for constant consultation between governments. In a statement issued by the State Department the United States has promised to support this proposal and to make American participation in GATT more effective by taking the only two realistic steps at its disposal.

The first is to renew the request to Congress for passage of the Bill for simplifying customs. For traders who do business with the United States the most important effect of this Bill would be a new tendency for American customs to assess the duty on foreign goods on the basis of the lowest, instead of the highest, possible value. The administration also intends to seek Congressional authority for helping to set up more permanent machinery for GATT, and it will do so at the same time as the Reciprocal Trade Agreements Act comes up for renewal next spring.

There is considerable hope that Congressmen will show a more co-operative spirit toward GATT than to ITO for the very good reason that, through the Trade Agreements Act, they have effective control over American actions in GATT. At present, negotiations carried out by the administration within GATT are strictly limited by the powers given it under this Act, which Congress can at any time refuse to renew. To have passed the ITO charter, on the other hand, would have meant subscribing permanently to a far-reaching set of international trade rules—rules that included unattractive escape clauses by which the rest of the world could discriminate against the dollar on the plea of balance of payments difficulties. The present compromise, if adopted by all the signatories, will make it possible for GATT to do much of the practical work that could have been accomplished by ITO—that is, if the contracting parties are minded to take any further steps towards the freeing of trade.

* * *

De Lattre for Indo-China

Within a few weeks both of France's leading soldiers have now found themselves involved in the desperate problems of Indo-China. Since General Juin undertook his mission to Saigon and drew up his report in October, Paris has searched its soul long and hard in an effort to find ways of bringing to an end this terrible colonial war. The result has been, amongst other measures, two important changes designed to streamline the administration: first, to combine military as well as political responsibility under the Minister for the Associated States of Indo-China, M. Letourneau, and second, to combine in one person the offices of High Commissioner and Commander-in-Chief on the spot. That person, now vested with unprecedented powers in Indo-China, is General de Lattre de Tassigny.

General de Lattre is reported to have insisted that civil and military authority should lie together in his own hands as a condition for accepting the military appointment. And well he might. From his own point of view it is a brave decision to have accepted the post, when he has a great reputation to lose and little to gain. He has been the creator of the new French army and still holds the high ranking command of all land forces in the Western Union defence organisation, which is about to be absorbed into a new supreme Atlantic command. General de Lattre is a glamorous and forceful personality with a keen political sense. But the hopes that France pins on him are almost desperate.

What can the General achieve, where so many have failed and so much has already been lost, and when large-scale Chinese infiltration of the rebel Viet Minh forces looks like turning Indo-China into a second Korea at any moment? There is one interesting possibility—it is nothing more—which it would be easy to overlook. The Viet Minh is not yet under complete Communist control, and the Vietnamese hate the Chinese. The Viet Minh radio has conspicuously not welcomed the possibility of China's intervention against the French with troops, although it sounds none too sanguine about its own chances of quick victory. It may be that the French, if they could stabilise their line by hard fighting, could even now, at this eleventh hour, reopen with

Ho Chi-minh, from a position of strength, the negotiations which were broken off in 1946. At the least, some of his supporters might be won over by a generous offer. Short of some novel and dramatic move of this kind it is difficult to see how the fighting in Indo-China can end either soon or successfully.

* * *

Lavish Administration

In the autumn of 1939 the Treasury, as Mr R. M. Titmuss recently pointed out in the second volume of the official civil history of the war, was questioning some proposed expenditure on temperature charts, costing a penny each, for the use of evacuees. It also questioned, as being "a waste of money," the provision of extra lavatory accommodation at wayside stations for the use of travellers on the evacuee trains. To see just how far policy has gone into reverse, the taxpayer should read the evidence taken by the Committee of Public Accounts in the first session of this Parliament (HMSO, 15s.).

The evidence is remarkable confirmation of, first, the extent to which the Treasury has lost its prewar control over departmental expenditure; and, secondly, of how lavishly conceived postwar administration has become. "I am not pretending that it is done economically," said an official witness about the Home Office college for training firemen—hardly an overstatement, since it was later revealed that the college has 59 domestic staff to look after 35 students. It is the Treasury's wish that Government hostels should be self-supporting—yet the net charge on public funds for hostel services in 1948-49 was £8,400,000. A sudden increase to cover the cost might be thought "harsh and tyrannical"; even a small increase has first to be negotiated through the Whitley machinery where civil servants are concerned. Why, then, pertinently asked the Public Accounts Committee, cannot costs be reduced by, say, requiring the hostel dwellers to do the washing up and make their own beds? No, came the official reply; this would not be a reasonable request to make to a man after a hard day's work.

So the process, of divesting the official of his old Poor Law mentality, goes on—to the taxpayer's detriment. The lavish conception of the health service is well known; to the committee, a Ministry of Pensions official revealed that whereas the war-disabled came to its central or regional depots to be fitted for surgical boots, in the case of the health service the fitters had to go to the patients. It is understandable that the Government should abandon workhouse standards for its new services. It would also be desirable that it should provide the best possible services—if the country could afford it. Since it cannot be afforded, is there not a case for some lowering of standards? Should not some at least of the free services be utility schemes, of first-class quality but without the frills?

* * *

Odd Jobs and Telephones

The striking point about the Post Office which emerges from the account of its work published this week (HMSO, 2s. 6d.) is the extraordinary variety of its activities. From fixing the positions of ships at sea it moves easily on to providing tobacco coupons for old age pensioners. It relays a chairman's speech to simultaneous meetings of shareholders in London and New York, and it takes in its stride the provision of morbidity statistics for the medical profession. Indeed, so wide is the range of its interests that one tends to overlook what seems, by comparison, to be the child's task of collecting and delivering letters.

The chief complaint against the Post Office since the war has been its failure to meet the demand for new telephones, and the explanation given in the report is not entirely satisfactory. The waiting list has grown from 200,000 requests for new telephones at the end of the war to 550,000 in March this year. Altogether, 2,600,000 new telephones were installed during the same period, making a total of more that 5,000,000 telephones in use in Great Britain. The rate of expansion has been twice as fast as it was in the ten years before the war, but it has been far too slow to keep up with demand.

The reasons given are, first, the delay involved in re-establishing telephone engineers who had been to the wars; second, the shortage of materials and labour; and third, the limitations imposed on capital development. The reasons would be more convincing if in the same report the Post Office had not made so much of other new developments in the services it provides. It takes justifiable pride, for instance, in having played a major part in extending the BBC's television service to the Birmingham area, in increasing the number and range of overseas telecommunication links, and in expanding the areas served by the speaking clock. Would it not have been better, though less spectacular, to have used the materials and labour involved for working off a part at least of the growing waiting list of new subscribers?

Apart, however, from its failure to deal adequately with the lack of telephones, the Post Office's record remains good. It is about to perform the annual miracle of sorting the Christmas mail, and it would be ungracious at this moment further to criticise its services.

*

CORRECTION

In the map of the Middle East printed on page 985 of *The Economist* of last week the port of *Iskanderun* and the oil fields of Dahran were misplaced. The former is in Turkey, at the north-eastern tip of the Mediterranean. The latter are in Saudi Arabia.

Mitigating Scarcity

No one will deny that a defective harvest is a great national loss. It is a loss of the labour and capital which have been expended with a view to a given result. . . . And what we have really to consider is, what policy in such cases is best calculated to avert, or at least to mitigate, the evils of scarcity and famine. Now, under the Corn Laws, what happened when the country was visited by a bad harvest? Our sudden demand for grain was unaccompanied with any corresponding demand for our manufactures; the balance of trade became suddenly unfavourable to England; the foreign exchanges were deranged; an export of bullion took place; financial crises and commercial embarrassment ensued; and labour became least in demand just at the moment when a high price of food rendered full employment of more importance than at any other time to the working population. It is surely of the greatest importance, then, if we can avoid such an aggravation of an evil which is itself beyond our control. It is surely of the first consequence that the home harvest being defective to the extent of *twenty millions*, we should be able to import that which our own lands have failed to produce, and that such an import should secure an immediate increased demand for the other products of the country to a corresponding amount. In such a case we readily admit that the country is all the poorer, in consequence of the loss of twenty millions worth of produce caused by a defective harvest. But, such a calamity occurring, it is unquestionably a mitigation of it, and not an aggravation, as the old law was, if the deficiency can not only readily be supplied from other countries without any suddent or serious enhancement of price, but if also, as a consequence of such imports, we have at the same moment an increased demand for British manufactures and British labour.

The Economist

December 14, 1850



**Illustration: Courtesy of Mr. E. W. Langley and Messrs. Hooper & Co. (Coachbuilders) Ltd., London, S.W.1.*

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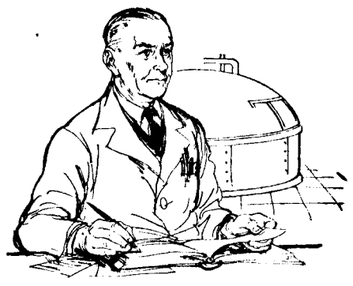
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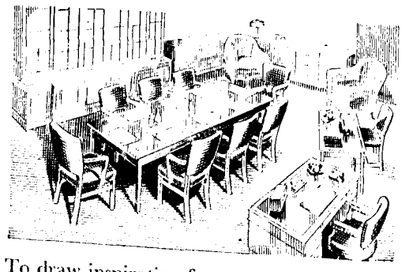
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Letters to the Editor

Still in the Air

Sir,—It seems a pity that the basic economic realities of housing have been so pitifully neglected by both main parties. Brigadier J. G. Smyth's letter to you was a striking example of the extent to which the housing question has been used merely to score debating points.

May I point out that:

1. According to the type of brick used and the gradient of the land, a house absorbs anything from 5½-10 tons of coal in the baking of bricks and the burning of cement alone. 100,000 houses would absorb not less than 650,000 tons of coal, apart altogether from the coal used in the manufacture of the metal components, etc.

2. A large number of other critical commodities, such as timber, rubber, steel, aluminium, zinc and so forth are all involved and can, under present circumstances, be directed towards housing only at the expense of other forms of construction.

3. Even if standards were reduced and output per manhour raised to prewar level, and whether houses are built traditionally or in factories, not less than 1,600 manhours per house nor more than 1,850 manhours are required. Thus, allowing for the increased output of the labour employed on the 200,000 houses now being built, a further 65,000 men, apart from those engaged in the manufacture of domestic appliances and other factory-made components, would be required to raise the output by 100,000 houses.

4. 160,000 standards of timber are required to raise the housing output by 100,000 houses per annum. Even supposing that this quantity of timber of house building quality is available, what should we have to go without in order to provide the necessary hard or soft currency without disturbing the present foreign trading situation?

5. There is no question that in the course of time cuts could be made in other forms of construction in order to find the labour and basic commodities necessary to increase the housing output by 100,000 houses per annum. It is, however, probable that these cuts would produce an unbalance, both in the output of other buildings and in the effect that the stoppage of, say, factory and office building would have on our foreign trading position, to say nothing of our more essential internal social services such as education. Neither Government nor Opposition has made the slightest effort to define these cuts qualitatively or quantitatively.

Output can be raised, materials can be found, without seriously affecting our internal productive position, but only at the cost of research and development and co-operative technical effort on the part of the many organisations concerned, both professional, trades union and commercial. The description of these steps would be so long that I must apologise for the destructive nature of the rest of this letter.—Yours faithfully,

London, W.2 A. R. PERRY

German Deflation

Sir,—Mr Bonn maintains that the loss of the foreign exchange reserve of Germany is due to an "import crisis." He should consult the German foreign trade and exchange reserve statistics (which he does not bother to quote in his long letter) which show the following development:

($ Million)

	1950			
	July	Aug.	Sept.	Oct.
ERP Countries:–				
Exports	123·4	126·3	...	...
Imports	120·7	133·1	...	...
Balance	+ 2·7	— 6·8	—18·0†	...
Total*:—				
Exports	172·2	177·6	166·4	...
Imports	225·4	205·3	239·6	...
Balance	—53·2	—27·7	—73·2	...
Loss of reserves in EPU	29	53	104	103†

* Excluding aid. † Preliminary.

If we take Marshall and other Aid into account Germany still had a *surplus* of some $4,000,000 even in August, and a deficit of less than $60 million in September. In October the trade position seems to have improved slightly. Thus the exchange losses can only be explained by a wild forward buying of sterling and commodities unchecked by controls. They have little if anything to do with high output in Germany which is mainly a consequence of increased exports: the increase in imports could not have entered the production process by September.

Professor Bonn accuses me of being afraid of the success of the Cairncross and Jacobsson recommendations. He is quite right: unlike the "liberal" eulogists of the present German regime I am opposed to the deliberate creation of unemployment and distress as a means of balancing foreign payments while luxury imports stream into the country and large speculative profits are made by ruthless entrepreneurs. The effects of such a policy do not create an auspicious background for a fight against Communism.—Yours faithfully,

THOMAS BALOGH

Balliol College, Oxford

How to Pay for Defence

Sir,—In *The Economist* of December 2nd you implied that, failing retrenchment in Government expenditure, the £300 million additional defence expenditure must be found from the "reserves of taxable capacity." The estimated budget surplus for the current fiscal year is well in excess of the sum of £300 million in question. Should not consideration therefore be given to the alternative of reducing the capital investment progamme?

The finance of capital formation as shown in the Economic Survey for 1950 is summarised as follows (in £ millions):

Public saving	680
Private saving	1,805
Borrowing abroad	—50
	£2,435

As you point out, increases in taxation have the effect of transferring money from the private savings sector to the public savings sector—without necessarily affecting the total. Under current conditions, since private savings are derived almost entirely from company savings and hardly at all from personal savings, the effect of increased taxation on consumption is very difficult to predict.

Much of the extra £300 million required presumably represents equipment as distinct from manpower. Surely it is more proper therefore to provide for that part by a planned reduction in the civil investment programme, rather than by relying entirely on increased taxation, much of which—though in economic terms it may be labelled progressive—is nevertheless regressive in terms of personal effort.—Yours faithfully,

LEWIS G. WHYTE

London, W.C.2

China and Lake Success

Sir,—It was with concern that I read in *The Economist* of November 25th a note referring to China and the United Nations. You rightly point out that peace in the Far East may well depend on these negotiations. But you present an unbalanced account of the causes of the present tension there. Undoubtedly much blame must be attached to the Chinese attitude, but in referring to the Western Powers' policy of pacification, you seem to have overlooked the open support afforded in the past (and possibly in the future) to Chiang Kai-shek, the "neutralisation" of Formosa, and the "hints" cast out by General MacArthur and the Republican Party. To call the Chinese intervention in Korea "eleventh hour aggression" is to ignore completely the fact that she had clearly warned the United Nations that she was prepared to defend her own interests in North Korea.

I think it is time we realised that if the United Nations is to achieve any authority in the east, it will have to cease to be what you call a "club," and at least pretend to be the organisation of nations which its name and purpose imply. If admission to membership is made dependent on the conditions of power politics, then we can hardly complain if the United Nations is considered to be merely a puppet of the west.—Yours faithfully,

Bangor RONALD G. EVANS

Books and Publications

A Fresh Approach

The United States: The Presidents, The Parties and The Constitution. By Herbert Agar. *Eyre and Spottiswoode.* 750 pages. 25s.

The history of the United States can be viewed in many lights. It can be seen in terms of the growth of "a more perfect union," as a case history of the federal idea. It can be written in terms of the immigrant—at least down to the Immigration Act of 1921. It can be treated in terms of the westward movement, of a constantly expanding Frontier, physical and psychological. Mr Agar, to the great benefit of British readers, has chosen to tell it primarily in terms of the American party system. In so doing he focuses attention on a factor which most histories of the United States take for granted, or else explain in terms which, though adequate for an American brought up to breathe the American political air, remain puzzling and insufficient for the average British reader. Federalism, immigration, the Frontier—these are distinctive American themes without any proper counterpart in English history; consequently the British reader treats them with respect, admits his ignorance and goes to school in all humility before them. But parties are part of the great Anglo-Saxon heritage, no more novel than the Common Law; surely Democrat and Republican are only American for Liberal and Conservative, or at worst for Whig and Tory? Immediately in place of an understanding based upon recognition of differences there is confusion (and even recrimination).

No one has had better—or perhaps more painful—opportunities of observing this fertile misconception at work than Mr Agar. His long labours in the field of Anglo-American relations have made him sharply aware of the problems which arise from British misunderstanding of the American political process. In "The United States" he has set out to explain and justify that process not by *a priori* reasoning or even contemporary depiction but by a more convincing argument, its operation throughout American history. It is in this that the originality of his book resides. It is not, and does not pretend to be, a work of original scholarship, if by that term is meant a structure built solely out of the masonry of primary sources. Mr Agar acknowledges freely his debt to other secondary authorities. But he has made his material his own, whether its immediate provenance be Henry Adams (and who is better entitled to draw on that sagacious counsellor than the editor of "The Formative Years"?) or Allan Nevins or William Allen White. Wherever the bricks may come from, the architecture is his own, fresh, persuasive and perceptive.

The American political process, as Mr Agar sees it, is the search for the possible and the acceptable, the constant effort to maximise agreement, to harmonise differences on the plane of action if possible, but of inaction if it is not possible. It is the avoidance of extremes, the cultivation of compromise. Thus the Civil War and Reconstruction stand out as the great failures, the breaking of the political dykes. By comparison even the dollar-chasing, trust-building seventies, eighties and nineties, the "brown decades," as Lewis Mumford called them, shine brightly as at least an era that *worked*. Such a theme might in many hands easily result as that vulgarest of treatments, history as the record of the successful. There are one or two moments, as when we are bidden to genuflect briefly at the shrine of Mark Hanna and McKinley, when we seem to teeter on the edge of such an interpretation. But Mr Agar's sense of values reasserts itself in time; he has too shrewd an appreciation of the Laocoon convolutions of morality and interest for such an implication to go unchecked.

The price of any perspective is that some things look out of shape. It seems odd at first to read a 700-page history of the United States and never encounter the name of Gettysburg. Readers brought up on the "What porridge had John Keats?" theory of history will find plenty more such omissions in these pages. But they can satisfy their appetites elsewhere. The task which Mr Agar has set before himself is different and his concentration on it is rightly somewhat exclusive. He has set out to explain the American Union in terms of its most distinctive, vital and misconstrued activity. It cannot be doubted that he has signally succeeded.

The British Political Tradition

The Conservative Tradition. Edited by K. J. White. *Nicholas Kaye.* 256 pages. 16s.

This volume is the fourth in the enterprising series, "The British Political Tradition," which is appearing under the general editorship of Mr Alan Bullock and Mr F. W. Deakin. The method used is to illustrate each of the distinct strands in British political history by means of a longish introduction to carefully arranged and annotated original material—speeches, quotations, letters and so on—so that the student may see for himself the sources from which historians draw their judgments. Mr White's introduction is clear, entertaining and original, and more than maintains the standard of the earlier volumes. He begins with Bagehot's definition of natural conservatives as people with "enjoying" natures and shows how the philosophical basis of Conservatism is based on three principles:

The first is the radical inadequacy of the political as a final account of man; the second is the organic conception of society; the third is the rejection of "Will" as the sanction, or sanctification, of law.

These principles he illustrates with quotations from sources as diverse as Burke, Coleridge, Disraeli, Hugh Cecil and Quintin Hogg, and ranging in time from Pitt to Pickthorn.

This is the best part of the book, and for anyone who is inclined to regard the Conservatives as permanent empirics, it is a valuable corrective. The second half of the book, which deals with "The Traditions and the Changing World," from Burke to Joseph Chamberlain, and the section of the introduction which covers it, are no less interesting. In particular, it is valuable to trace through the original words the immense size of Disraeli's achievement in educating his party and bringing Conservative policy into alignment with modern conditions. But it is not a true picture of the whole of the Conservative tradition. It presents only what is best and omits the diehardism, the crass nonsense, the failure of perception and action, which are as much a part of the Conservative as of the Liberal or any other political tradition. This is not the fault of the author, although Mr White is at times too ready to abandon the role of guide for that of advocate, but of the anthology form of the book. Within its limits this volume presents a fair picture of the Conservative without the warts, and if it omits these it is clearly because the speeches of reactionary backbenchers, or the turgid leading articles of Conservative newspapers, are too dull for all but the most persevering student to wish to read.

Keen-eyed Traveller

This My Voyage. By Tom Longstaff. *John Murray.* 324 pages. 21s.

Mr Tom Longstaff is one of the most distinguished and best known of living British mountaineers. With a good fortune which now seems irretrievably of other days, he has been able to spend a great part of his life travelling and climbing in remote and rugged parts of the world, a doctor's skill for his passport, and a zest for observing and enjoying every aspect of nature, for his inspiration. "The more the traveller knows what may be seen, the more he will see"; and this book contains a good deal more of what Mr Longstaff has seen than of what he has done. It is arranged by regions—Alps, Caucasus, High Asia, the Rockies and the Arctic—and though the thread of personal experience is preserved, the peoples and histories, flowers and animals of these varied regions, as well as their mountains and glaciers, are included in the tale. For the ordinary reader, this book thus stands above most others of its kind, whose bald accounts of camps and climbs can only make their full appeal to those who have taken part in similar exploits. The author confesses his preference for lands filled with the tradition of old civilisation, and enjoys recognising a legend of Herodotus in the mouth of a Nepalese soldier, or tracing the route of a 16th century Mohammedan invasion of Tibet; by contrast, the Selkirks and Rockies, empty of this human element, seem malignant and aloof. Thus he travels, not with the grim resolve of the explorer seeking the unknown, but rather as an adventurous and well-informed tourist.

There is, of course, plenty to show that the author is a tough and skilful climber, who can rate as his finest climb a day of snowy knife-edges and iced finger holds, ending in a night spent dangling legs from a ledge at 14,000 feet, taking turns to keep warm with a lantern. He was the first man to glimpse the inner sanctuary of Nanda Devi, the hidden pasture guarded by a double ring of 20,000 foot peaks seventy miles in circumference—a glimpse which was not repeated for twenty-nine years. The stories of his climbs are told without sensationalism, but with a vividness quite remarkable in view of the lapse of time. It is a pity that this agreeable book was equipped with such disappointing photographs; however, the maps exhibit a rare virtue—they mark very nearly all the places named in the text.

Eighteenth-century Nobleman

Pembroke Papers (1780-1794). Edited by Lord Herbert. *Jonathan Cape.* 509 pages. 25s.

Family letters, like family conversations, are sometimes a shade tedious to the outsider, but Lord Herbert's latest selection of papers from the muniment room at Wilton, in which the central and most engaging figure is Henry, 10th Earl of Pembroke, will certainly banish tedium. This soldier and horseman, who was also a gifted amateur of music, medallions and, let it be said, pretty women, moved easily in his aristocratic circle, relishing the delicious and malicious gossip of the day, watching every move in the ruthless jockeying for place and position with a tolerant expert eye. Tolerance, indeed, was a virtue his wife and son had also great need of, both in regard to his peccadilloes abroad, which he describes with soldierly frankness, and to his natural son at home, to whom he denied neither parental affection nor name (in the anagrammatic form of Reebkomp). Lady Pembroke consoled herself with good works and devout correspondence with Queen Charlotte, near whom she finally settled, resigned and uncomplaining, in her own house in Richmond Park.

George, Lord Herbert, was bombarded by his father with constant instructions as to the management of the estate, the mating of his dogs and the use of patent carriage wheels, and advice on everything under the sun from finance to physicking and the purchase of commissions. But amid the multitudinous interests these letters reveal, one topic is constant on almost every other page—the horse. And the horse not as a noble animal and a friend to man but as transport. "What we're all at is this," writes gallant Major Floyd of the Light Dragoons, whose letters are second only to Lord Pembroke's in charm and raciness, "a damn'd good horse at little money." For swapping, for trading in, for overreaching one's friends, the horse was the equivalent then of the second-hand car today, and we cannot but admire in these pages the honest determination of buyers and vendors to outswindle each other.

The shifting glittering kaleidoscope of eighteenth-century society shown by this book—corrupt, complacently privileged and fabulously incompetent—stands in shocking contrast to the well-meant virtues of the Welfare State. Yet in some strange way it worked, and within a decade or so was destined to bring Britain to a point of prestige and power which she has scarcely attained since.

Life in India

Interview with India. By Margaret Bourke-White. *Phœnix House.* 192 pages (including 64 pages of plates). 16s.

Miss Bourke-White is a famous photographer, and in this book she has put together some of her best camera studies of India, taken during three trips for *Life* magazine from 1946 to 1948. Around the photographs she has written an autobiography which, while designedly disjointed, succeeds in giving a series of character sketches that make the pictures real. She describes, for instance, the Calcutta riots of 1946, the agonies of the great migrations in 1947 and Gandhi's last fast in 1948. She gives her own lively personal impressions of men and women, ranging from Jinnah—both before and after the foundation of Pakistan—Nehru and Patel to Sannaligappa, a Mysore peasant, and Sheikh Abdullah of Kashmir.

Miss Bourke-White has made a sincere attempt to convey something of that elusive and almost indefinable element, the spirit of India. Her photographs are magnificent, and, if they lead the reader on to absorb her text as well, he can hardly fail to increase his fundamental understanding and sympathy for this strange, sad and certainly mysterious country.

The Loud Bassoon

How to Run a Bassoon Factory and Business for Pleasure. By Mark Spade. *Hamish Hamilton.* 262 pages. 7s. 6d.

Many readers of, and some writers for, *The Economist* suffer from the painful occupational disease of taking business seriously. For such sufferers there is now available an almost infallible specific; seven and sixpence worth of Mr Mark Spade, with an introduction by Mr Nigel Balchin (who, for the best of reasons, brings sympathy and understanding to the job) thrown in. Here they will find the low-down on Finance ("Avoid Debentures. They are nasty, inevitable things like the gas bill") on Motion Study (exemplified by analysis of Right and Wrong motions involved in getting past the ticket collector without a ticket), on Psychology ("The main idea is to place people in positions where they may use their natural Bent. If people have no natural Bent, but just stay straight all the time, they are suitable as Cashiers"), on Salesmanship, Costing, Market Research, and Welfare—all the above with special reference to the manufacture and marketing of Bassoons.

This volume also contains, under the title "Business for Pleasure," Mr Spade's more general views on the entrepreneur and his problems. These are emphatically worth study, not merely by business men but, perhaps even more emphatically, by the disinterested administrators of the Public Sector. Consider his summary of the merits of Planning: "In an unplanned business things just happen, i.e. they crop up. Life is full of unforeseen happenings and circumstances over which you have no control. On the other hand in a *planned* business things still happen and crop up and so on, but you know exactly what would have been the state of affairs if you hadn't." What Economic Survey could say fairer than that?

Mr Spade, in fact, had a prophetic eye for the essential immutability of the economic problem. Mr Balchin refers mournfully to the "odours of old-world lavender" pervading these prewar pages. The remedy is in his own hands. Let him provide himself with a ouija-board as soon as may be, and give his—or rather Mr Spade's—readers, preferably in time for Christmas, 1951, the magnum opus on How to Avoid Making Bassoons in a Planned Economy, which that lamented genius did not live to complete.

Reference and Text Books

Building Societies Year Book, 1950. *Francy and Company, Limited.* 517 pages. 15s. 6d.

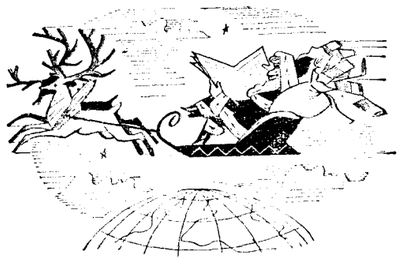
The official handbook of the Building Societies Association gives a general summary of the operations of the building societies for 1949, statistics of membership and assets from 1870 to 1949, and comparative analyses of building society accounts from 1938 to 1949. Details and accounts are given for the members of the association and there is a full report of the Annual General Meeting held in May, 1950.

During 1949, saving through building societies increased by £96 million to £1,056 million and the number of investors increased by 42,185 to 2,857,562. Repayments of advances and interest totalled £198 million and new advances reached nearly £276 million.

The Directory of Directors, 1950. *Thomas Skinner.* 784 pages. £2.

The seventy-first annual issue of this directory follows the normal practice of listing the names and addresses of the directors of the principal companies in the United Kingdom and of a large number of private companies. Where possible the connections of directors with business associations and institutions are also given.

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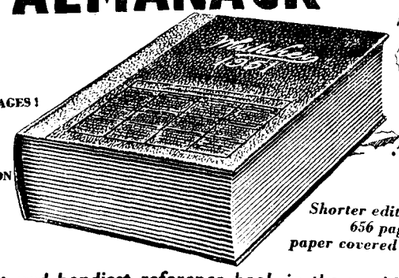
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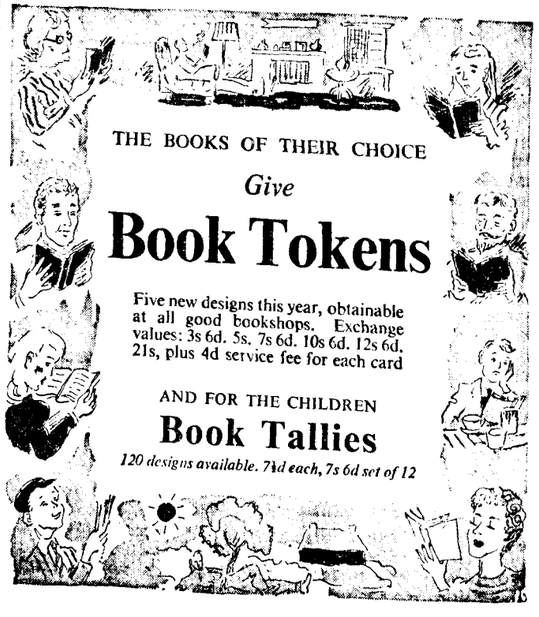
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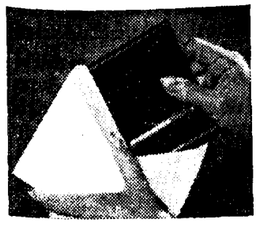
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Washington, D.C.

IT was a sombre little group of officials, reporters and photographers who waited as the *Cathay* (BOAC, at least, had not lost its sense of humour) nosed out of the raincloud over the Maryland shore of the River Potomac and lowered itself, with the diffidence of a stranger, on to the airstrip. The previous twenty-four hours had seen crisis develop into what seemed like disaster and anxiety give way to what looked like panic. Nothing could have been more timely than the arrival of Mr Attlee. It gave a purpose, a pattern and a direction to the next few days and, by the time he left for New York, General Collins had come back from Tokyo with reassuring news of the military situation and Anglo-American confidence had been renewed.

That mutual confidence should have drained away with such appalling suddenness in the week before the Prime Minister's arrival was a triumph of irresponsible reporting. Mr Truman's choice of words, when he was asked, at his press conference, whether the use of the atomic bomb was being considered, could no doubt have been bettered. But his meaning should have been clear to anyone who listened to all the questions and was willing to put the answers in perspective. Having succeeded in scaring London with their messages from Washington, the news agencies, associated and united in their irresponsibility if in nothing else, proceeded to scare Washington with reports from London of impending Munichs and a government bent on "appeasement." It was a relief to everybody when the door of the *Cathay* opened and the British party filed out with not an umbrella to its name.

There was evident throughout the week a certain irritation with Mr Truman and Mr Attlee for not being Mr Roosevelt and Mr Churchill. It was felt that the world's problems should be solved by a few sweeping gestures—the despatch of an armada in one direction and an ultimatum in another. It would be a pity, one commentator remarked, if this conjunction of two mountains brought forth only a mouse. But, in reality, two men who disposed of the strength of mice were trying to bring forth a mountain. They were late in starting, too, and what they decided about strengthening the Atlantic community and the distribution of raw materials should have been decided six months ago. But, provided all concerned do not go to sleep again—and one of the Truman Administration's greatest weaknesses is its tendency to think that brave words and grave decisions, once planted, grow untended—the week's conversations should do much toward the building of strength in the west.

Strength in the east is another matter, as the absence of any hint of decisions in the final communique showed. But it is difficult to see what decisions could have been taken at a time when the military situation was so obscure and General Wu was playing the inscrutable Oriental with such infuriating success. At least nobody tried to pretend, by either omission or implication, that the two governments really agreed on the points on which they obviously did not. But the discussion of these points was probably more valuable to the two men than the discussion of those subjects on which they could easily agree and which could—in the present atmosphere—have been settled, though probably not as quickly, without dramatic flights and melodramatic headlines. To understand the reasons for differing points of view, whether they are rooted in moral principles or the pressure of public opinion, takes much of the sting out of disagreement. The most important of all the meetings may well, therefore, have been none of the six formal conferences, but the dinner party at the British Embassy at which, for four hours, Major Attlee (ret.) and Captain Truman (ret.) revisited the trenches of Northern France and discussed the decay of generalship since the Golden Age of 1918.

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Much of the satisfaction of those who took part in the talks on the American side must have been dissipated by the distressing spectacle which the Congress of the United States put on for the benefit of the visitors. The Republicans in the Senate, like the stock market when their party was last in power, are always able to surprise the experts by sinking a little lower when even the pessimists think the lowest point has been reached. One of them evaluated the predicament of his country's troops in Korea in terms of its effect on the Presidential election of 1952 and Senator Taft was reported by the *New York Times* as being "in a confident and happy mood" as he told the Republican Executive Committee that the Democrats were "demoralised." A stranger reading the *Congressional Record* for the week might have imagined that Mr Attlee was an emissary of the Union of Soviet Socialist Republics come to demand the surrender of all the United States held most dear, rather than the Prime Minister of the country's most patient and substantial friend.

But it was in their treatment of Mr Acheson that the Republicans finally over-reached themselves. They chose that week to propose a resolution demanding the resignation of the Secretary of State in the name of national unity. Consideration of the resolution, known as the Ives Resolution after the Senator from New York who was sent to Washington by Mr Dewey, was postponed, at the last minute, on the advice of one or two of the more astute members of the Republican Policy Committee, until after the visitors were safely back in London. And Mr Dewey himself, who knows a political gaffe when he sees one, issued an implied rebuke to his protégé by saying that

> obviously the prestige of our country is at a very low point. Other free nations are, for the first time in recent years, showing an unwillingness to follow our leadership. . . . This is not the time for further criticism. The President and our Government are engaged in the most difficult of conferences. The decisions must be calmly reached and they must be right.

But the atmosphere created by the "Asialationists" (on the same day that this admirable term was invented the sponsors of the Ives Resolution provided a handy list of who they are) was not an easy one in which to reach decisions calmly, either for the Administration or the British party. Even the decision to issue a communique of 2,000 words, containing an unusual amount of information, must have taken a little reaching. It must have been a temptation, under the circumstances, to publish a few words about "unity of purpose," leaving the press to speculate as it pleased about the two subjects on which it was known that disagreements had not been resolved—which became known as "the limited war" and "the package deal."

Neither, however, is an immediate problem and, perhaps neither will ever become one. Whether to continue the war against China by other means, if the United Nations forces are driven out of Korea, depends first of all on developments in the military situation. Whether to negotiate with China on Korea alone, or discuss Korea, Formosa and representation in the UN all together, depends, in the first instance, on Chinese willingness to negotiate at all. The decisions of both governments will depend, in the end, on public opinion in the two countries. One point on which the President and the Prime Minister probably agreed heartily was how much easier their jobs would be if they could reach conclusions on the basis of the facts of the situation rather than that of the fancies of the public.

Industry on the Move

PRESIDENT TRUMAN has asked Congress to authorise the building of eight new centres for the more vital government departments, outside of Washington, but within easy reach of the capital. The main purpose of this plan is to ensure that it will take several atom bombs, instead of one, to wipe out the country's key administrators, but it would have the incidental advantage of permitting the demolition of some of the emergency buildings which have for so long disfigured Washington. This limited scheme of dispersal, however, may seem inadequate to members of Congress who have been playing with the idea of dispersing themselves in the event of war, and of legislating either from a special train or by television. If such an important industry as the government is to move at all, some Congressmen would like it to move into their own districts and benefit their constituents ; but it might not be an unmixed benefit to a district to be turned into a target area.

The President's proposals for the dispersal of the government follow those of the National Security Resources Board for the dispersal of industry in general. It recommends that firms building new plants of national importance should put them several miles from other tempting targets, so that two factories cannot be killed with one atom bomb. But the NSRB does not consider it "economically feasible" to break up established industrial centres and scatter them across the country. The Air Force burnt its fingers on this politically hot potato some time ago, when it moved certain aircraft contracts from the vulnerable coastal districts of the states of Washington and Connecticut deep into the hearts of Texas and Kansas, where factories are safe from surprise attacks launched from aircraft carriers or submarines. The unemployment the manufacturers left behind them caused a storm in Congress which taught the services to be more discreet in their attempts to disperse the country's military production. Soon, however, there will be more than enough defence contracts for everyone and no question of taking work away from anyone, but only of finding factories that can handle additional contracts.

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The comparative safety of such states as Colorado and Nebraska, which gives a patriotic flavour to local boosting, is naturally made much of by Chambers of Commerce trying to bring business to this least industrialised part of the country. It is true that the 1947 Census of Manufactures show some of these states, notably Kansas and Nebraska, with large percentage increases since 1939 in the value added to goods by manufacture (the Department of Commerce's standard of industrial activity), but the actual amounts remained low. New Mexico is the best example of this: with an increase of over 500 per cent since 1939, the total value added was still only $55.5 million in 1947. The latest defence programme should help this area as the war-time one did ; it will involve the reopening of the stand-by aircraft plants in the great plains and put a premium on the mining and related activities of the mountain states, even if it does not bring new factories. The government has for some time been making use of these states for its ever-expanding research activities ; the sparse population makes secrets comparatively easy to keep, the wide open spaces have room for bombing ranges and rocket proving grounds.

But it is the sparse population and wide open spaces that make these central states unattractive to industry in general. Farm prosperity has brought a big increase in average incomes during the past ten years ; individuals have far more to spend than they used to have, but there are not enough of them spending to make a consumer goods market sufficiently large to appeal to secondary industries. This year's census showed that population in the central plains had increased less than

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the national average since 1940. The same is true of the south-eastern states—South Carolina, Georgia, Alabama and so on—yet these have shown important gains in industrial activity.

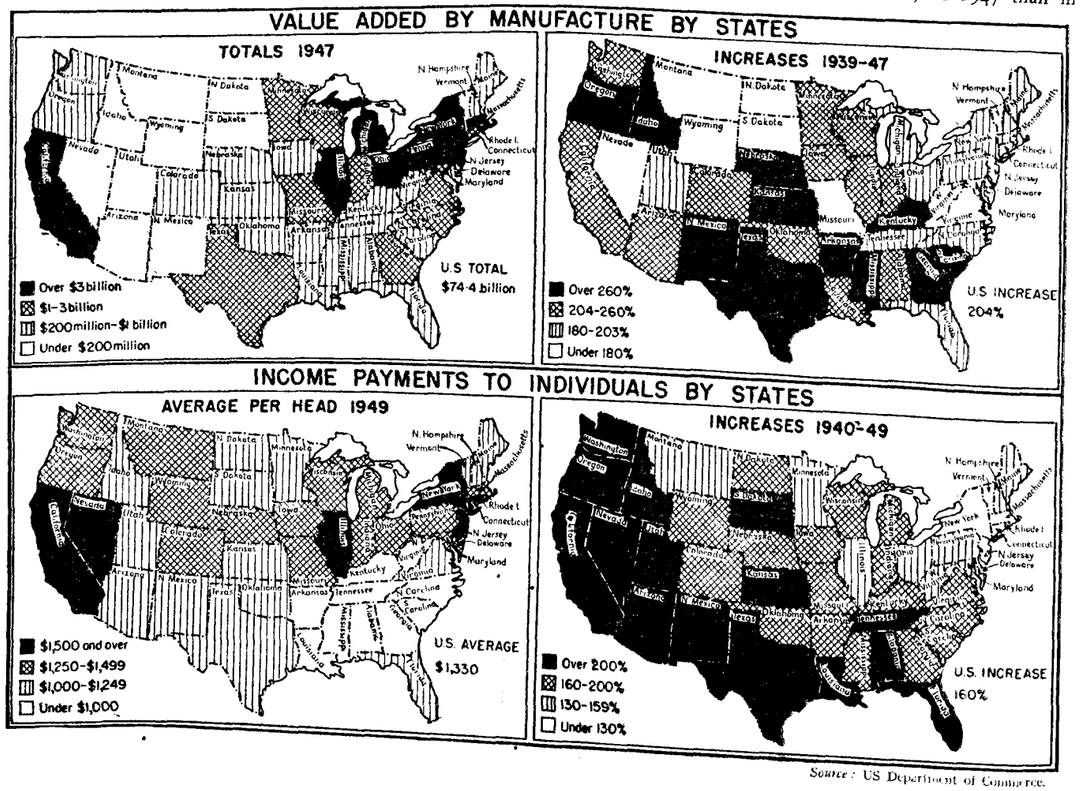
These south-eastern states have much poorer farms and more inhabitants than those further west. With fewer people on the land and improved farming methods made possible by higher agricultural prices, a larger proportion of the inhabitants is living above the subsistence level than in 1939. As a result, in this area the loss of population has meant an improved market for consumer goods, even though individual incomes are still very low. Industrial wages are not so far below the national average as they used to be, and trade union activity has to be reckoned with more seriously than it did when the textile industry first fled south from New England, but these advantages still exist. War industry left the area with a trained labour force and empty factory space; recent industrial developments have found new uses for its agricultural products, its lumber and wood pulp and its chemicals; it has adequate power, in the form of both electricity and natural gas.

The south-east is becoming a diversified economic area that generates its own growth and this is even truer of the south-west, which nowadays means Texas; and the level of prosperity is higher here, thanks largely to oil. The west coast is another area of this type and its most important state, California, now seems as if it may be near economic maturity. The war brought not only a temporary expansion in aircraft production and shipbuilding, but also entirely new industries with postwar uses; the long-desired steel mill was the most important of these, since it was followed by metal-working industries of all kinds. The workers who came to the west coast during the war stayed permanently, so that California alone now has ten million inhabitants, 50 per cent more than in 1940, and their average income last year was amongst the highest in the country. To meet their demands for clothes, furnishings and personal services, local firms have expanded until many of them rival the old-established national corporations. Not to be outdone, the national corporations, leading automobile firms, for example, have opened assembly plants and distributing centres on the west coast.

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These were additional plants, not old ones transferred. Practically none of the increases in industrial activity in the south and west have been at the expense of the traditional industrial centres on the east coast and Great Lakes. This has been an expansion, not a migration, of industry. During the war strategic considerations and shortages of manpower encouraged industry to spread. And it went on spreading after the war, when it was falling over itself to make up for lost time and to satisfy the rapacious demand for consumer goods generated by wartime shortages and the increase in population. The development of fresh markets was not the only reason for this: rising freight rates, the importance of air and road transport, new processes which needed plentiful and cheap electricity, the difficulty of finding room for lengthy modern assembly lines in overcrowded areas, all had something to do with it.

As a result, the Census of Manufactures and the Census of Population both found that growth had been below average in the north-eastern states and that even the more recently developed Great Lakes area was hardly holding its own. Nevertheless the main concentration of industrial strength remains in these regions. In 1949 the north-eastern area accounted for more than one-third of the nation's total income. More than twice as much value was added by manufacture in New York ($9.6 billion) in 1947 than in California ($3.9 billion); Pennsylvania, Ohio and Illinois were all over $6 billion, with Michigan not far below it, while Texas added only $1.7 billion.



Source: US Department of Commerce.

In 1949 the postwar period of industrial expansion seemed to be over. But by early last summer it began to look as if this were no more than a pause to gather strength, and the Korean war has sent the United States shooting up on its third period of manufacturing growth in ten years. Expenditures on new plant and equipment are to break all records in the first quarter of 1951. So far it is mainly an expansion of civilian industry, inspired by business's desire to get ready for the sustained consumer demand that is guaranteed by the full employment that the defence programme will bring with it, and by the Administration's desire to counter inflation with a plentiful supply of goods. But expansion is coming in the defence industries and the first step has already been taken, in the rules governing tax amortisation for such expansion, to ensure that some at least of these new plants will be in the safer parts of the country. But even some of the expansion for civilian purposes may be in those parts. For the chief consideration now will be not markets, but manpower, and the search for labour is likely to take manufacturers back into the unindustrialised central area as it did during the war. The next Census of Manufactures may show that industry, having spread out all round the edges of the country is at last spilling over into the middle, and has gone a stage further in the gradual process of finding its own level.

American Notes

Invoking the Emergency

The expectation is that on Friday night President Truman will broadcast a proclamation of national emergency to dispel illusions at home, and on either side of the iron curtain abroad, that the United States will tolerate "business as usual" in the present crisis. Such a proclamation is the key which unlocks certain powers not normally available to the President. Some go back to the 1914-18 war. The Defence Production Act passed this autumn greatly widened the President's authority to press forward with rearmament and the powers which may be used only in an emergency are consequently fewer than they were when President Roosevelt took the same step in 1940. But there are a number of concrete benefits to be obtained, among them the right, sought by the Department of Defence, to retain National Guardsmen in service as long as it sees fit, and that to impose priorities on communications and shipping.

Official recognition of the crisis will make it easier for the country to accept the speed-up in mobilisation involved in telescoping three years' rearmament into two or less. But what has decided the Administration to act now, instead of in the New Year, is as much the domestic course of prices as the course of the Communist armies. The Department of Defence is as vitally concerned in the first as in the second; military appropriations begin to melt under rising prices almost before they are voted.

The voluntary method of controlling prices had its first, and perhaps its last, trial ten days ago when the Economic Stabilisation Agency appealed in vain to the Ford Company and the General Motors Corporation to rescind the rises they had announced. They refused on the ground that labour costs had gone up 11 per cent during the year and materials—many of them being stockpiled by the government—by from 5 per cent to 300 per cent. They cited particularly the fresh increase in the price of steel, the government's raising of synthetic rubber prices, and the reduction in the number of cars they can produce, in view of limitations on materials and restrictions on credit.

If the General Motors Corporation, which is on the way to earning a $1,000,000 profit this year, turns a deaf ear to the stabilisers, Congressmen have few hopes of other industries. But the newly appointed Price Administrator, whose organisation so far consists of a desk and telephone, will be in no position to enforce general price controls for at least another two or three months. The Office of Price Administration, during the last war, had nearly 70,000 employees. The authority to freeze prices and wages does not depend on the existence of an emergency. But the willingness of the public to accept even the individual ceilings which ought to be imposed at once may well do so.

* * *

Communism and the Courts

The eleven Communist leaders who were convicted in New York last year of advocating the overthrow of the government by violence have now presented their final appeal without benefit of the British Mr Pritt, since the Supreme Court refused to postpone the hearing until he was able to appear. The Communists lost publicity through this refusal, but probably little else; their American lawyers argued their case with ability, and with a restraint that helped the bench to do its legal duty and forget that these same lawyers had been convicted for contempt of the court which originally tried the case. The Supreme Court's decision, which will not be handed down for some time, is expected to be either a landmark or a landmine for anti-Communist legislation. The case gives the Court an opportunity of deciding, for the first time, whether the Communist Party is a subversive organisation and whether Congress may constitutionally pass legislation specifically directed against it. Such a decision would affect not only the Smith Act of 1940, under which the case was brought, but also the recent

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McCarran Act and numerous anti-Communist laws in the states.

One of the most discussed of these laws, New York's Feinberg Act, has recently been upheld by the State Court of Appeals, which believes that the legislature is entitled to disqualify Communists from teaching in the state schools. The Supreme Court, however, to the delight of Communists and fellow-travellers, has just reversed another decision that affects the enforcement of anti-Communist legislation. It has ruled that a Mrs Blau, convicted of contempt of court for refusing to answer questions about her Communist connections, was justified by the constitutional guarantee that no witness can be compelled to give evidence against himself; if she had admitted membership of the Communist Party she might have become liable to prosecution under the Smith Act. A number of similar cases are now pending against various persons who have refused to give evidence before Congressional committees.

The Constitution—the fourth amendment which forbids arrest without a warrant—is also partly responsible for the refusal of a Federal Court of Appeals to uphold the conviction of Miss Judith Coplon, who passed secret documents to a Russian on the staff of the United Nations. The court had no doubt of her guilt, but the detectives who laid a trap for her were so busy springing it that they forgot the warrant; furthermore, they did not succeed in convincing the judges that they could have got sufficient evidence against her if they had not tapped her telephone wires. Miss Coplon is not, however, yet safe from gaol. And only the Supreme Court now stands between Mr Alger Hiss and his five years' sentence, for in this most controversial of all anti-Communist cases the Court of Appeals could see no reason to reverse the New York verdict.

* * *

Preparing for the Worst

A real sense of urgency, to breathe belated life into civil defence plans, has at last been provided by the Chinese willingness to risk a third world war. Mr Truman has not only set up, by executive order, a Federal Civil Defence Administration, and appointed Mr Millard Caldwell, a former Congressman and Governor of Florida, to direct it; he has sent to Congress the Bill to put this agency on a permanent footing. It envisages the spending of $3.1 billion in the next three years by the federal, state, and local authorities. Washington would contribute about 54 per cent of this, taking full responsibility for the warning system and for regional stockpiles of medical supplies and other equipment, and matching, on a dollar for dollar basis, local spending on the proposed $2 billion shelter programme. These funds, however, will only be available to states containing official target areas—a very necessary safeguard against overbuilding. A number of cities hope to solve their peacetime traffic problems, as well as wartime defence ones, by building shelters convertible into underground parking lots.

The Bill is what the states and cities have been waiting for with growing impatience and irritation. The civil defence report issued in September by the National Security Resources Board alarmed many of them by proclaiming that civil defence was primarily a local responsibility and that the role of the Federal Government should be restricted to guidance and some supplementary aid. As most of the 140 or so primary target cities are already struggling with deficits, they were anxious that the Federal Government concede at least joint responsibility and take the lion's share of the financial burden.

The Administration would like to see the Bill passed at this short session, for all but four of the state legislatures meet in January. But Congress has taken fright at the drafting which, it argues, would make the Administrator a virtual dictator in an emergency. It is also suspicious of his right to encourage and approve state mutual aid compacts, a most necessary part of protection against atomic attacks. The right to approve inter-state compacts has always rested with Congress. The Department of Defence has, however, dealt with one objection; it has registered its reluctance to supervise civilian defence on the understandable ground that it has enough to do in other fields. One more sore point is the decision of the federal authorities to deal only with the states; mayors of large cities would prefer to deal with Washington direct, rather than through state legislatures, many of which are notoriously unsympathetic to urban problems.

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The federal organisation does not accept all the blame for past delay. It suspects the communities of "buck-passing" and is particularly critical of the "take-to-the-hills" mentality of some. Apart from the physical impossibility of evacuating large cities in time, war production requires that a bombed centre "get up off the floor and fight." Preparations are naturally farthest advanced on both coasts, which are uneasily conscious of their vulnerability. Governor Dewey has shown commendable energy in completing a mutual aid pact with New Jersey, and a larger pool of the New England and east coast states is in the making. New York City has actually sacrificed the sirens on its ambulances and fire engines to reserve them for a greater emergency; and shelter signs have gone up on four buildings. One of the greatest needs, however, is for an adequate warning system. The radar net will not be complete for at least two years, and in view of the makeshift nature of the present system, and the high speed of jet aircraft, the Air Force, temporarily at least, has abandoned its "blue" and is concentrating on a "red," or immediate, danger signal.

* * *

Wool-gathering

The Senate Preparedness Subcommittee, set up during the summer as a watchdog for the defence programme, has continuously snapped at the Munitions Board's stockpiling plans. In its latest report it drops the deficiencies in the rubber programme in order to get its teeth into the wool shortage, made topical by, although not responsible for, the lack of warm clothing for the troops in Korea. The Munitions Board, says the committee, was "obviously doing plenty of wool-gathering (but) none of it was for the stockpile." Its shortcomings will cost the taxpayer a great deal of money, for the wool for several million new uniforms must now be bought on a very inflated market.

Even before this latest increase in demand, the Commodity Credit Corporation's bags were empty of wool, even though four years ago they held the record stock of 540 million lb., greasy basis. The United States, which between the wars got about 75 per cent of its apparel wool from its own sheep, is now importing that proportion. The sheep population, at 27 million head, has been almost halved since 1942, while consumption of wool has increased by over 50 per cent since before the war. Domestic production of wool this year will be about 110 million lb., scoured basis, and may be slightly less next year, while consumption, for clothing and carpets together, is running at an annual rate of over 600 million lb. The difference must be made up by imports, coming largely from Australia and Argentina and therefore likely to be interrupted in wartime.

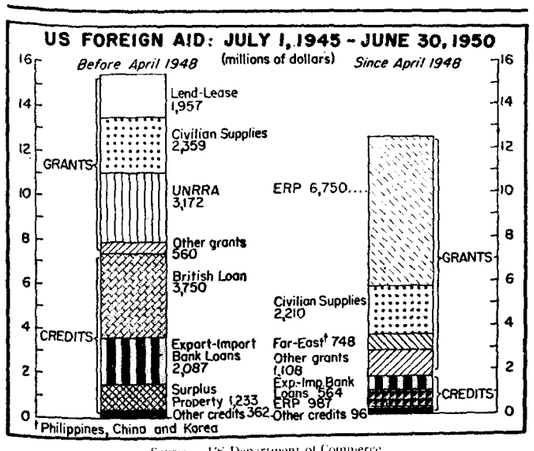
The Munitions Board's defence is that it had neither authority or money to buy wool until after the Korean outbreak. It was then authorised by Congress to acquire 100 million lb. of scoured wool for a war reserve, but its attempt to pre-empt this from this year's Australian clip failed. It is now to be acquired on the open market and will be stored in the form of materials and knitting

wool for the use of the armed forces, but, according to the Preparedness Committee, little has as yet been bought. The Department of Agriculture last August produced a scheme for increasing the sheep population by about a third in the next five years, by improved farming and marketing practices. Science may speed up this form of wool-gathering, for experiments with hormone drugs are enabling ewes to lamb twice a year. Science is also finding another solution for the wool, although not for the lamb chop, shortage, and one which may eventually send the sheep down the same road as the silk-worm. New synthetic yarns, notably Orlon and Dynel, are said to have the weight and warmth which nylon lacks. The high price of wool has led to an increasing use of rayon for suits and carpets; even the Quartermaster-General has confessed to making experiments with mixed fibres as substitutes for pure wool in uniforms.

* * *

Five Years of Foreign Aid

Under the Marshall aid that is to be suspended at the end of the year, Britain received a total of almost $2.7 billion, more than any other single country. This priority is, however, much reduced when the aid given by Britain to other participants in the plan enters into the calculation. From the beginning of the European Recovery Programme in April, 1948, to the end of the 1950 fiscal year, on June 30th last, the net aid received by Britain was $1,978 million, while France received on this basis $1,881 million. No other country has received anything approaching this proportion of Marshall aid, but during the same period grants to Germany, mainly under other programmes, amounted to nearly $2 billion.



Source US Department of Commerce

These figures are taken from an article on the foreign transactions of the US government in the November issue of the *Survey of Current Business*, which reviews American foreign aid programmes over the five years from July, 1945, to June, 1950, when their purpose was to help the free world recover from the last war rather than prepare for the next. Now the United States is planning to spend 60 per cent more this year on its own defence programme than it spent on foreign aid throughout the five previous years. In addition, the authorised expenditure on the Mutual Defence Assistance Programme is only a little less than the sum in grants and credits used under ERP during its first two and a quarter years of life.

After subtracting returns on grants, and principal collected on credits, the net foreign aid provided by the United States during the five postwar years amounts to almost $26 billion. The accompanying chart shows the striking change in the make-up of foreign aid which accompanied the beginning of the Marshall Plan. Before that, grants were used chiefly for direct relief and civilian supplies for occupied areas, while assistance for reconstruction took the form of credits. But after the middle of 1948 foreign aid became almost entirely a matter of grants. Even when principal and interest payments to the United States reach their peak in 1952, they will only amount to about $500 million a year. The American taxpayers certainly deserve any relief that the success of their efforts to foster European recovery can give them.

Shorter Notes

The Federal Power Commission has followed Solomon's example and has divided the New England market between the two natural gas companies who had been unable to agree on a joint scheme for the distribution of the fuel that the area feels will make all the difference to its prosperity. The decision means that Boston and Providence may have to wait some time for natural gas, since the company that was awarded this part of New England does not yet have sufficient gas to supply it.

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The prolific American hen is laying even better than the government bargained for and, as a result, egg prices will not be supported in 1951, for the first time since 1942. The level at which prices were supported was reduced this year from 47 cents a dozen to 37 cents, but the hens were not deterred from laying about 300 million more eggs. The Department of Agriculture already hold some $100 million worth of perishable dried eggs, and nearly all of this will be a complete loss. Next year the poultry farmers will suffer, but taxpayers will gain; so may housewives, since egg prices may become more reasonable. But high consumer demand, not price support, is the reason why eggs have recently been at their most expensive for thirty years.

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THE WORLD OVERSEAS

Men *versus* Material in War

(From a Correspondent lately in Korea)

THE boy David was giving away much weight to the formidable Goliath, but the slingshot did the trick. There ended the first lesson on the value of firepower. In Korea today Goliath, in his plodding battalions, treats the slingshot with contempt, as though it were not in fact modern, heavy-calibre, shaped, charged and jet-propelled—the heaviest potential fire-power in the world. A highly mechanised and armour-plated army is taking a strategical and tactical beating from a mass of under-equipped foot soldiers, flagrantly flouting all the theories of the best-placed contemporary experts. There are probably excellent broad planning and political reasons why the UN armies—supplied, mobile and with the initiative in the advance—were checked and finally routed by the peasant Chinese. The alleged mistakes of General MacArthur—second rate intelligence, calculated or miscalculated provocation—are still matters for furious conjecture. These factors alone, however, vital to the long international view, are not enough to explain this demonstration of the foot-slogger's superiority over the machine.

One has now come so completely to distrust GHQ's assessment of enemy strength and intentions that no really valid figures of enemy strength exist. It would seem that the forces are not so fantastically disparate as was usually accepted, when Tokyo talked in terms of astronomical divisions. For all that, odds of three to two, with a practically limitless strategic reserve of Chinese waiting to press home the advantage, weigh heavily against the United Nations. Nevertheless, previous army axioms, that one heavily armed technical soldier on the defensive can hold three light attackers, have been upset—largely, of course, because since the last Chinese offensive there has been no defensive. Unlike the long summer stand on the Naktong-Pohang perimeter, the UN behaviour has been forced and urgent retreat, with no opportunity of grouping for a stand even if a good and big enough defensive feature presented itself. Aggressive defence can only take place when the 8th Army, by *force majeure*, is compressed into a tenable beachhead.

Sub-Zero Fighting

In spite of the apparent metamorphosis in Korea, it can be argued that not many factors in what General MacArthur calls the "new war" are basically different from the earlier campaign, except the nationality of the enemy and the character of the climate. Korea is now cold and hostile, where it was hot and hostile. The Manchurian Chinese, with their quilted uniforms and their experience of the winter Gobi winds, are probably physically more at home in this sort of sub-zero fighting than the Americans or British. Apart from that, it is still the same war: superior manpower against superior weapons, with the men winning. It must be remembered that the entire campaign, from July onward, has been almost devoid of what could be called rearguard fighting, and even now the only delaying stands that have been made, outside Pyongyang and the Chongchon River, have been made by the British brigades.

Since the war's beginning one thing has been wholly clear: that a wheelbound army will always be at a disadvantage against superior numbers in mountainous country. At the risk of being boringly repetitious, every observer in Korea has argued over and over again that so long as the UN forces refused to abandon their jeeps and trucks in action and try to get above the enemy—i.e., on the hills—they would always be facing opposition fore and aft, whether from North Koreans, guerrillas or Chinese. The word "roadblock"—frequently meaning a single mortar position or machine-gun covering the rearward road—was constantly considered a good reason for pulling back an entire column to avoid flanking. Only the Marines, the British brigades, and certain specialised American units seemed to have any knowledge of what was known as "fighting on the slant." Initially and, indeed, for months the whole emphasis of training was on anti-tank action; and as it turned out this was exactly the wrong kind of war for that, nine times out of ten, just as the excellent and efficient 3.5 rocket projectile was little use against dispersed companies of nimble little men on hillsides.

At this moment the Chinese are in the splendid military position of having split the UN forces in two, without any need to fight on the awkward east-west axis. The communications of Korea, with its rugged hilly spine, are at their worst in the lateral sense. Even radio communication is chancy; walkie-talkies and tank radios are apt to black out among the mountains—another factor which interferes in no way with the activities of the enemy. Korea has always been a country much more simple to divide, as Nature did it, longitudinally, than as the politicians tried to do, by latitude.

The Chinese, with the regrouped North Korean divisions, are now showing how effectively a lightly-found army makes up in mobility what it lacks in heavy equipment. The lines of communication are not now notably longer on one side or the other, if it is assumed that the 8th Army are using Inchon as a supply port. But the Chinese are unencumbered with all the ancillary services so necessary to keep an American force in good heart—the hygienic and entertainment services, the aid posts, the bulky variety of canned rations.

The fact that the Chinese are at the gate of the homeland and know just what they are fighting for gives a subtle weight to the Chinese tactic—in their old military tradition—of attacking always in such a fashion as to leave to the enemy a practicable line of retreat, on the principle that soldiers will always fight more dangerously when there is no alternative but to fight. As far as the Americans are concerned there are obvious precedents; their most celebrated military moments have all been in last ditch stands—Wake, Bastogne, Bataan. The fierce resistance of the encircled X Corps on the east coast has been another example.

All these things have their bearing on the situation. But none of them explains the greatest puzzle of all—the failure of the air arm to interfere with the enemy's plans. The UN forces have throughout held absolute superiority in the air. Until a few weeks ago there is not a western commander who would not have conceded all the foregoing advantages to the enemy and yet reckoned, with command of the air and heavy aircraft resources, at least to have disrupted the enemy's advance tactically, without consideration of bombing Manchurian bases. The Chinese may be mobile and elusive in rough country; but it is scarcely reasonable to expect a pursuing army in full cry to crawl along the hilltops and gullies and not make use of the few roads. Admittedly, on several occasions the Chinese columns have been severely cut up from the air; but they continue to advance. Admittedly the weather conditions have been intermittently bad; nevertheless frontline reports suggest a consistent weight of sorties. No one who has ever been subjected to low-level rocket strafing from an unopposed air force will understand the apparent Chinese immunity to it.

Who Helped the United Nations?

WITH the quick ardour of old warriors charging off to a new Crusade, 52 members of the United Nations approved the Security Council resolution of June 27th to repel the North Korean invasion. But when the Secretary-General pressed on with the obvious sequel, a call for ground troops to do some fighting, the pace slackened. After five months of war, just 16 nations have made an active contribution to the Korean campaign. And last week, as the Chinese assault placed a brutal premium on each body in the line, it was revealed how unequal that contribution has been. The United States has 140,000 men in the field, the South Koreans another 100,000. To help restore the peace and to uphold the principle of collective security, the other nations of the free world have sent 20,000 men.

It is true enough that some of the units have contributed a fighting power beyond their numerical strength. When the advance party of 4,500 Turkish troops arrived in Korea on October 19th, only to be held in the rear areas, an officer complained: "We are jealous. We wish we could be there to join the fighting." Six weeks later, the Turks were fighting a gallant rearguard action.

With its 27th and 29th infantry brigades and the dozen or more warships of its fleet in Japanese waters, the United Kingdom has made the heaviest contribution next to the United States and South Korea. Canada has three naval vessels and some air transport in Korea, as well as 10,000 men training for special duty in the United States; but its first ground troops, a battalion of Princess Patricia's Light Infantry, arrived in Japan only this week. Australia has had a battalion of infantry in Korea since September 28th, plus an air squadron and three naval vessels; New Zealand sent a 1,000-man artillery force early this month. France has provided 1,000 volunteers, the Philippines a 1,200-man regimental combat team, the Netherlands 1,300 infantrymen and one destroyer, South Africa an aircraft squadron of 207 men. Greece contributed a battalion of infantry, as well as a few aircraft which saw their first action on December 5th. Other Uno aid adds up to a small mixed bag of ships, planes, medical supplies—and good will.

The modest size of this contribution has been fully noted by the American press, in its lunatic section, xenophobic division. In fact, American military leaders are themselves partly responsible for stemming the flood of volunteers from non-Communist countries. American commanders in the United Nations force have been unwilling to accept anything less than 1,000-man units of fully trained and equipped troops, and they have been unable to spare ocean transport to get volunteers to the combat area. In effect, this has limited participation in the fighting to those nations which can train their troops to meet American standards, provide them with American-approved equipment and deliver them to South Korean ports. Whether this is the controlling factor or not, it appears now to the soldier that the United Nations' experiment with collective security has become the old-fashioned spectacle of war between two interested parties.

Sanctions against China?

THE question of applying economic sanctions to China is one of the lesser uncertainties about western policy towards the Communists remaining unresolved. The complete answer obviously depends on what decisions are made about the greater uncertainties. But in the meantime the Americans have made their own position clear; they—that is the Government—do not intend that the United States shall in any way assist China's external trade. They will have difficulty in carrying the merchants with them; but they are determined to try.

When, some months ago, the prohibited list of strategic exports to Russia and Eastern Europe was extended to China, the total volume of useful goods going into the country from non-Communist sources was not substantially reduced. On December 2nd, the United States Government made export licences compulsory for all American exports whatsoever, destined directly for China, Hongkong or Macao. On December 4th, they extended these regulations to goods from all sources passing through American ports. On December 8th, they closed the last door in their own house by the decision to prevent American aircraft and ships from carrying goods of any origin bound for these destinations.

These measures by themselves do not constitute effective economic sanctions. To do so, they would have to be adopted by Britain, the rest of the sterling area, and the main machinery exporting countries of Western Europe—and possibly enforced by closing the Hongkong market to China trade. Despite an outcry by the Republicans against the "iniquities" of the Hongkong traffic, it does not seem as if the Americans are putting immediate, or at any rate public, pressure on the British to do anything further about it.

During the Washington talks with Mr Attlee, Mr Acheson suggested that, if negotiations proved impossible, the United



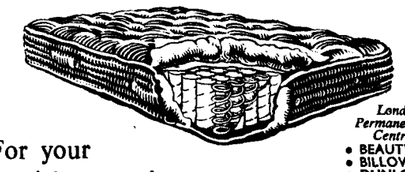
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Nations should embark on a "limited war" against Communist China. By this he meant that the fighting in Korea should be reinforced by the imposition of economic sanctions through a naval blockade of Chinese points of access to non-Communist supplies. In deference, however, to British feelings on the subject; it was agreed on both sides to shelve the question, at least for so long as the continuance of war in Korea remained only a hypothesis. Mr Attlee, in his speech to the National Press Club on December 6th, made a delicate but revealing reference to Britain's difficulties. "As long as the Stars and Stripes flies in Korea," he said, "The British flag will fly beside it." But, for anything else, Britain cannot avoid her "special position" in Asia; through her Commonwealth associations, past and present, it has ties and friendships there which America has not.

This particular instance is disturbingly reminiscent of the time, in 1935, when the League of Nations had to decide whether to impose economic sanctions on Italy. Again, the British felt they had special responsibilities—to prevent Europe going to war. They respected these responsibilities by restraining the League from imposing the complete sanctions which its Covenant demanded under the circumstances, with the result that a limited embargo on essential exports to Italy was imposed, but oil was excluded from it, and Italy's capacity to make war was barely affected.

In taking a moderate line about a blockade of China, Mr Acheson has shown wise reticence. For, if it is to be done, it will have to be handled with extreme tact and care. It is uncomfortably probable that Hongkong has so far remained unviolated by the Chinese because, on balance, it suits them to keep this link with Western commerce. Fifteen per cent of Hongkong's total imports come from the United States, and these will be severely cut by the recent American embargoes. Any further reduction can only be made in the light of a balanced view of Far Eastern strategy. But the British cannot escape the fact that, if war with China does go on, further reductions will have to come.

Germany's Export Drive

THE Federal German Republic is not turning its back on liberal foreign trade as a result of the crisis in its balance of payments which came to light in the European Payments Union last autumn. On the contrary, the OEEC recognised, after the Cairncross-Jacobsson investigations, that the exhaustion of Germany's credit with EPU was due to temporary causes which would be set right without reverting to the narrow policy of throttled imports. The Erhard Ministry of Economics breathed a sigh of relief. This justification from outside offset the painful effect of the criticism of Germany's excessive liberalisation, in the internal and external spheres, which came from the EPU experts.

Statistics fully bear out the conclusion that the initial EPU credit granted to Germany did not correspond to the present volume of its trade. They also confirm that, by next spring, German imports will not only be higher, but the foreign exchange will be there to pay for them—provided the Bonn Government really carries out the reforms which it proposes to undertake.

German exports have been increasing at a higher rate than imports, in spite of the importing spree that followed liberalisation and, more recently, the Korean crisis. During each of the last two years, exports have increased by 100 per cent. Moreover, as the OEEC has stressed, the increase in finished goods, which represent Germany's traditional and most valuable exports, has been still larger than the general rise. In the last twelve months, the export of finished goods has risen by no less than 150 per cent. Machinery exports have trebled during 1950. In part, Germany's return to its pre-war markets, such as Latin America, Turkey and Jugoslavia, has been achieved by granting better credit facilities than those offered by its competitors. The large sums outstanding for German machinery exports accounted to a considerable extent for last autumn's crisis in EPU. Something is now being done to remedy this fault. As far as Jugoslavia is concerned, however, the Germans can justly claim that they granted extensive long-term credit for political reasons, on pressure from the occupation powers.

In spite of the great increase in imports, Germany's deficit fell from $1,100 million in 1949 to half that figure in 1950. In October this year 84 per cent of total imports, which amounted to $312 million, were paid for. For the first time, exports rose above the 1936 level. During the first ten months of this year, 81 per cent of imports were financed by Germany itself.

Reform Rather Than Planning

It is more than likely that, in spite of bottlenecks in coal and imported raw materials, the tide of German exports will continue to rise. This assumption is made in the programme of reforms which the Bonn Government has submitted to the OEEC in order to carry out that body's recommendations and qualify for the additional credit from EPU. The cure for Germany's deficit is being sought in expanding German markets, particularly in Britain and the rest of the sterling area. Owing to the rush to lay in supplies of raw materials, and the rise in prices, the sterling area, with France, accounted for some 90 per cent of Germany's deficit with EPU at the time of the crisis.

It is the Government's policy to increase still further the percentage of finished goods to total exports, which is still 10 per cent below the 1936 figure. The manufacturing capacity to do so exists, and so does the demand in other countries. Germany is in the happy position of being able to increase exports without starving the home market. The export drive which has now been planned as part of the Government's programme will, it seems, consist less of measures to divert manufactures from the home market than of financial and fiscal aid to expanding export industries. For the first time, an attempt is to be made to guide investment into economically desirable channels by the somewhat negative means of limiting the present extraordinary power of enterprises to build up tax-free capital for reinvestment in their own concerns. The payment of dividends will be encouraged with the idea of establishing a market for new issues. Such measures represent reforms of abuses rather than a return to state planning and controls.

Though the main effort is to be made in expanding exports, some reforms are also intended to limit luxury and speculative imports. Here, too, the measures taken will merely check the excesses which were characteristic of German liberalisation. Fiscal means will be used rather than quotas, though some imports, such as eggs, have been removed from the free list. The *Bank Deutscher Laender* will maintain the measures it took to meet the initial crisis, notably those to tighten money and stop the *Land* Banks from issuing foreign exchange permits to all and sundry. No radical deflation, however, is intended. Nor, if it can help it, will the Government go far in controlling raw materials. It is, however, pressed on two sides; by the need to foster export industries, and by the American demand that, in face of rearmament, German consumers should be controlled to at least the same extent as in the United States. At present, rationing of basic materials is being carried out where possible, by the industries themselves; but the Government will find it hard to avoid some measure of state controls. They will, however, be called something more palatable than "rationing," in order to avoid recreating the black market psychology which the Erhard policy has done so much to overcome. If fiscal means can effectively weaken the pull of the home market, and Germany's customers play their part, the most satisfactory solution for the balance of payments problem may really have been found.

Eastern Europe Tackles the Coal Problem

EASTERN EUROPE, no less than Western, is worried about its coal supplies and energetic efforts are being made to stimulate and increase production. It is true that there do not seem to be as yet any severe shortages—although Hungarian industry has been ordered to economise; nor, except in Czechoslovakia, has there been a failure to fulfil planned targets. But Poland, Czechoslovakia and Hungary are all in the first stages of ambitious—and in some respects complementary—five- or six-year economic development plans, which will be gravely handicapped without greatly increased supplies of coal.

The Czech planners not only increased their original coal target for 1950, but, as a result of a special order from the Communist Party, introduced last spring an extra "super-plan" which is supposed to produce an additional 1,600,000 tons. (Since September neither the normal nor the super-plan has been completely fulfilled.) The Hungarian Cabinet has recently resolved that coal production in 1951 must be increased by 20 per cent over this year's production, which in November was reported to have increased by 13 per cent over last year's figure. The Polish miners are said to have already dug 4,000,000 more tons of coal than last year, and to have exceeded this year's target by 1,200,000 tons in eleven months. But Poland, with the largest coal resources, must provide not only for its own increased needs, but also, it appears, for any gaps in the supplies of the other Soviet satellites; and the Polish six-year plan envisages an increase in production of over 25 per cent to 100 million tons a year by 1955.

Help from the Russians

Throughout Eastern Europe the shortage of trained manpower for industry hampers the recruitment of extra labour for the mines. Increased production must be secured through greater mechanisation and through stimulating a much greater productivity of labour. According to the Polish deputy Minister of Mining, Mr Lesz, only 5,000,000 tons of Polish coal are loaded by mechanical means at present. By 1955 it is planned that 65 per cent of Polish coal shall be loaded mechanically, so that at least 20,000 coal loaders will be able to train as skilled workers. The Polish Minister of Mining, Mr Nieszporek, said at the Miners' Day celebrations on December 4th that the past year had marked a turning-point in the mechanisation of Polish coalmining, thanks to the "brotherly help" of the Soviet Union.

A certain amount of Soviet mining machinery does in fact appear to have been delivered not only to Poland but also to Hungary (for example, drilling machines for the Dorog mines) and to Czechoslovakia. But in Hungary the mechanisation of the mines seems, so far, to have been carried out with little enthusiasm. There has even been what Mr Rakosi called "a certain amount of antagonism towards mechanisation." He also actually admitted that "political motives sometimes play their part," and implied that a certain amount of prejudice has sometimes been exhibited against machines and technical methods known to come from the Soviet Union.

The chief obstacle to increased coal production in Eastern Europe clearly lies in the unco-operative and unresponsive attitude of the miners themselves, which makes any increase in labour productivity hard to achieve. Absenteeism is widespread; in Hungary as many as 25 per cent of the workers were recently reported as absent from one mine either with or without authorisation. Drastic measures have recently been introduced to restore discipline. For instance, underground workers who have not missed a single shift in the

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year will be given a "loyalty bonus" which may amount to as much as 20 per cent of their basic annual wage. If they miss one shift the bonus will be cut by a half, and if they miss two they will lose it altogether.

A special effort is now being made in Hungary to persuade all miners who possess smallholdings to give them up. It is argued that the miner with land not only stays away to cultivate it, but cannot give of his best when working in the mines. As Mr Rakosi put it, "all he is thinking of is to go home as quickly as he can to go rooting in his land."

The East European governments rely heavily on stimulating production by increases in the basic wage rates and the development of the system of incentive payments on the Soviet model. The Poles have raised the basic wage in the mines by 22 per cent while increasing the norm by 10 per cent. The Hungarians have recently introduced a series of "achievement bonuses" which increase according to the extent to which the miner exceeds his monthly norm. Last autumn the Czech miners received a "loyalty bonus"; this was paid although the miners' performances did not really qualify them to receive it. All these financial incentives, however, lose a great deal of their point so long as norms are constantly raised and so long as prices remain high and consumer goods in short supply. The constant incitement to engage in special shifts ("peace shifts," for example) and in socialist competitions, also does not have entirely satisfactory results. It leads to what the Czechs call *sturmovstina*, or spasmodic output records—not at all the same as a steady and reliable increase in production. To achieve this the authorities are making great efforts to improve the standard of living of the miners and to provide them with better housing and transport.

Labour Unrest in Finland

[FROM A CORRESPONDENT]

THE crisis which began with the Finnish engineering strike in September is not yet over. The strike ended on November 1st, when a new wage settlement was reached and the Premier promised measures to stabilise wages and prices. But the implementation of the agreement has caused further disputes between unions and government, and the loss of some parliamentary support has made the Kekkonen Ministry's position most precarious. Obstacles to the formation of a strong coalition government appear insuperable, while a dissolution followed by electoral agitation could hardly improve the situation.

The immediate cause of the strike in the engineering industry—which employs one-third of Finland's industrial labour force and supplies a high proportion of the goods delivered to the Soviet Union as reparations, was the uncertainty and complexity of wages. Most of its workers received piece rates, and the basic time wage formed only a comparatively small part of their earnings. The rest was made up by a series of cost-of-living allowances and bonuses for different types of work. The piece workers, and the small number of skilled time workers, did reasonably well in practice, but few knew how much they were entitled to. Their sense of insecurity was increased by the widespread fear that, as reparations come to an end, the industry's markets would decline and the employers would be able to reduce their wages by removing some of the bonuses. As for the 10 per cent of unskilled time workers, their pay was definitely low. The metal-workers union thus demanded for the majority of workers a simplified system, and for the minority of unskilled better pay. These two aims were to be achieved by introducing a much higher basic time rate. The employers feared that if the basic rate were raised the bonuses and allowances would also be raised. In this case the costs of the industry would be intolerably high. They are already too high to allow it to compete in most foreign markets. Its best customer for the next five years is likely to be the Soviet Union, which undertook by the trade treaty of last June to buy its products at "world market prices." Should costs rise still further the industry would have to sell to Russia at a loss.

With both sides equally determined, the government-appointed mediator was unable to secure a compromise, and the strike began at the beginning of September. A month later, the central Trade Union Council (SAK) threatened to declare a general strike on October 22nd unless the metal-workers' demands were granted. The government then set up a conciliation committee, consisting of the Minister of Trade and Industry and the two most prominent representatives each of SAK and of the Central Employers' Organisation. This committee's proposals were accepted by SAK at the last moment, and the general strike was averted. At the end of the month the metal workers decided to accept them, by a very narrow majority, and on November 1st they went back to work.

Farm Prices Raised

The effect of the new agreement was to raise the wages of the worst-paid workers by about 4 per cent. and to maintain the existing level for the rest. A new Committee for Stabilisation of Wages and Prices was set up. As a concession to the workers, a prominent Social Democrat was appointed as its chairman. On November 5th, however, SAK declared that it would not take part in the committee.

The task of maintaining the workers' standard of living is in any case extremely difficult. The economic conflict between farmers and townsmen, familiar in most European countries, is especially acute in Finland and is an important cause of the recent strikes. In the interest of the farmers, and especially of the minority who have considerable surpluses to sell to the towns, the present government, dominated by the Agrarian Party, raised some farm prices last May and promised to raise others in the autumn. The farmers' claims are by no means unreasonable, and their votes are important to the Agrarians To satisfy both them and the workers it will be necessary to spend more money on subsidies, and it will not be easy to find more revenue. The inflation of the last year has already made the present exchange rate of the Finmark quite unreal. Devaluation can probably not be postponed much longer.

Apart from wage rates and cost of food, the third, and perhaps the most important cause of the strike was the rivalry of Socialists and Communists for control of the trade unions. The Socialists recaptured the unions after the first post-war gains of the Communists. At present they have a majority of about 60 per cent in SAK. In the metal workers union the majority is smaller. One reason for the strike was to strengthen their position in this industry by showing that they were better protectors of the workers' interests than the Communists. Whether they have succeeded remains to be seen. The Communists, who did not initiate the strike, and treated it as a dishonest manœuvre by the "right-wing socialist traitors to the working-class," did their utmost to prevent its conclusion. When conciliation proposals were put to a ballot of the metal workers, 10,500 voted for acceptance and 9,400 against. When it is remembered that only a third of the workers took part in the ballot, and that the Communists always mobilise every possible supporter, the opposition is not quite so impressive as at first sight. In the municipal elections at the beginning of October, the Communist vote increased by 2.5 per cent and the Socialist by 3.2 per cent. There is thus no evidence yet that the Socialists have lost ground to the Communists. This will largely depend on the practical effects of government economic policy in the next months.

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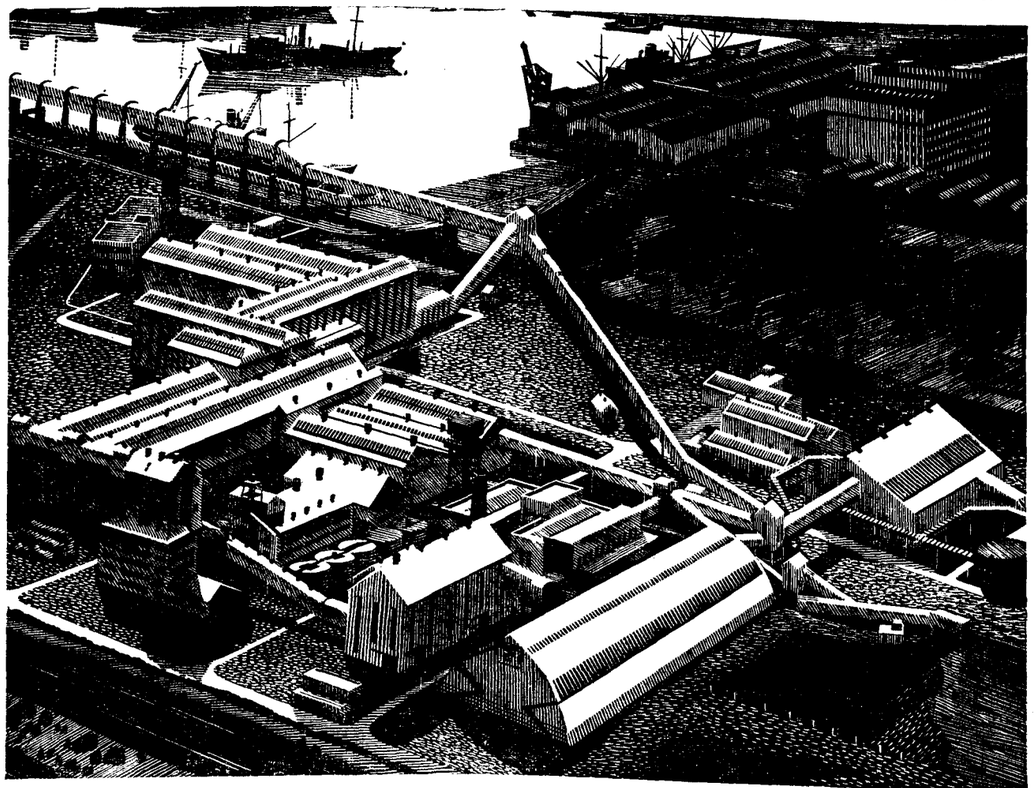
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THE BUSINESS WORLD

Industry and Raw Materials

FOR the past six months it has been quite obvious that if British industry were to fulfil all that is expected of it for defence, exports and essential home requirements, the biggest limiting factor would be the supply of key raw materials. Even when the Government's intentions about defence were limited to the extra amount of output that could be devoted to rearming without disturbing anything else, additional output clearly implied more raw materials. Events have since shown that the aims were too modest and that extra raw materials for defence are simply not to be had "without disturbing anything else." British industry, which has been none too well informed in recent months about the Government's intentions on production for defence, is now exhibiting an understandable state of nerves, and it could become an easy prey of the more excitable line of prophecy which holds that, within a few weeks, vital sectors of industry will be shuddering to a standstill for want of raw materials. This note of hysteria is helping neither industry nor defence; the prospects are quite serious enough without it.

Stocks of Essential Raw Materials

Commodity	Unit	Month	1949	1950
Coal	'000 tons	Oct.	19,236	16,802
Coke	"	Oct.	3,224	2,486
Steel scrap	"	Oct.	834	770
Copper	"	Oct.	143·9	120·4
Zinc	"	Oct.	65·1	41·0
Lead	"	Oct.	61·9	72·0
Softwood	'000 stds.	Sept.	277·1	234·1
Cotton	'000 tons	Sept.	336	296
Wool	mn. lb.	Sept.	312	220
Rubber	'000 tons	Sept.	47·4	40·3
Molasses	"	Sept.	221·8	174·0
Industrial Alcohol	mn. bulk gallons	Sept.	3·91	0·32
Sulphur	'000 tons	Sept.	104·1	95·5
Paper-making materials	"	Sept.	181·9	109·7
Wood pulp	"	Sept.	433·1	303·5
Bricks	million	Oct.	170	104
Cement	'000 tons	Oct.	174	202
Plasterboard	'000 sq. yds.	Oct.	1,050	832

The past week has brought little enlightenment about the exact ways in which commodities are to be shared to the best advantage among the North Atlantic Treaty Powers and allocated among industries to obtain the most urgently needed end-products. The joint communique issued at the end of the Washington talks stated that the President and the Prime Minister "recognised the necessity of international action to assure that basic raw materials are distributed equitably in accordance with defence and essential civilian needs." That form of words might imply that a full system of international allocation may eventually be worked out. But as the statement proceeded to make plain, immediate action is confined to "immediate problems of raw materials shortages and consideration of these specific matters will continue." What has been gained is the principle of *ad hoc* negotiation designed to limit the impact of specific and critical shortages. It is true also that the communique recognises that "the maintenance of healthy civilian economies is of vital importance to the success of our defence efforts." But British industry is certain to find that in future debate about the division of supplies of essential raw materials it will be defence needs, rather than civilian requirements no matter how "essential," that govern American views. It may be that as an outcome of the Washington talks British industry can expect to receive rather larger supplies of certain scarce materials than might otherwise have been the case; it may, for instance, already be possible to share more effectively the supply—and the shortage—of zinc.

But procedure of this kind for every case as it arises—usually at short notice—would be tiresome and it is doubtful whether official machinery would be able to take quick and effective decisions. Nor, to turn attention homewards, is there any sign of effective steps to "ensure the proper distribution in the national interest of those metals where a severe shortage persists." This is a quotation from the Minister of Supply's statement of ten days ago; it dealt entirely with metals and disclosed that measures to secure "the proper distribution" that were now under consideration in consultation with industry included restrictions on the export of semi-manufactures, "the prohibition of the end uses of these metals for inessential articles," and the institution of allocation systems. But schemes of this kind take time to devise and even more time to make effective; the efficiency of controls at their best was never high and whether or not a few specific controls can be devised and given a fair chance to work effectively, the fact is that allocation has been introduced for only two metals—for zinc from October 1st and for copper from January 1st. If allocation is being carried out at all, it is by the larger suppliers of metals, raw materials and components, applying with what wisdom and patience they can command their own ideas of what constitutes the "national interest." Such an informal system of rationing may not give inferior results to a system of detailed controls working on arbitrary lines and using much manpower. But it cannot guarantee that scarce materials will in fact be used for defence, exports and essential home needs, in that order. Who is to control their end use, unless the manufacture of "inessentials" is again made illegal? Who is to measure the damage to productivity caused by interrupted supplies of materials and components and by the concealed unemployment that will occur in civilian production?

The risk is a slow building up of defence output and waste in other parts of the productive machine arising from scarcities of materials and the reconversion of industry to defence needs—not breakdown but growing inefficiency in the vital parts of industry.

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It has been said in these columns that supplies of most industrial materials would suffice for the needs of the free world, but not also for stockpiling at a high rate. It would be too simple a view to attribute the fall in the stocks held by British industry solely to American stockpiling; other factors such as bulk purchase, and unrealistic price policies have played their part in denuding industry of adequate stocks of basic materials. The most recent information about stocks is given in the panel on page 1095; this shows the serious contraction in stocks during the past twelve months. With only a few exceptions (lead and cement among them) every raw material—whether home produced or imported, whether metal or fibre or chemical—is scarcer than it was at the time of devaluation. There had, of course, been some extra buying in the expectation of devaluation, but the stocks then laid in have been heavily drawn upon this year and in every case are well below what is needed to ensure rising output on which the Government has hitherto been naively counting for meeting defence needs. It must be recognised that shortage of materials now compels deliberate choices among different ends; that although rearmament in Britain has so far played no important part in producing the shortages it will be affected by them unless other competing uses are restrained. Growing defence demands that are inexorably met in full can only heighten the effects of material shortages on civilian production; in the main these are still of immediate concern for industry's buying and stock departments, but they are beginning to penetrate into production and will soon do so fast.

To these world-wide shortages of basic materials will be added other shortages of domestic origin—coal, power, certain types of steel, and certain types of labour. The coal shortage, itself a consequence of too little willing and suitable labour, casts its threatening shadow beyond the next critical ten weeks, but it will need good luck and good weather to avoid dislocation of industry even though exports of coal have been cut and imports resumed. Economy in power will be enforced by load spreading and cuts; these are already having a damaging effect on output and in a hard winter lack of power would be a handicap to any expansion of industrial output even if there were no shortages of other kinds. Perhaps the one really serious shortage of skilled labour—apart from the departing miners—is the limited number of engineering draughtsmen available; these will have to be drawn from civilian work in considerable numbers as the defence programme gathers momentum. "Shortages" of skilled labour have been reported in a variety of industries since the war, but the recent expansion of output has been achieved despite them; transference between departments or between firms will probably resolve any extra needs imposed by defence. There is as yet no real shortage of general types of steel; sheet and strip and tinplate are not new shortages, though they have been accentuated by the decline in the small supplementary imports and by the lack of aluminium to serve as a substitute in certain uses. Nevertheless the steel industry, as a later note explains, is preparing for certain difficulties next year, and has begun to reduce its export commitments; these steps, it is hoped, should enable the steel industry to meet normal demands but will allow no room for any expansion of stocks.

II.—Impacts on Production

Shortages of materials have already made their impact on production in certain industries concerned with the processing or semi-fabrication of materials for use by other industries engaged in finishing and assembling. These primary industries include galvanising, the vulcanising of rubber, metal plating, and sulphuric acid production, but even here the effects of shortages are by no means uniform. Galvanising is likely to be affected to a greater degree than zinc die-casting, since supplies of high-grade zinc used in casting are easier than supplies of normal grades; in the iron and steel industry, however, the shortage of zinc—at this stage, at least—presents a problem of replacing stocks rather than a threat of immediate curtailing of production. Brass producers and fabricators, like the die-casting firms, have already been using zinc stocks intended for 1951, for recent supplies—representing no more than 90 per cent of the low consumption of 1949—have been inadequate to meet this year's expanding needs. Metal plating firms, many of which have turned to zinc in recent years as a substitute for cadmium have found themselves in difficulties caused by the sudden shift in the supply of the alternative metal; nickel has been informally rationed by suppliers for some time, and chrome, apart from its price, is likely to become scarce. The Ministry of Supply's estimate that supplies of ordinary grades of zinc in the first quarter of next year may have to be restricted to little more than half this year's rate of consumption has brought many despairing complaints that production would become uneconomic and firms would have to close; there is a natural tendency for any trade caught in such circumstances to make the most pathetic case for itself, but it is a fact that many of these firms are extremely small productive units. The rubber industry uses large quantities of zinc oxide, the use of which has already been cut to a minimum this year because of high prices and cannot be reduced further without affecting output; it also uses some sulphur, and the cuts in supplies of "regular sulphur" may soon bring about a reduction in the industry's output of tyres and other rubber products. Many of these processing trades are affected by the dire shortage of sulphuric acid; producers have already been rationing their customers for several months and there is no speedy and cheap way of increasing the supply of acid.

Simultaneous shortages of materials such as now exist may not necessarily be cumulative in their effect upon any one industry or on the whole economy. For example, the shortage of copper is felt less by makers of brass alloys since zinc itself it so short; the scarcity of sulphuric acid affects the tinplate industry at present less than it would if supplies of sheet were not already short. If sheet steel were adequate, the shortage of zinc die-castings, which make up about 65 per cent of the castings used in a car, would become the limiting factor in car production. The motor industry expects difficulty in the supply of components using non-ferrous metals, such as door handles, sump and gearbox casings, and carburettors, and it is already beginning to cut down the use of plating on external trim. Sheet supplies in the first quarter of next year have been cut to an extent which might cut car production by 5 to 10 per cent below the present record rate; after that, zinc shortage might become the most important limiting factor on output.

The rayon industry will be affected by shortage of sulphuric acid as well as of "regular sulphur," but they have some power to control their acid supplies since their own acid production has already been partly converted to use pyrites. But the shortage of cotton linters and spruce pulp is beyond their control; the industry is hopeful about maintaining present output, but these basic shortages are likely at least to limit any expansion of rayon supplies next year. Hence those textile manufacturers in Lancashire and Yorkshire who are anticipating—but not yet experiencing—cuts in production through the shortage and high prices of their own natural fibres may have less opportunity than they hoped for substituting rayon for natural fibres.

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Makers of electrical equipment, who together are among the largest users of non-ferrous metals, also require sulphuric acid, fabric-based plastics for insulators and paper; this industry will be forced to squeeze the consumer end of its wide range of products; but the scope for big savings has diminished since the demand for domestic electrical appliances—apart from refrigerators and washing machines—has recently been running no higher than the replacement level. Here the choice between making essential products and of limiting other production is likely to be easier in method if not simpler in content; most of the larger firms manufacture heavy and industrial equipment as well as consumer goods. Shortages of materials seem unlikely at present to affect the radio and television industry, for this requires small amounts of materials, some of which can be replaced by substitutes; but its booming curve of domestic production and exports is likely to be crossed next year by the demands of defence production for components. Cable makers, faced with shortages of rubber and sulphur for vulcanised insulating material and short of metals for electrical conductors, have so far managed to maintain production from stocks.

Apart from sulphuric acid, which has almost universal applications in industry, and phthalic anhydride, used to make plasticisers for the paint and plastic industry, no serious shortages of chemicals should develop next year. The industry will be bringing into operation new petroleum and chemical plants which will ease the recent shortages of alcohol and acetone and the long-standing lack of phenol. The plastics industry indeed should not be greatly affected by shortage of materials during 1951, though naturally if any large-scale demands for substitution were to develop through shortage of metal castings or of insulating materials, its capacity would probably be insufficient. Supplies of chemicals generally are expected to be somewhat lower in the first quarter of next year than at present, but still higher than the rate earlier this year.

Production of alloy steels has not yet been affected by the shortages of non-ferrous metals, but large consumers of stainless steel, including the makers of equipment for chemical, petroleum and food processing and the manufacturers of domestic equipment such as washing machines, are expecting serious difficulty. Nickel and chrome, the two alloying metals concerned, are already scarce; and if the production of gas turbine engines for the defence programme expands considerably these power units—which use large amounts of nickel-chrome alloys—will take an ever-growing share of supplies which are unlikely to be increased.

In most industries the impact of shortages will be graduated largely by the financial power and sagacity each firm has been able to deploy in recent months in the accumulation of private stockpiles. These provide advantages for the more highly organised industries and for larger firms that are able to exert strong claims on their suppliers. Government allocation, however it materialises, might tend to produce the same result. Apart from basic allocations, the firms that require priority for defence or export orders tend, as a rule, to be the large ones. In the mass of small firms engaged in the light engineering industry, many firms have been simply met with refusals of orders for zinc, aluminium and steel sheet, or with offers of delivery in more than six months time. Since many of these firms have not been particularly busy in recent months, and few hold substantial stocks, this drastic curtailment of materials may force some to close down; it has already forced

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some in the Midlands and North to lay off redundant labour. Without Government pressure, "inessential" firms are certain to suffer in the competitive struggle for supplies. But their potential contribution to defence and exports is not to be despised and should not be wasted.

III.—Outlook for Supplies

"We have agreed to work closely together," the Washington communique records, "for the purpose of increasing supplies of raw materials." This is a long range intention and it may have important results eventually. But it cannot affect the short-run prospects of British industry. In this third section an attempt has been made to calculate the prospective supply of certain raw materials that may become available to British industry during the first half of 1951. Such supplies will have to be devoted to all uses: defence, export and home needs.

Among the non-ferrous metals, *zinc* is perhaps the most seriously short and the shortage will have widespread effects. The Minister of Supply has stated that supplies of all grades of zinc in 1951 "will, as far as can be seen at present, involve further cuts in consumption"; supplies of ordinary grade used for galvanizing, brass-making and zinc oxide will be particularly short and consumption in the first three months of next year may have to be reduced to a little more than half of the level recorded in the first nine months of 1950. Zinc consumption between January and October has averaged 20,000 tons a month, a rise of 20 per cent compared with 1949 when consumption was unusually low; of this quantity 10,500 tons consisted of the ordinary grade. Total stocks at the end of October amounted to 41,000 tons against 65,100 tons twelve months earlier. Stocks of ordinary grade zinc have declined more rapidly than those of electrolytic and high-grade. At the end of October, 1949, ordinary grade zinc stocks totalled 35,100 tons while at the end of October, 1950, they were 20,000 tons; on the other hand, stocks of high grade zinc fell during the same period from 30,000 tons to 21,000 tons.

Prospects for zinc supplies can be readily summed up. The current level of consumption is 240,000 tons a year, of which 126,000 tons is of ordinary grade zinc. Home production might yield 70,000 tons for the year (55,000 tons ordinary grade). Hence if stocks are not to be further reduced, imports would have to be of the order of 170,000 tons against an annual rate of 145,000 tons so far this year. Such an increase in imports next year of the order of 25,000 tons would only seem possible if metal could be purchased from the United States, and unless the United States Government modifies its present plans, British imports from America are, in fact, likely to be smaller. If the cut in consumption of ordinary grade zinc, as outlined by the Minister of Supply, is put into effect, a saving of 15,000 tons for the first quarter would be achieved.

The outlook for *copper* seems less serious. Consumption this year has so far been only slightly larger than in 1949—incidentally the smallest for any year since the war. Yet stocks have declined; at the end of October they amounted to 120,400 tons against 143,900 tons twelve months earlier. Imports of unwrought copper have averaged 26,800 tons a month this year compared with 25,900 tons a month in 1949. Rhodesian production could still be expanded if enough fuel can be got to the smelters. The present level of copper consumption could be maintained without any undue running down of stocks, provided that supplies from Canada and the United States are not reduced. But that is a big assumption. Both these countries supply special shapes of copper and there is no guarantee that these supplies will be adequate. Indeed there is every reason to believe that they will be much smaller than this year for the United States is consuming an ever increasing quantity of its own and Canadian production. This shortage, however, will affect only certain manufacturers, who might, as the Minister of Supply suggested, be able to make do with other shapes.

Supplies of virgin *aluminium* next year are to be reduced to 15,000 tons a month from the current level of 17,000 tons a month. Consumption between January and September averaged 14,400 tons a month, but it is believed to have increased sharply since last year consumption averaged 15,000 tons a month. No stock figures are disclosed for aluminium, but imports this year

RAW MATERIAL PRODUCTION, IMPORTS, CONSUMPTION AND STOCKS

(monthly averages)

Commodity	Unit	Year, 1949				January to October, 1950			
		Home Production	Imports	Domestic Consumption	Stocks at End of Period	Home Production	Imports	Domestic Consumption	Stocks at End of Period
Copper—Refined	'000 tons	8·8	14·6	26·6	129·7	9·8	17·5	26·8	120·4
Other	"	...	11·3			...	9·3		
Zinc—High grade	"	0·6	12·0	7·9	35·5	1·7		9·4	21·0
Ordinary	"	4·7		8·7	26·1	3·9	12·0	10·5	20·0
Lead	"	0·2	15·6	13·3	51·4	0·2	15·3	13·8	72·0
Tin	"	2·4	(a)	1·7	16·1	2·3*	0·3	1·9	12·4
Aluminium	"	2·5	13·8	14·9	n.a.	2·4†	12·9	14·4†	n.a.
						January to September, 1950			
Cotton	mn. lb.	...	85·6	81·8	651·8	...	86·1	78·3	663·0
Wool	'000" tons	4·6	56·6	41·8	288·0	4·5	53·7	44·5	220·0
Hard hemps (sisal and manila)	"	...	6·0	5·4	10·3	...	6·2	6·0	10·8
Soft hemps	"	...	1·0	0·8	5·6	...	1·0	0·9	5·6
Woodpulp—for paper-making	"	...	110·0	96·5	321·5	...	109·6	115·9	250·3
for industrial use	"	...		10·9	67·8	...		14·3	53·2
Rubber—natural	"	...	13·1	76·2	39·2	...	18·6	67·6	40·3
synthetic	"	...		0·9	1·2	...		0·2	0·9
Sulphur—for sulphuric acid	"	...	32·6	25·6	87·1	...	38·5	29·8	77·3
for regular use	"	...		7·2	12·5	...		9·0	18·2

(a) Negligible. * Average for seven months. † Average for nine months.



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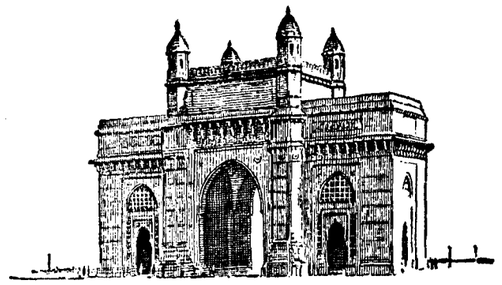
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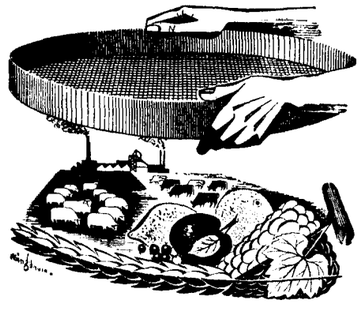
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will be some 30,000 tons lower than in 1949 and stocks in this country will be reduced by nearly 25,000 tons. The cut in supplies next year by 2,000 tons a month seems to substantiate this estimate. *Tin* consumption has increased this year, though it is still smaller than in any of the postwar years except 1949. Manufacturers can buy supplies if they are willing to pay the price, though the purchases for the American stockpile have created a dearth of spot supplies from time to time. *Lead*, too, is in relatively comfortable supply. Australia provides the bulk of Britain's imports and the quantity received this year has been much larger than in 1949; stocks have also increased.

*

Unfortunately this is not true of the alloy metals. Statistics relating to consumption and stocks of most of them are not available but a certain amount of information can be gleaned from the trade returns. Imports of *manganese*, *chrome* and *nickel* have been much smaller this year than in 1949 and there seems little prospect of larger supplies, at least of manganese and nickel, next year. China and Russia are two important sources of manganese, though British supplies are obtained largely from West Africa. Nickel is already acutely short and America is purchasing supplies outside Canada, the world's largest producer. Slightly smaller quantities of *tungsten* ore have also been imported this year and if there is any substance in the report that the United States is buying 5,000 tons for its stockpile, a shortage may become apparent in 1951. In contrast, imports of *cadmium* this year have been large and stocks have increased, while imports of *antimony* and *molybdenum* have also exceeded last year's level.

The textile shortage will be the one most obviously apparent to the public, for all three clothing fibres—cotton, wool and rayon—are affected. *Cotton* consumption has declined slightly and the monthly average in the first nine months of the year amounted to 78.3 million lb. compared with 81.8 million lb. in 1949. Imports this year have been slightly larger than in 1949; the smaller supplies from the United States were offset by larger quantities from East and West Africa, Egypt and Brazil. But despite reduced consumption, stocks have been run down; at the end of September they totalled 663 million lb. against 753 million lb. twelve months earlier. Normally, Britain would have increased its purchases of American grown cotton this season to replenish its stocks, as purchases were cut in July, 1949, to reduce dollar expenditure. The severe export restrictions imposed by the United States two months ago will mean that stocks in this country may have to be reduced still further. Under the American quota system, supplies to Britain were cut proportionately much more than those to other countries, presumably on the assumption that substitutable cottons are grown in the sterling area. In fact, Nigeria is the only Commonwealth area which produces cotton of the American standard staple. The lack of American cotton may not reduce activity in Lancashire immediately, but it will certainly retard the recovery in output that has taken place in the past three years, and it will present spinners with great difficulties in switching to other growths. Certain reports suggest that in consequence of the Washington talks the United States will raise its export quota to Britain; even if this happens supplies will still be inadequate. The cotton shortage is a direct result of the drastic restriction imposed on American cotton acreages twelve months ago. If next summer's crop reaches the target of 15 million bales, the immediate crisis will be surmounted. Next year this country might be able to import 1,000 million lb. of cotton compared with about 1,035 million lb. this year, but only if the United States increases its export quota.

The *wool* shortage arises from natural causes. Ever since the end of the war world consumption has exceeded production, and the gap was bridged by stocks accumulated during the war. These stocks are now virtually exhausted, so that world consumption will in future be restricted to the annual clip. World consumption in 1951, therefore, will have to come down by between 10 and 15 per cent, and there is no hope of using other fibres to make good this loss. The wool industry can buy as much wool as it is willing to pay for at the auctions, but prices are dizzy enough, and consumption next year will almost certainly have to decline by about 10 per cent.

Consumption of both the hard hemps (*sisal* and *manila*) and of the soft hemps has been running at a higher rate this year than in 1949, and though imports have been more or less maintained, stocks have fallen. At the end of September stocks of hard hemps amounted to 10,800 tons against 14,600 tons twelve months earlier, while stocks of soft hemps fell during the same period from 7,370 tons to 5,630 tons. World production of sisal is expanding slowly, but demand, which was firm even before the invasion of Korea, has since been inflated by heavy stockpile purchases by the United States. If American buying shows no further increase, imports into Britain next year could be maintained at least at the 1949 rate. Figures for *jute* consumption and stocks

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have not been published by the Board of Trade for several months. It is, however, quite safe to presume that stocks are low. So long as Pakistan has to rely on Chittagong as its main outlet, no large-scale increase in exports is possible. The illicit transport of raw jute from East Bengal to Calcutta is growing, and some reports suggest that the quantities involved form a sizeable proportion of Pakistan's total crop; if so, this development offers no encouragement to expect larger exports through Chittagong.

Sulphur is critically short, and difficulties of sharing sulphuric acid supplies among many industrial users have already been noted. Elemental sulphur comes largely from the United States, where known reserves are put no higher than seven years' supply. Even without war in Korea, sulphur would have been short, though industry might have had more time to shift its arrangements accordingly. Last year American producers asked the United States Government to restrict sulphur exports to conserve the rapidly dwindling reserves. British imports of sulphur, virtually all of which come from the United States, have in fact been larger this year; they amounted to 382,500 tons in the first ten months of this year compared with 323,500 tons in the corresponding period of 1949. Consumption both for sulphuric acid and for regular use has been higher than last year, while stocks, at least for sulphuric acid, have declined, though not to any alarming extent. Like most shortages, that of sulphur has afflicted industry before it has affected the statistics. American exports have recently been seriously reduced, and stocks in this country, although they may have increased during the past twelve months, are now equivalent to only 2½ months' supply. At such a low level, production can only be maintained if a steady flow of raw materials is assured, and that flow has been interrupted. To estimate how short sulphur is likely to be next year is difficult, but unless special assistance is given by the United States Government this country may receive no more than 250,000 tons.

Consumption of *woodpulp* in Britain, both for paper-making and industrial uses, has been much higher during the first nine months of this year than in 1949. Imports to September averaged 110,000 tons a month, the same rate as last year. Yet stocks for paper-making in September were only 250,300 tons against 361,600 tons twelve months earlier; and during the same period stocks of industrial woodpulp fell from 71,500 tons to 53,200 tons. Woodpulp is scarce throughout the world; increased consumption in the western hemisphere has reduced the exportable surpluses available to Europe. The problem in 1951 will be not to increase imports, but to struggle to maintain this year's rate. It will not be easy.

Rubber is the one bright spot in a world oppressed with shortages. Consumption has been rising this year, and so have imports; they have been some 40 per cent larger than in 1949. But although stocks have declined in the last twelve months (at the end of September they amounted to 40,300 tons against 47,400 tons twelve months earlier), supplies next year ought to be adequate, and they may be more than adequate. The sharp rises in rubber prices in recent months testify to the pressure of temporary squeezes—a lack of spot supplies caused mainly by large-scale American stockpile purchases. But the continued expansion in world production of natural rubber and the resuscitation of American production of synthetic rubber on a wartime scale should provide supplies next year adequate to meet current consumption and to slake the hoarding thirst of both governments and manufacturers. There is indeed a risk that British consumption next year might decline owing to the shortage of sulphur for vulcanising and of other materials.

This survey does not pretend to be exhaustive. The examples have been chosen first because statistical data on their production, consumption and stocks are adequate to permit a rough quantitative estimate of likely supplies in 1951, and secondly, because they form a representative collection of the main raw materials. The story they tell is impressively uniform and unmistakably serious. It is quite plain that British industry, committed to an expanding defence programme, a high level of exports, large plans for industrial and social investment, and an unchecked demand on the part of consumers to consume, has simply outrun any conceivable possibility of feeding itself with the raw materials that it requires. Something must be made to give, and quickly, unless production, prices and planning for defence are to founder.

Business Notes

Paradoxes in the Markets

Not surprisingly, the most striking aspect of the behaviour of London stock markets in the recent past has been the evident reluctance of investors to "take a view"—in either direction. This week's experience, in particular, suggests that the markets are almost as concerned to cover themselves against the possibility of sudden good news as against the possibility of bad. The modest rally that developed ten days ago, after the first suggestions that the Chinese Communist forces might stop at the 38th parallel, has since made further headway—thanks to the pause in military activity on the main Korean front and to restrained satisfaction at the outcome of the Truman-Attlee talks. Thus the end of the difficult Stock Exchange account on Tuesday was marked by bear covering that raised the industrial share index of the *Financial Times* by half a point; while, more surprisingly, the first day's dealings for the current three-week account produced a further rise of 0.7. This carried the index to 114.8, or 1.4 above the low point reached on December 5th and 3 points below the level at which it stood just before the main crack at end-November. Once again, the London market has shown itself to be much less volatile than Wall Street, where the Dow Jones average for industrials has swung from 235 on November 27th to 222 on December 4th and back to nearly 229 on December 13th.

But, if London markets have held their ground and have refused to be stampeded, it is still rather astonishing that the international shocks and fears of the past three weeks have wholly failed to produce the expected stoppage in the flow of new issues. This, if anything, has actually gathered pace—for in this period there have been at least a dozen such operations in train. Still more surprisingly, the more important of them seem to have been largely immune from the effects of the current malaise. True, this week's news disclosed that 48 per cent of the City of Brisbane loan had been left with underwriters; but it also revealed an outstandingly successful

outcome of the large Dunlop operation. Of the stockholders to whom the £4,147,000 of new stock was offered, no less than 95 per cent took up their quota, while the remaining 5 per cent was much more than fully covered by applications above the quota—so that "excess" subscribers for amounts over 1,001 units secured only a 1 in 20 allotment. This result has obviously put heart into other prospective borrowers. Among various announcements about pending issues, the most important, perhaps, is the definite statement from Tube Investments that its issue of 5,000,000 4½ per cent redeemable preference shares (at 20s.) is to be made "as soon as possible." Meanwhile, a further tranche of coal compensation stock was due to be allotted just after this issue of *The Economist* went to press. In view of the recovery that has occurred in industrials this week, it is perhaps unfair to attribute—as some people in the market have done—the very restrained rise in gilt-edged securities to the imminence of this operation.

* * *

Marshall Aid Suspended

No further Marshall dollars are to be allocated to Britain. Technically, the suspension is due to take effect from January 1st next. But as the sum of $175 million now fixed as the total of allotments of aid to Britain for the current Marshall year had already been fully allotted by mid-November, the decision is, in effect, retrospective. This suspension was the inevitable conclusion to which the discussions on this subject between the Chancellor of the Exchequer and Mr William Batt, minister in charge of the ECA mission to the United Kingdom, were predestined. The official statement on the result of these discussions, made in the House of Commons by the Chancellor on Wednesday, stressed that the two governments had been guided in their decision by two considerations. The first was that the economic recovery of Britain and the sterling area had made such good progress that the dollar deficit had disappeared in recent months. The second was that the United States economy would now be called upon to bear the much heavier burdens imposed by the increased defence programme, including mutual aid to other north Atlantic treaty powers.

The suspension of Marshall aid to Britain is not an abrupt, guillotine operation such as the 1945 termination of lend-lease. Although no further allotments will be made, the goods in the pipe-line—estimated at a value of about $200 million—will continue to flow to their destination as gifts. This substantial amount of aid already allotted but not received includes expenditure on a number of capital projects such as those of the Steel Company of Wales and the refining and distillation equipment being built in Britain by the big oil companies. These are long-term projects, and the Marshall aid that has already been allocated for them will be reaching its destination up to the spring of 1952.

Apart from the aid supplies still in the pipe-line, Britain will continue to receive the benefit of certain special ECA programmes, including those for fostering overseas development, the production of scarce materials and the interchange of technical knowledge to encourage higher productivity. The finality of this week's announcement is further softened by the assurance that aid is merely "suspended" and that it may be reinstated if the economic situation of Britain and the balance of payments show any serious deterioration. In any case the United Kingdom remains a full participant in the Organisation for European Economic Co-operation and in the European Payments Union.

* * *

Counterpart Fund Agreement

In spite of these reservations it must now be assumed that for all practical purposes the British economy will have to proceed unaided by assistance of the kind received since April, 1948, when the Marshall dollars began to flow. Since then and up to September 30, 1950, the imports that have reached Britain under Marshall aid are valued at $2,366.8 million, or 12 per cent of total British imports, while the total of Marshall aid allotted to the United Kingdom up to date amounts to $2,694.3 million. The suspension of Marshall aid does not imply that dollar imports will have to be cut further. The Chancellor said this week that, though such imports would have to be controlled as before, the suspension of aid as such would not cause any reductions in supplies. If there are to be such reductions, they will be the result of scarcities of the goods concerned and not of inadequacy of dollars at Britain's disposal. In gauging the measure of British Marshall aid receipts, allowance should be made for the fact that part of the aid has been passed on, indirectly, to other OEEC countries through the two intra-European payments schemes and their successor, the European Payments Union. Including the credit balance that has been built up with EPU to the end of November, the total of aid given to other OEEC countries by the United Kingdom amounted to some $450 million, or $390 million net allowing for amounts received by Britain by way of IEPS drawing rights.

An important incidental agreement reached between the Chancellor of the Exchequer and Mr Batt in the course of their discussions concerns the use of the ECA "counterpart" fund in Britain. Ever since September, 1949, the nominal sterling counterpart of the aid received had been left to accumulate in the Treasury's special account at the Bank of England and had by Wednesday of this week reached a total of £266.4 million. This accumulation of sterling balances indicated disagreement between ECA and the British Government about the exact manner in which these funds should ultimately be used. The British Government wished to employ them in appearance as well as in deed in the repayment of

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government debt. The Americans would have preferred to see them linked with some specific investment projects. The Chancellor of the Exchequer at his press conference this week suggested that the British view had prevailed in this matter. It may be assumed, therefore, that before long the Treasury special account at the Bank of England will disappear. The funds on the account will be used, through a book transaction, to cancel the special securities created for the employment of counterpart funds. These securities, in the form of Treasury interest free notes, form part of the national debt, and have been held by the Bank of England as a contra investment item to its liability on the deposits in the Treasury special account (the counterpart fund). The extinction of the fund will therefore be a painless operation for all concerned: it will have no financial effect, but will at last correct the abnormal distortion of the Bank return and the corresponding distortion of the "paper" level of the national debt.

* * *

Exports and the Trade Surplus

Yet another record was achieved by Britain's export industries last month. The total value of exports in November amounted to £212 million or £10 million more than the previous peak reached in October. Re-exports also increased slightly and totalled £10.3 million. The cost of imports, however, rose more sharply than the value of exports, so that the adverse balance (imports valued c.i.f. and exports valued f.o.b.) increased to £12.3 million for the month; in October it was only £11.4 million. Yet the recovery in Britain's trade balance in the second half of this year has been almost staggering. For the first time since before the war, Britain has enjoyed a surplus in its visible trade; in the five months to the end of November this surplus was of the order of £58 million. As visible trade was in deficit to the extent of £108 million in the first half of the year, the total deficit for the full twelve months is likely to be no more than £50 million and may even be £10 million less than that if the December trade figures are anything like the November ones. Invisible receipts have also been rising; they earned a net surplus of £160 million in the first half of the year and conceivably may reach a total of fully £350 million for the twelve months. Thus the overall balance of payments for 1950 might well show a surplus of the order of £275 million. There are many doubts about this kind of rough and ready calculation; what cannot be gainsaid is that the external surplus this year will many times exceed the notional figure of £50 million assumed in making the economic plan for 1950.

More important, however, is the fact that Britain's deficit with the dollar area has been reduced to negligible proportions. Exports to both the United States and Canada achieved new records in November. Shipments to the United States amounted to £13.8 million, which was £5,000,000 above the average for the first ten months of the year, while exports to Canada reached £14.5 million or £4,400,000 above the January-October average. In terms of US currency, British exports to North America earned $79.1 million last month against $70.5 million in October (the previous peak) and the monthly average of $40.7 million for 1949.

As good as these figures are, there is still no cause for undue jubilation. Next year Britain will be without Marshall Aid, and must pay its own way with the dollar area. This year Britain has enjoyed all the advantages but few of the disadvantages of devaluation and of an American inflation. The higher cost of raw materials and foodstuffs has still to be borne. Since June economic conditions have been anything but normal. People have been buying almost irrespective of cost for fear of shortages. It is, indeed, problematic whether such a state of affairs can persist. Fears have already been expressed about maintaining British motor car exports next year, and vehicles form Britain's largest export.

Argentina and Meat Supplies

The meat negotiations with Argentina have been broken off and the British ration is to be reduced from 1s. 6d. a week (of which 4d. is corned beef) to 1s. (of which 2d. will be corned beef). The Argentine Government has neither earned nor deserved sympathy in this country during the past three years, and it is to be hoped that the British public will accept with docility the smaller meat ration rather than seem to support Argentina's exacting terms. But this muddle of negotiations needs to be put in perspective.

When negotiations first opened last summer, Argentina asked for £140 a ton for this season's shipments but was willing to accept the existing price of £97 10s. a ton on account until agreement had been reached, with the condition that the price when agreed would apply retrospectively. Britain was more concerned with getting a settlement on the vexed issue of remittances and countered the Argentine proposal by offering £90 a ton. Shipments of Argentine meat were then cut off—not because the British side refused to pay £140 a ton, but because it refused even to maintain last year's price until a new one had been agreed. The cut in the meat ration is virtually a direct consequence of these British tactics. When Britain somewhat belatedly said it was willing to accept £97 10s a ton as a basis of negotiation, Argentina, with the fever of world inflation in its nostrils, refused the offer, and sat back, conscious above all else that its bargaining power had increased. To realise these facts is not to condone the methods of negotiation exploited by the Argentine Government since the war. But they do illustrate once again the limitations and dangers of government-to-government trading in peacetime. It is impossible to believe that if the purchase of Argentine meat had been in the hands of private traders—assuming meat rationing and subsidised retail prices—supplies would not be coming forward.

The breakdown causes a pretty predicament about meat supplies. Argentina has been providing approximately a third of the supplies and this quantity will not be made good from other sources, even if Uruguay agrees to resume shipments to this country. Supplies of home-killed meat will now begin to decline very sharply and will not increase again until April or May—and then the increase will be quite modest. Supplies from New Zealand and Australia will be coming through in greater volume during the first part of the year, but they will suffice for no more than the reduced ration. Only a small quantity of beef has so far come from Queensland area that is being developed as a new source of supply for Britain. From these two dominions Britain might get 50,000 tons more than last year, against a loss of 250,000 tons from Argentina. British stocks are low; at present they may represent no more than eight weeks' supply.

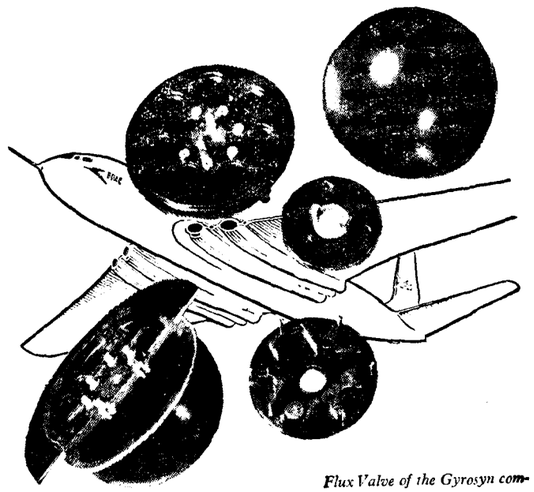
Yet breakdown was always implicit in the negotiations; it does not follow that if Britain had agreed to maintain last year's price of £97 10s. until a new price was agreed, Argentina would have continued to ship meat once it became clear that this country was unwilling to pay £140 a ton. But there would have been an opportunity to build up stocks before breakdown occurred. Mr Webb must surely be envious of Mr Strachey who last year was being criticised for having amassed such large stocks of meat that fifteen refrigerated ships had to be used as cold stores.

* * *

Still Enough Steel?

With November production at the record rate of 17,472,000 tons a year to back its confidence, the steel industry is still certain that output of steel (except for a few types) is, and will continue to be, high enough to satisfy the physical demands made upon the industry—though not the comfortable level of stocks that every user would like the chance to accumulate. Orders continue to increase, but

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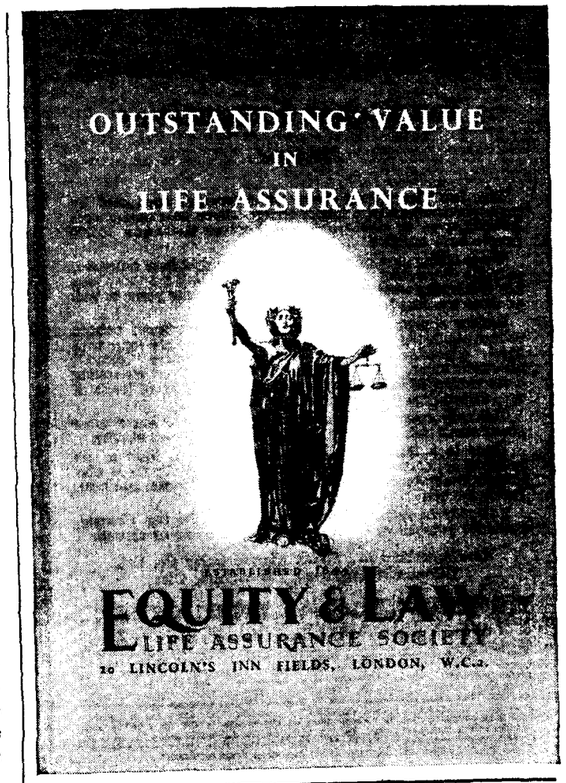
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the general shortage of which some consuming firms complain suggests they are dependent upon stockholders who are diverting steel to their own use (e.g. for structural engineering), taking special care of consumers with whom they are closely associated, or holding on to their stocks as safety-first policy. Stocks of steel at all points throughout the economy have been drawn upon in recent months, but they remain satisfactory in volume. In anticipation of expanding home consumption, the industry has taken steps to curtail the additional export commitments it entered upon earlier in the year when home orders declined.

The industry is not yet seriously affected by the shortages developing in some of the processing materials it uses, notably zinc for galvanising and sulphuric acid for pickling; these have not yet upset production, but the prospective cuts in supplies next year would become serious if defence needs greatly increased the demand for wire. As for its basic raw materials, the steel industry expects difficulties but hopes to surmount them. Pressure upon shipping caused by the import of coal is affecting the flow of supplies of foreign iron ore, just as the failure of coal exports to countries such as Sweden is affecting their readiness to guarantee supplies. Coke is a difficulty of long standing. The industry is disposed not to exaggerate the difficulties of scrap supplies next year; German scrap shipments, which in the last full year amounted to about a million and a half tons, will fall considerably by the middle of 1951, and the industry will have to find supplies elsewhere, but it is outwardly sanguine about its chances of doing so. In recent years fears of a scrap shortage have generally turned out to be exaggerated, and the steelmasters' confidence may still be well founded; but scrap is a real problem—and one which the nationalisers, taking over on February 15th, may face with a good deal less equanimity.

* * *

Coal Charter Difficulties

The Ministry of Fuel and Power could scarcely have chosen a worse moment to appear in the chartering market for the carriage of American coal imports. Not only are other European importers urgently seeking tonnage for American coal, but tramp shipping under all flags is already actively engaged, mainly in distant waters, in transporting the large-scale movement of bulk cargoes consequent on the Korean affair. In any event, shipowners are never eager to engage in trans-Atlantic voyages, in ballast outwards, during the rough winter months, and the figure of 40s. per ton with which the coal charterers tried to do business at first had little to commend it. A few early fixtures of spot tonnage were arranged at 50s., but soon it became apparent that even 60s. might fail to secure the tonnage required. About half a million tons has now been fixed, with the rate apparently established at 65s. for January voyages, 62s. 6d. for February, and about 57s. 6d. for March.

There was a serious doubt at one time whether any tonnage would be available for trans-Atlantic coal at any price, and the Economic Co-operation Administration in Paris saw fit to request that 25 more vessels should be released from the United States' "mothball" fleet for the emergency. The British Government seems to have contemplated the possibility of resuming the licensing of voyages under the wartime powers which it still formally retains, and urgent consultations took place between the industry and the Ministry of Transport. As it has turned out, the Government has been able to obtain the tonnage it has acquired only because some of the British liner companies agreed to release certain vessels which they had already secured for themselves on time charter to assist with the present heavy shipments of export cargoes. Thus the failure of the Ministry of Fuel and Power to realise the seriousness of the coal situation in time prevented the coal charterers from securing the necessary tonnage sufficiently far ahead at easier rates; and the solution of the tonnage crisis will have the lamentable effect of reducing export shipments during the winter months.

* * *

Anglo-German Payments

A new Anglo-German Payments Agreement was signed in Frankfurt last week. It replaces the agreement that had been in existence since August, 1949. Under these earlier arrangements, it will be remembered, trade between Germany and the sterling area had been conducted exclusively in sterling and a credit "swing" of £7,500,000 had been provided in each direction; thus, if the German sterling balance or overdraft in London exceeded this figure, the excess became convertible into gold or dollars. Negotiations had to be started to amend this bilateral agreement when both countries became members of the European Payments Union and when the gold clause in the agreement ceased to have any applicability; the agreement signed last week is the outcome of these negotiations and it duly conforms with the provisions of EPU. It inherits from the previous agreement the provision that payments between residents of the sterling area and of the Deutsche Mark monetary area will normally continue to be settled in sterling. The British Government has indicated, however, that it will raise no objection to a German proposal that may permit trade between the two areas to be invoiced in Deutsche Marks. Despite this concession the British Exchange Control will continue to insist that British exporters to Germany convert the proceeds of their exports into sterling and bring them back to the United Kingdom.

In order to reconcile this condition with the concession permitting invoicing in Deutsche Marks, machinery will have to be created for the conversion, outside official channels, of Deutsche Marks into sterling. For this purpose efforts are to be made to start an unofficial market in Deutsche Marks in London. A similar market is already operating in Germany. The exact procedure and mechanism remain to be evolved, but it is clear that dealers in London will be acting as principals, as they now do in the case of Canadian dollars; since Deutsche Marks are not a specified currency, however, dealers holding positions will not have the right to cover them at official rates with the Bank of England. Unless, therefore, the German central bank provides a measure of support and cover for the market in London by an undertaking to take Deutsche Marks at a given rate against sterling, this new unofficial market can hardly expect to acquire much importance, and it is probable, therefore, that the normal procedure will be to invoice trade between the two areas in sterling. The establishment of an unofficial free market in Deutsche Marks will, however, prove an extremely interesting testing ground in which to prove the real value of the German currency. It cannot be long now before the existing "conversion ratio" of the Deutsche Mark, which gives an equivalent of 11.8 marks to the £, makes way for a genuine rate of exchange. After the recent performance of Germany as a member of EPU, it would not be surprising if the announcement of an official rate of exchange was made the occasion for effecting a devaluation of the mark.

* * *

Higher Christmas Spending?

Christmas shopping seems to have started early this year and is being imposed on top of a higher general level of demand. In the first two weeks of the main shopping season, from November 22nd to December 6th, the active note issue rose by £28½ million to £1,308 million; in the same period last year it rose by £23½ million to £1,284 million. Ever since June the general level of the note circulation has been some £20 million higher than in 1949. This fact, together with the signs of a Christmas shopping spree, made last week's increase of £25 million in the fiduciary issue inevitable; at

£1,375 million the issue is now at its highest level since early 1948. In the week to last Wednesday the active circulation rose by another £31 million, to £1,339 million ; this increase, the largest weekly movement ever experienced, leaves the note reserve in the banking department at only £36 million —despite the rise in the fiduciary issue. And between now and Christmas another £10 million or so must be expected to flow out.

The implication that spending has increased since Korea is confirmed by the recent figures of " small " savings and by movements in the retail price index. The cumulative deficit of the " small " savings movement between June 24th and December 2nd amounted to rather over £54 million, compared with rather over £47 million in the same period of 1949. The value of retail sales, too, was running about 12 per cent higher between July and October, 1950, than in the similar period last year ; it is true that sales in the month of October were only 8 per cent above those in October, 1949—but sales last year were boosted by the shopping rush to beat new rationing schemes that were expected after devaluation but did not materialise.

It is difficult to gauge how far the increased level of spending since the summer has been due to higher prices and how far to private " stockpiling " of clothing and other goods likely to become both more expensive and more scarce in the months ahead. In the thirteen months following devaluation the official index of retail prices rose by less than 3 per cent. Until last May, at least, the relative stability of the official index was probably accompanied by a similar stability of the general level of retail prices (as an interesting article by Professor R. G. D. Allen, in the current *Bulletin* of the London and Cambridge Economic Service, suggests). It is doubtful, however, whether this stability has been maintained since—and it seems quite certain that it will not be maintained in the months to come. In these circumstances it will not be surprising if many Christmas purchases this year are regarded as household investments—in which case the British people may now be in the early throes of an austerity version of America's post-buying boom.

* * *

Dollars for Ceylon's Central Bank

It is clear that there has been some family disagreement between Britain and Ceylon in the past few months on whether Ceylon's (comparatively small) net dollar-earnings should be handed in automatically to the sterling area central pool. The principle of a common reserve of hard currencies is, of course, one of the two unwritten laws around which the whole sterling area system revolves. (The other is the principle of freedom for capital movements, including especially free access to the London capital market.) Ceylon happens to be one of the comparatively few independent sterling area countries that is required to make some sacrifice under the first principle of sterling area membership in order to obtain undoubted benefits under the second principle ; its immediate neighbours belong to the other category of members, that which gains from both principles at the same time. Ceylon's desire not to lose from the swings while still gaining from the roundabout has been reinforced since 1949 by the establishment of its new central bank ; this bank, which was founded under American tutelage and is operating under American governorship, is required by its constitution to hold a reserve of convertible currency or gold. It was for this reason that the Government of Ceylon decided last year to hold back part of its net dollar earnings to plough into this central bank reserve.

Mr Gaitskell explained in a written Parliamentary answer last week that a provisional agreement between Britain and Ceylon has put an end to this anomalous situation. Britain has agreed to set aside £4,000,000 of gold and dollars for the Bank of Ceylon from the central dollar pool ; in return Ceylon has apparently agreed to sell all its current dollar earnings for sterling (as other sterling area members do)—but has asked that this should be reviewed " when experience of these arrangements has been gained." Mr Gaitskell pointed out that the gold reserve of Ceylon's central bank would now " be relatively as favourable as the corresponding reserves of the central banks of the other independent members of the sterling area dollar pool." Analysis of the balance sheets of these other central banks shows that India and Pakistan now hold the same amount of gold as they did before the war (their combined holding comes to $274 million), while the gold holdings of Australia and New Zealand mounted from $37 million to $117 million between 1939 and 1949 as a result of the operation of their own gold mines. The new agreement with Ceylon is therefore justifiable solely on the grounds that it provides an initial—and stable—reserve for the central bank of Ceylon. Any suggestion that this reserve should mount *pari passu* with the new bank's liabilities would be incompatible with Ceylon's continued access to the advantages of the sterling area.

* * *

How Steel Came to be Nationalised

Sir Ellis Hunter speaks with a dual authority. On Thursday, in his capacity as chairman and managing director of Dorman Long, he was able to point with justifiable pride to the part that his company has played in raising the output of steel to record levels and to its contribution towards the steel industry's aim of rising productivity. This is a continuing process. The second stage of Dorman Long's development programme was started rather more than a year ago and satisfactory progress is being made with its main feature—the construction of the new steel works at Lackenby. It now becomes possible to concentrate closer attention on stage three, and to give it a certan change of emphasis. Development is no longer considered solely as a matter of replacement of old plant—nor should it be, at a time of booming demand for steel—but rather as a means of adding to output. This will mean that new capacity has to be operated in tandem with old plant, and that may call for a certain amount of re-designing and revised ideas about plant location. Now that the South Wales strip mill is nearing completion, it becomes possible for Dorman Long to proceed with its deferred plans for the installation of the beam mill at Lackenby and for large new blast furnaces at Cleveland—projects of greater magnitude than those finished or now in hand and which will take several years to complete.

Sir Ellis is also president of the British Iron and Steel Federation, and although he was not speaking in this capacity to Dorman Long stockholders, the fact lends the greater weight to his observations on nationalisation. In his review of the government's attitude towards the industry since 1946, Sir Ellis showed that the experiment of public control over the industry exercised through the Iron and Steel Board (disbanded in March, 1949) had proved its worth. He disclosed that in 1947 negotiations took place between the industry and " Cabinet representatives " which resulted in an understanding that the board could be given additional powers to enable it to act positively, and not merely as a negative control. These discussions were suddenly broken off, and nationalisation was ordered. This history of events does not add much detail to what was openly being said in the political corridors three years ago, but it is important to have it set down with full authority. Equally, the intention of the industry to conduct its affairs to attain the highest level of public service has always been clear, except to those who refused to believe it. The consequences of nationalisation for the industry as a whole are frightening at this juncture of the nation's affairs. And for Dorman Long stockholders there is a sad tailpiece: some £13 million of compensation stock will be awarded to them in return for £14½ million of net current assets, plus the whole of the fixed assets which stand in the books at £8,000,000 but are worth far more

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"IDEAS DEPARTMENT"

The " Ideas Department " of the Hoover Organisation numbers over 10,000 men and women — for the entire staff is eager to improve efficiency, and ideas and suggestions are always welcomed from any source, down to the youngest apprentice.

Suggestion boxes are placed in each section of each factory, and every week large numbers of suggestions are received. Contributions also come, of course, from members of the sales organisation and others whose work is away from the factory.

All suggestions which are put into effect — a very considerable number — win awards for those who submit them. Suggestions are of many kinds. Some are of a technical nature — for improving Hoover products or methods of manufacture; some deal with organisation and administration; some are concerned with staff activities, and so on.

The suggestions are not only valuable in themselves but are a further indication of the friendly and intelligent co-operation that has always existed between Hoover staff and management.

HOOVER LIMITED

Manufacturers of Electric Cleaners and Washing Machines, F.H.P. Motors, Plastic Commutators, etc.

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Tube Investments' Second Wind

Though the recession in overseas demand for British cycles which Mr Ivan Stedeford last year warned Tube Investments shareholders to expect did materialise, developments in Korea brought back the sellers' market overnight. Today's problem for the industry, which has been working to capacity with full orders, is to find the materials to continue filling those orders:

> It seems unavoidable that the industry must soon be faced with a period during which the priority needs of the armament programme will impose restrictions upon cycle production generally, in terms of finish as well as of quantity.

An even more serious materials problem for the group may arise from lack of aluminium for its new rolling mills in South Wales, which are due to come into operation in six months' time. Imported supplies of virgin aluminium are likely to be cut by more than 10 per cent, while the industry as a whole has been expanding capacity to a level where virgin metal requirements in 1951 will be at least 25 per cent higher than in 1949-50. Mentioning the possibility of Anglo-American agreement upon equitable distribution of materials for defence, Mr Stedeford hoped it might not be necessary to postpone starting up the new mills.

These form part of the group's first postwar five-year plan for home development (paralleled by a policy of investment in manufacturing subsidiaries overseas) that is costing some £15 million and is now almost complete. Tube Investments is now proposing to embark upon a second development programme, involving another £10 million over the next three years, for re-equipment and new plant. These plans explain the increase in the group's capital by £10 million and the decision to issue "for cash at par as soon as possible" 5,000,000 £1 4½ per cent preference shares. But Mr Stedeford drew attention to another feature in the group's financial position: though it has ploughed back more than £2,000,000 this year from its profits of £6,282,651, additional working capital to finance its expanding activities absorbed over £4,000,000. This means that the company ends the year with £2,000,000 less in cash than when it started, some 57 per cent of profits having gone in taxation. As Mr Stedeford pointed out, this means that the earnings retained in a business to finance increased productivity are now so heavily taxed that a company may be forced to borrow money or raise new capital simply because it has become more efficient; from the national point of view, industry is taking up private savings for working capital while much of its own savings are being taken by the Government to be used for current expenditure.

* * *

Copper Exodus Pros and Cons

Mr R. L. Prain's explanation at the Roan Antelope Copper Mines meeting of the reasons that had led the directors to decide against transferring the domicile of the company to Rhodesia appear to have caused some disappointment. But shareholders not only of Roan Antelope, but also of Rhokana, Nchanga, Rhodesian Anglo-American and Rhodesia Copper Refineries, who are to vote on this question at meetings called for Tuesday and Wednesday next week, should by no means dismiss Mr Prain's case. He confessed that "if the tax saving accruing to the company were the only considerations, there would be little doubt in our minds that we should seek to transfer control of this company (Roan Antelope) abroad." But part of these savings would go in higher dividends in order to leave American shareholders and British corporate shareholders as well off in terms of net dividends; there would be a net gain under present circumstances; but if Rhodesian taxation were to be increased (which is not inconceivable) the apparent advantage of transferring the company's domicile would be reduced.

Mr Prain argued further that it would be unwise to commit the company "to a new and unknown method of control based on an apparent tax saving which is not new in principle and which may very well prove to be temporary in character" before the tax authorities in this country had been thoroughly apprised of the dangers inherent in the effects of high taxation on the mining industry. Again, movement of domicile would entail restrictions on the movements of the company's chief executive officers into this country, and would destroy "the well-tried conception that overseas mining should be undertaken by strong finance groups resident in one of the world's finance centres." Mr Prain made it clear, however, that if the status of Rhodesia was changed from that of a colony into a dominion, the board would think again very seriously.

* * *

Producing Synthetic Rubber

To suggest that Britain's rubber industry should consider producing synthetic rubber even if it were confronted by conditions of assured world peace might seem heresy to a country whose rubber industry has been firmly founded on the natural raw material. But the suggestion made last week by Mr G. E. Beharrell, managing director of the Dunlop Rubber Company, is of more than academic interest. Special purpose synthetic rubbers have been developed that command a market at prices appreciably higher than those for similar products made from natural rubber; on the other hand, general purpose synthetic (GR-S) which is used in tyres is still considered inferior in quality to the natural product. But at the moment the technique of developing and using these synthetic rubbers is largely a monopoly of the United States and Canada. American rubber manufacturers have been forced by circumstances to acquire a skill in mixing synthetic and natural rubber to produce an article that consumers will buy. In this respect Britain has certainly lagged far behind; and who can say whether within the next five years a synthetic rubber will not be developed that will be just as suitable as natural rubber for tyres? In the development of rayon Britain was not behindhand.

The finance required to start a synthetic plant in Britain would be considerable and the risk involved in the enterprise probably too great for any single commercial organisation to assume. But the government might be persuaded to help, with an eye to the military value of such development. The main problem, however, is likely to be the supply of raw materials: the United States is already encountering this difficulty in re-opening its war-time plants. General purpose synthetic (GR-S) is made from the fusing ("copolymerising" is the technical term) of styrene and butadiene. Styrene is made from benzol obtained as a by-product in the manufacture of coke or from petroleum, and benzol is also required for many other materials, including aviation spirit, DDT, plastics, nylon, and synthetic detergents. Butadiene is obtained from either petroleum or industrial alcohol.

The increased cost of these raw materials made the US Reconstruction Finance Corporation raise its selling price of GR-S last week by 6 cents to 24½ cents (1s. 9d.) a lb. With natural rubber priced at over 4s. a lb., GR-S is still cheap. But this move is not without interest to rubber producers, since the price of GR-S is in effect a floor price for their own product. If natural and synthetic rubber are allowed to compete freely, the price of natural is unlikely to fall below 2s. a lb. so long as GR-S sells at 1s. 9d. As production costs in Malaya are under rather than above a shilling a pound, rubber producers would seem to be assured of a handsome profit.

* * *

West African Currency Surprise

The West African Currency Board issued no new currency in the year to June 30, 1950; it was, in fact, called

THE COMMERCIAL BANK OF SCOTLAND LIMITED

ESTABLISHED 1810

BALANCE SHEET at 28th October, 1950

1949 £	LIABILITIES	£	£
	I. CAPITAL—		
	AUTHORISED:		
	7,000,000 "A" Shares of £1 each	7,000,000	
	500,000 "B" Shares of £1 each	500,000	
		£7,500,000	
	ISSUED:		
	7,000,000 "A" Shares of £1 each, 6/- paid		2,100,000
	500,000 "B" Shares of £1 each, fully paid		500,000
2,600,000			2,600,000
	II. RESERVE FUNDS—		
	CAPITAL RESERVE:		
750,000	Share Premium	750,000	
	REVENUE RESERVE:		
3,150,000	General Reserve	3,250,000	
			4,000,000
	III. PROFIT AND LOSS		
62,129	ACCOUNT BALANCE		77,000
6,562,129			6,677,000
	IV. CURRENT LIABILITIES—		
12,297,553	Notes in Circulation	12,479,703	
	Deposits and Other Credit		
113,592,243	Balances (including provision for contingencies)	118,074,753	
	Acceptances and Engagements on account of Customers and Banking		
4,050,928	Correspondents	3,938,299	
	Dividends payable 2nd January, 1951, *less* Income		
100,375	Tax	100,375	
			134,593,130
£136,603,228			£141,270,130

Notes:—(1) There is a contingent liability of £127,000 in respect of the Bank's holding of partly paid shares of Industrial and Commercial Finance Corporation Ltd.
(2) Full provision has been made in the accounts for taxation on Profits to date.

1949 £	ASSETS	£	£
	I. CURRENT ASSETS—		
13,505,090	(1) Coin, Bank of England Notes and Balance with the Bank of England		13,299,071
11,568,587	Balances with, Notes of and Cheques in course of collection on, other banks in Great Britain and Ireland		11,421,161
7,750,000	Money at call and Short Notice in London		9,735,000
2,000,000	British Government Treasury Bills		4,250,000
4,000,000	British Government Treasury Deposit Receipts		5,000,000
38,823,677			43,705,232
	(2) INVESTMENTS:		
	Quoted:—		
64,461,247	British Government Securities	61,093,702	
435,000	Securities guaranteed by British Government	435,000	
	Unquoted:—		
88,500	Investments other than Trade Investments	88,500	
			61,617,202
	(3) OTHER ASSETS:		
	Bills discounted *less* provision for Doubtful		
1,166,429	Debts	493,929	
	Loans and Advances, *less* provision for Doubtful		
25,827,447	Debts	29,665,468	
		30,159,397	
	(4) Liability of Customers and Banking Correspondents for Acceptances and Engagements		
4,050,928	as *per contra*	3,938,299	
			34,097,696
	II. FIXED ASSETS—		
1,750,000	Bank Premises and other Property at cost, *less* sums written off		1,850,000
£136,603,228			£141,270,130

DOUGLAS A. FOULIS
G. T. CHIENE
DOUGLAS MURE WOOD } *Directors.*

J. M. ERSKINE, *General Manager.*

PROFIT AND LOSS ACCOUNT for year ended 28th October, 1950

£	*Dr.*	£	£	*Cr.*	£
100,375	Interim Dividend paid 1st July, 1950, *less* Tax	100,375	91,233	Balance of Undivided Profit brought forward from last year	62,129
100,375	Final Dividend payable 2nd January, 1951, *less* Tax	100,375		Profit for the year after payment of all expenses, including Directors' Fees £9,500, and after providing for bad and doubtful debts, contingencies, and taxation, and	
200,750		200,750	396,646	writing down the cost of properties	415,621
—	To Reserve Fund	100,000			
100,000	To Contingency Fund	—			
100,000	To Trustees for Officers' Pensions	100,000			
25,000	To Widows' Fund	—			
62,129	Balance to next Account	77,000			
£487,879		£477,750	£487,879		£477,750

AUDITORS' REPORT.

EDINBURGH, 16th *November*, 1950.—We have examined the Books of THE COMMERCIAL BANK OF SCOTLAND LIMITED, kept at the Head Office and the Returns from the Branches for the year ended 28th October, 1950, and have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit. In our opinion proper books of Account have been kept and returns adequate for the purpose have been received from the Branches.

We have checked the Cash at the Head Office, the London Chief Office and the Glasgow Chief Office. We have verified the Money at Call and Short Notice in London and the balances with other banks, and have seen the Treasury Bills, Treasury Deposit Receipts and Certificates for Government and other Investments.

The above Balance Sheet and Profit and Loss Account are in agreement with the books and Branch Returns. To the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account give, in the manner prescribed, the information required of a Banking Company by the Companies Act, 1948. We are accordingly of opinion that on the basis authorised by the Act (1) the Balance Sheet gives a true and fair view of the state of the Bank's affairs as at 28th October, 1950, and (2) the Profit and Loss Account gives a true and fair view of the profit for its financial year ended on that date.

MAURICE CRICHTON, C.A., *Auditor.*
RONALD J. HENDERSON, C.A., *Auditor.*

HEAD OFFICE . . 14 GEORGE STREET, EDINBURGH

GLASGOW CHIEF OFFICE 113-115 Buchanan Street

LONDON OFFICES:
CHIEF OFFICE . . . . . 62 LOMBARD STREET, E.C.3
KINGSWAY OFFICE . . IMPERIAL HOUSE, KINGSWAY, W.C.2
WEST END OFFICE . VIGO HOUSE, 115 REGENT STREET, W.1

BRANCHES throughout SCOTLAND

Abridged Particulars for Information Only

Application has been made to the Council of The Stock Exchange, London, for permission to deal in, and for quotation for, all the issued Ordinary Shares in the capital of the Company.

ADA (HALIFAX) LIMITED

(Incorporated under the Companies Act, 1948)

Manufacturers of ADA Washing Machines and AJAX Machine Tools

SHARE CAPITAL

Authorised	*Issued and Fully Paid*
£400,000 in 8,000,000 Ordinary Shares of 1s. each	**£400,000**

Neither the Company nor either of its Subsidiaries has any Mortgages, Debentures or Loan Capital outstanding.

The Advertisement showed, *inter alia*, that Ada (Halifax) Limited was incorporated in England on the 4th December, 1950, as a private company and on the 12th December, 1950, was converted into a Public Company. The Company, in pursuance of one of its main objects, has acquired the whole of the capital of Ajax Machine Tool Company Limited.

The business was founded in 1940 and since early 1942 has been conducted by Mr. G. Carter and Mr. K. W. Howarth. From 1940 to 1944 the business was confined to the manufacture of machine tools. In 1944 it was decided to broaden the scope of the business by undertaking the manufacture of Washing Machines for which it was felt that there would be a large post-war demand. Manufacture of "ADA" Washing Machines began in 1945 and bulk production was started on a small scale in August of that year and the sales have steadily increased as is shown by the following figures :—

	Number of Machines Sold
Year ended 30th April, 1946	**964**
" " " 1947	**3,321**
" " " 1948	**6,863**
" " " 1949	**8,526**
" " " 1950	**15,310**
Six months ended 31st October, 1950	**12,186**

"ADA" Washing Machines are now being produced at the rate of over 24,000 per year and, in the opinion of the Directors, there is a large unsatisfied demand for them.

The net profits of Ajax Machine Tool Company Limited for the year ended on the 30th April, 1950, calculated on the basis mentioned in the Advertisement and after making the deductions therein mentioned but before all taxation, amounted to £113,686. Taking into account current sales of, and demand for, the Operating Company's products the Directors consider that, in the absence of any substantial change in present trading conditions, the net profits of the Operating Company for the year ending on the 30th April, 1951, calculated on the same basis and after making similar deductions will not be less than £200,000 (before taxation).

The first accounts of the Company will be made up to the 30th April, 1951, and will cover a period of approximately five months. The Directors propose, in the absence of unforeseen circumstances, to recommend the payment of a dividend on the issued Ordinary Shares of 8⅓ per cent. actual (less tax) in respect of such period, equivalent to an annual rate of 20 per cent. (less tax).

On the basis of profits at the rate of £200,000 per annum, the gross earnings yield on the nominal amount (£400,000) of the issued Ordinary Shares is 50 per cent. (before taxation) while a dividend at the proposed rate would in a full year absorb approximately one half of the profits remaining after deducting profits tax at the current rates on retained and distributed profits.

A copy of the advertisement giving the particulars required to be advertised in connection with an application made to the Council of the Stock Exchange, London, for permission to deal in, and for quotation for, all the issued Ordinary Shares in the Capital of the Company may be obtained on application to the Registrars and Transfer Office:—

WHITEHEAD INDUSTRIAL TRUST LIMITED,
Mitre House, 177, Regent Street, London, W.1.

upon to make £1,650,000 of net sterling payments in London. This sudden check to a ten-year-long phase of currency expansion came as a complete surprise. In the year to June, 1949, the expansion of currency had set a new high record ; money in circulation rose by £20 million to £67 million. The board's administrative arrangements had been thrown out of gear by that expansion—so much so in fact that special aeroplanes had to be chartered to fly the notes and coin (which are printed and minted in London) out to the territories concerned. This year the board was determined not to be caught napping again. It shipped out large supplies of notes and coins to build up stocks in its local strong-rooms in advance of expected mass orders from the banks ; those orders never came and the currency, presumably, has remained in the strong-rooms ever since.

In the year to June 30, 1950, West Africa's visible surplus with the United Kingdom seems to have amounted to between £25 and £30 million—much the same as the surplus shown in the year before ; moreover, West Africa's visible surplus with the United States was almost certainly higher last year than it was in the year to June, 1949. It is surprising therefore that the currency circulation has gone down. Two factors may explain the anomaly. Firstly, the Cocoa Marketing Boards may have succeeded in damping down inflation by holding back a larger share of export proceeds from producers and ploughing it into their reserve fund (which will serve as a cushion for producers in bad years). The Board's original off-form cocoa price for the 1949-50 season was set at a period when the world price of cocoa was low and was therefore, between 15 and 20 per cent lower than that originally offered for the 1948-49 season. Secondly, local shops may have been running down their stocks and running up their cash reserves. Both these factors would cause a higher proportion of the increase in liquid funds in West Africa to be held in the form of bank deposits rather than notes.

Shorter Notes

No hint has been given of the reasons that prompted Tootal Broadhurst Lee and two of its associated companies to withdraw from the price agreement reached in 1947 by more than two hundred Lancashire members of the Yarn Spinning Association, and last week renewed for a further year. Present boom conditions in the cotton industry have obviously nothing in common with the circumstances in which similar minimum price agreements foundered in the 'thirties, and the last thing the industry need think about is price cutting ; the decision is interpreted in Lancashire as a reminder of the independent policy of its most integrated undertaking.

★

In the year ended March, 1950, shipping registered at 50,248,551 tons entered and left the port of London ; this was 4,250,000 tons more than in the previous year and about 81 per cent of the shipping using the port in 1938-39. The tonnage of goods passing through the port, at 40,740,998 tons, was higher than in the previous year despite the two dock strikes, and was within a million tons of the 1938 tonnage ; imports declined, mainly owing to a reduction in petroleum, but exports shipped through the port reached a new record of 5,092,867 tons.

★

In the year to September 30th, deposits held at Barclays Bank (DC and O) rose by £41 million to £382½ million—largely as a result of increased prosperity in South Africa. The bank's year of good trading was reflected in the rise in net profits, by over £16,000 to £683,201. In his address to stockholders Mr. Julian Crossley stated that high British taxation was reducing the willingness of overseas investors to hold stock in British domiciled companies such as the bank ; he also came out strongly against an arbitrary revaluation of sterling.

SECURITY PRICES AND YIELDS

A fuller list containing 346 securities appears weekly in the *Records and Statistics* Supplement.

Prices, Year 1950 Jan. 1 to Dec. 13, High	Prices, Year 1950 Jan. 1 to Dec. 13, Low	Name of Security	Price, Dec. 6, 1950	Price, Dec. 13, 1950	Net Yield, Dec. 13, 1950 (a)	Gross Yield, Dec. 13, 1950
		British Funds			£ s. d.	£ s. d.
101⅞	100⅜	War Bonds 2½% Aug. 1, 1949-51	100/5/5	100/4/8	...	0 12 9*f*
100⅝	99⅝	Do. Assented	99⅝	100⅛	1 13 0	3 0 7*e*
					1 13 0	3 0 6*l*
					...	0 19 11*e*
102	100⅞	War Bonds 2½% Mar. 1, 1951-53	101⅜	101 7/16	0 14 10	2 0 2*l*
					...	1 6 1*e*
102 5/16	100 1/16	War Bonds 2½% Mar. 1 1952-54	101⅜	101 7/16	0 16 5	2 0 9*l*
102⅛	100	Exch. Stk. 2½% Feb. 15, 1955..	101⅛	101⅛	0 15 9	1 17 5
103 3/16	100⅛	War Bds. 2½% Aug. 15, 1954-56	102⅜	102 1/16	0 13 9	1 18 0*e*
					0 18 6	2 2 1*l*
103⅜	101⅛	Funding 2½% June 15, 1952-57	102xd	102 3/16 xd	0 2 9	1 7 2*e*
					1 3 8	2 8 1*l*
104 1/16	102	Nat. Def. 3% July 15, 1954-58.	103 1/16	102 1/16 xd	0 15 7	2 1 6*e*
					1 4 6	2 10 9*l*
104⅜	101⅛	War Loan 3% Oct. 15, 1955-59.	103 1/16	104⅛	0 16 9	2 4 1*e*
					1 3 10	2 10 9*l*
101 1/16	96⅜	Sav. Bonds 3% Aug. 15, 1955-65	103⅜	101⅛	1 9 10	2 18 9*e*
					1 11 11	2 19 7*l*
100⅛	97⅜	Funding 2½% April 15, 1956-61	99⅛	99⅜	1 8 11	2 12 2*e*
					1 8 3	2 11 2*l*
100	95	Funding 3% April 15, 1959-69.	98⅛	99⅛	1 16 0	3 3 9*e*
					1 14 6	3 2 0*l*
100⅛	99⅛	Funding 3% Aug. 1, 1966-68....	99⅛	100 3/16	1 13 0	3 0 3*e*
					1 13 0	3 0 3*l*
109⅛	104 3/16	Funding 4% May 1 1960-90....	106⅛	107⅛	1 8 4	3 3 6*e*
					1 19 0	3 13 7*l*
99⅛	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	98⅛	98⅜	1 17 2	3 5 5*e*
					1 15 3	3 3 1*l*
96	91⅛	Sav. Bonds 2½% May 1, 1964-67	94⅛	94⅜	1 16 8	3 0 2*e*
					1 15 2	2 18 7*l*
110⅞	106⅜	Vict. Bonds 4% Sept. 1, 1920-76	109⅛	109⅜	1 10 4	3 5 2*
98⅛	91⅛	Sav. Bonds 3% Aug. 15, 1965-75	96⅜	96 1/16	1 18 8	3 7 0*e*
					1 16 8	3 4 10*l*
105⅛	100	Consols 4% (after Feb. 1, 1957)	103⅛	104	1 13 0	3 10 9*g*
99⅛	91⅛	Conv. 3½% (after Apr. 1, 1961)	96⅛	96 3/16	2 0 0	3 13 0*f*
74⅛	66⅜	Treas.Stk. 2½%(afterApr.1,1975)	71⅛	71⅜	1 18 9	3 10 8*f*
87⅜	79⅜	Treas.Stk. 3%(afterApr.5,1966)	84⅛	84⅜	1 19 2	3 11 6*f*
					1 15 6	3 6 5*e*
106⅛	99	Treas.Stk. 3½% June15,1977-80.	103⅛ xd	103⅜ xd	1 15 9	3 6 8*l*
					1 19 9	3 8 8*e*
94 1/16	86⅞	Redemp. Stk. 3% Oct. 1986-96 .	91⅜	91⅝	1 18 8	3 7 8*l*
97 1/16	90	War Ln. 3½% (after Dec. 1, 1952)	93⅝	94⅜	2 0 9	3 14 2*h*
74⅜	68⅛	Consols 2½%	71xd	71⅛xd	1 18 7	3 10 0*f*
					1 17 4	3 5 4*e*
98⅛	92⅛	Brit. El. 3% Gtd. Apr. 1, 1968-73	96⅞	97⅛	1 16 6	3 5 4*l*
					1 17 0	3 5 1*e*
98⅛	91 3/16	Brit. El. 3% Gtd. Mar. 15, 1974-77	96⅜	96⅝	1 16 8	3 4 8*l*
					1 15 5	3 6 5*e*
105⅛	99	Brit. El. 3½% Gtd. Nov. 15, 1976-79	103⅜	103⅝	1 15 8	3 6 8*l*
					2 0 7	3 9 0*e*
95 3/16	86⅜	Brit. Tpt. 3% Gtd. July 1, 1978-88	91 7/16 xd	91 11/16 xd	1 19 0	3 7 6*l*
					1 17 6	3 5 6*e*
98 3/16	92⅛	Brit. Tpt. 3% Gtd. Apr. 1, 1968-73	96⅜	97	1 16 8	3 4 7*l*
					1 19 3	3 8 1*e*
94 1/16	85⅞	Brit. Gas Gtd. 3% May 1, 1990-95	91⅛	91⅜	1 18 10	3 7 8*l*

(*a*) To earliest date. (*l*) Flat yield. (*g*) Assuming redemption in 1957. (*h*) Flat yield given above. If redeemed, in 1952 net redemption yield £4 18 10, gross £6 12 3. (*f*) To latest date. (*e*) Net yields are calculated after allowing for tax at 9s. in £. * Assumed average life 13 years 11 months.

Prices, Year 1950 Jan. 1–Dec. 13 High	Prices, Year 1950 Jan. 1–Dec. 13 Low	Last Two Dividends (*a*)	(*b*)	(*c*)	Name of Security	Price, Dec. 6, 1950	Price, Dec. 13, 1950	Yield, Dec. 13, 1950
					Other Securities			£ s. d.
101⅛	95½	% (*d*)	% (*d*)		Australia 3½% 1965-69.....	99⅛	100⅛	3 3 7*l*
102½	99⅛	(*d*)	(*d*)		Birmingham 2½% 1955-57 ..	100⅛xd	100⅛	2 13 6*l*
8⅛	6⅛	60	*c*	20 *a*	Anglo-American Corp., 10/-.	6⅜	6⅜	4 9 7
7⅛	5⅛	25	*b*	5 *a*	Anglo-Iranian Oil, £1.....	5⅝	6	5 0 0
85/-	67/9	10	*b*	5 *a*	Assoc. Electrical, Ord. £1....	81/3	81/3	3 13 10
87/-	71/6	15	*b*	7½ *a*	Assoc. Port. Cem., Ord. Stk. £1	78/6	79/-	5 13 9
29/10½	17/0½	40	*c*	35 *c*	Austin Motor, Ord. Stk. 5/-...	26/10½	28/1½	6 4 6
74/-	66/-	7	*b*	7 *a*	Barclays Bank, Ord. 'B' £1..	69/6	69/6	4 0 7
147/-	129/-	†5	*a*	†20 *b*	Bass Ratcliff, Ord. £1.....	144/4½	146/10½	3 8 1†
51/3	44/6	40	*c*	10 *a*	Boots Pure Drug, Ord. 5/-..	48/6	48/6	4 2 6
45/7½	37/6	6	*b*	4 *a*	British Aluminium, Stk. £1.	38/-	38/6	4 2 6
25/7½	18/-	8	*c*	10 *a*	British Celanese, Ord. 10/-..	23/9	23/9xd	4 4 3
98/-	85/3	12	*b*	8 *a*	British Oxygen, Ord. £1.....	86/-	86/6	4 12 6
60/1½	50/7½	5	*a*	7½ *b*	Coats, J. & P., Ord. Stk. £1..	55/-xd	55/-	4 10 11
41/3	32/1½	5	*b*	2½ *a*	Courtaulds, Ord. £1.....	37/9	38/6	3 17 11
19/11½	16/6	20	*c*	6½ *a*	Distillers Co., Ord. 4/-.....	19/3	19/3	4 3 1
32/9½	28/9	8	*c*	8 *c*	Dorman Long, Ord. £1.....	31/3xd	31/-	5 3 3
67/-	50/7½	15	*c*	15 *c*	Dunlop Rubber, Ord. £1.....	51/3	55/7½	5 7 10
47/6	37/9	10	*c*	10 *c*	Ford Motor, Ord. Stk. £1...	45/-	45/-	4 8 11
86/-	72/-	17½	*c*	17½ *c*	General Elect., Ord. Stk. £1.	81/3	81/3	4 6 2
136/-	124/-	11	*a*	21 *b*	Guinness, Ord. Stk. £1.....	130/-xd	130/-	4 18 6
31/-	24/6	17½	*b*	15 *a*	Hawker Siddeley, Ord. 5/-...	29/9	30/7½	5 6 1
44/3	39/6	7	*b*	3 *a*	Imp. Chem. Ind., Ord. Stk. £1	42/-	42/6	4 14 1
111/3	95/-	18½	*b*	13½ *a*	Imperial Tobacco, £1.....	104/4½	106/10½	5 19 9
44/1½	29/7½	10	*c*	5 *a*	Lancs. Cotton, Ord. Stk. £1.	40/9	40/6	4 18 9
44/6	38/1½	10	*c*	10 *c*	Lever & Unilever, Ord. £1..	41/10½	41/3	4 17 0
63/-	51/9	15	*c*	15 *c*	London Brick, Ord. Stk. £1.	56/10½	55/-	5 9 1
83/6	69/6	45	*b*	15 *a*	Marks & Spencer ("A"), 5/-.	80/6	80/9	3 14 3
44/-	33/3	17½	*b*	7½ *a*	P'chin J'nson, Ord. Stk. 10/-	38/6	39/-	6 8 2
54/-	41/-	4	*b*	8 *a*	P. & O., Def. Stk. £1.....	51/-	53/6	4 9 9
33⅜	27½	†77½	*c*	17½† *e*	Prudential, 'A' £1.....	31¼	31½xd	2 9 0†
19/4½	17/4½	18	*c*	15 *a*	Ranks, Ord. Stk. 5/-.....	18/6	18/3	4 18 8
71/3	59/3	12½	*a*	†5 *b*	"Shell" Transpt., Ord. Stk. £1	64/4½	66/10½	2 4 9†
56/7½	50/-	12½	*c*	12½ *c*	Stewarts & Lloyds, Def. £1.	54/6	54/9	4 11 4
130/-	108/9	12½	*a*	12½ *b*	Tube Invst., Ord. Stk. £1...	125/-	125/-	4 0 0
87/7½	73/3	5¼	*a*	11½ *b*	Turner & Newall, Ord. Stk. £1	82/6	83/1½	3 10 6
36/-	27/-	8	*c*	8 *c*	Union Castle, Ord. Stk. £1..	34/6	35/6	4 10 2
66/3	34/4½	12½	*c*	17½ *c*	United Sua Betong, £1.....	51/3	52/6	6 13 4
35/1½	24/10½	4½	*b*	2½ *a*	Vickers, Ord. Stk £1.....	33/9	34/3	3 18 10
48/4½	41/6	27½	*b*	15 *a*	Woolworth (F W.), Ord. 5/-	42/9	43/9	4 0 0*m*

(*a*) Interim. (*b*) Final. (*c*) Whole year. (*d*) Int. paid half-yearly. (*e*) Special dividend. Yield basis 77½%. (*f*) To latest redemption date. † Free of tax. (*m*) Yield basis 35%.

THE COMMERCIAL BANK OF SCOTLAND, LIMITED

ANOTHER SUCCESSFUL YEAR

DEFENCE EXPENDITURE—NEED FOR OTHER ECONOMIES

LORD ROTHERWICK'S REVIEW

The annual meeting of the shareholders of the Commercial Bank of Scotland, Limited, was held in Edinburgh on December 14, 1950. The Rt. Hon. Lord Rotherwick of Tylney, the deputy-governor of the bank presided in the absence, through illness, of the governor the Earl of Mar and Kellie, K.T.

The deputy-governor said:—

It is unfortunate that the Governor of the Bank, the Earl of Mar and Kellie, is still not well enough to take his place here today, and I am sure it will be your wish that I express to him your sympathy and the hope that he will soon make a good recovery.

For myself, I have pleasure in presiding again at the annual general meeting of the shareholders of the bank, and in submitting a report by the directors which, notwithstanding the uncertain and difficult times through which we are passing, will, I am satisfied, show that the business of the bank continues to be conducted with the same care and success as hitherto.

DEVALUATION

When last I addressed you, the outstanding feature in the economic situation of the country was the devaluation of the pound sterling, which had taken place a few months before, and I expressed the view that if any real benefit were to accrue from this expedient, it must be accompanied by a very considerable expansion of our export trade—a state of affairs which seemed to me to be difficult of achievement unless some incentive were offered to both industry and the individual in the shape of a substantial reduction in the burden of taxation.

TREND IN THE RIGHT DIRECTION

The recently published White Paper dealing with the balance of payments brings some evidence of a trend in the right direction: An overall surplus of some magnitude is brought out for the first half of 1950: gold and dollar reserves have reached levels which hardly seemed possible a year ago, although in recent weeks, warnings have been uttered from official quarters to the effect that these reserves are still below what is considered necessary and that much remains to be done.

DEFENCE PROGRAMME

These warnings cannot be ignored, and, indeed, it is difficult to see how the situation may be affected by the recent decision of the Government—with the full approval of the vast majority of the people of this country—to embark upon a programme of defence which, over the next three years, will call for expenditure of something of the order of £3,400 million. This decision—set alongside the increased defence expenditure envisaged by the United States of America—may transform the economic outlook of the free world; but I hardly think that this is either the time or the place to indulge in speculations as to how events may turn out. Certain it is, however, that this vast expenditure on re-armament—coming at a time when all of us might reasonably have looked for some improvement in our national and individual circumstances following upon our efforts towards that end during the last decade—cannot be merely superimposed upon our present economy in the shape of further taxation unless it be that the most stringent economies in non-defence expenditure are contemplated by the government. World trade, commodity prices and currency values will all be affected by these new expenditures, and much will depend on the manner in which they are to be financed.

With regard to Scotland, which is of first importance to us as a bank, I see no reason for varying the views I expressed a year ago as to the spirit of enterprise which is evident; but here also, prospects must be viewed against the background of circumstances which I mentioned earlier, and I am sure you will agree that it would be idle for me, at this juncture, to make any forecast as to the future.

BALANCE SHEET ITEMS

I would now ask you to consider the balance sheet, from which you will find that paid-up capital is unchanged at £2,600,000, while the reserve funds to which £100,000 has been added, now stand at £4,000,000, and are £1,400,000 in excess of the paid-up capital.

Notes in circulation, amounting to almost £12,500,000, are higher on the year by almost £200,000; but the circulation figures vary from day to day, and no definite conclusion can be drawn from this relatively small increase.

Deposits and other credit balances at £118,074,000 are greater than a year ago, by almost £4,500,000. These are record figures which are well spread over our network of offices, and the steady growth persists despite the heavy drawings upon us by expanding industry.

Acceptances and engagements on account of customers at £3,938,000 are down on the year by £112,000, but this slight fall has no special significance.

ASSETS

On the assets side, cash, balances with other banks, money at call and short notice in London, British Government Treasury bills, British Government deposit receipts and other investments—which are almost entirely British Government securities—produce a total of £105,322,000, equivalent to almost 81 per cent. of our liabilities to the public in respect of notes in circulation and deposits. The market value of our investments is in excess of the figures appearing in the balance sheet.

At £30,159,000, bills discounted and loans and advances, together show an increase of a little over £3,165,000, and while such a trend bespeaks an active and expanding business throughout our various offices, it is also a reminder of the burden which is being carried by industry today: crushing taxation—and the method of its application over a number of years—has made it impossible for industrial concerns to build up the funds necessary for re-equipment and the financing of raw materials at the high prices ruling today, with the result that there are few concerns which do not find it necessary to rely upon their bankers to a greater extent than would normally be the case. The situation is one of the greatest difficulty because of the need of the banks to give heed to the restrictions which have been laid upon them from time to time with the object of keeping certain types of borrowing within bounds, and it is likely that the task confronting the banks will become more difficult in the coming months.

YEAR'S PROFIT

As to the results of the operations of the year, you will observe that profit is more by £18,975, which may be regarded as satisfactory when account is taken of the burden of taxation, increasing costs, and the difficulties of the financial situation generally. Out of the sum available, the directors have allocated £100,000 to reserve fund, and £100,000 to increase the fund for officers' pensions. For some years past it has been customary to allocate a substantial sum to the widows' fund; but on this ocasion that has not been necessary as the fund, for the time being at least, is in a reasonably satisfactory condition.

DIVIDENDS

Interim dividends on the "A" shares of 7½ per cent., and on the "B" shares of 5 per cent., less income tax, were paid in July last, and it is now proposed that a further distribution of 7½ per cent. on the "A" shares (making 15 per cent. for the year) and 5 per cent. on the "B" shares (making 10 per cent. for the year), both subject to income tax, be approved. After payment of the dividends and allocations, the carry forward to next year's account amounts to £77,000.

TRIBUTE TO THE STAFF

It would not be appropriate were I to conclude without referring to the valuable service rendered by all members of the staff, the result of whose efforts are reflected in the report I have presented to you today, and on behalf of our shareholders and customers alike, I offer them our sincere thanks.

Since last we met, Mr Robert Candlish Henderson, K.C., LL.D., who was appointed an ordinary director in 1924, made known his desire to retire from the board. During that long period Mr Henderson rendered valuable service to the bank, and his sound judgment and wise counsel were highly esteemed by his colleagues. The fact that he found it possible to continue his connection with the bank by accepting the invitation of the board to join the number of extraordinary directors gave much pleasure to us all, and I am happy to greet him here today.

It is proposed that the Earl of Mar and Kellie be re-elected governor. That I be re-elected deputy governor, and that the extraordinary directors whose names appear on the list, be re-elected.

It is also proposed that Mr Douglas Ainslie Foulis, D.S.O., O.B.E., the ordinary director who is due to retire at this time, be re-elected an ordinary director of the bank.

During the year, Mr William Annan, C.A., one of the auditors, resigned his appointment, and the board recorded high appreciation of his services, extending over a long period. In his place, by virtue of the powers conferred upon them by the constitution, the directors nominated Mr Ronald J. Henderson, D.S.O., O.B.E., C.A., Edinburgh.

Mr Maurice Crichton, C.A., Glasgow, and Mr Ronald J. Henderson C.A., Edinburgh, will, under the provisions of the Companies Act 1948, continue in office, and a resolution fixing their remuneration will be proposed.

I now move that the report and accounts be adopted, and I shall call upon Mr Douglas Mure Wood to second the motion. After that has been done any shareholder who may have any observations to make will have an opportunity of doing so before I put the motion to the meeting.

The resolution, having been seconded by Mr Douglas Mure Wood, was put to the meeting and carried.

At the close of the meeting cordial votes of thanks were accorded to the directors and the staff for their services during the year and to the deputy governor for presiding.

THE NATIONAL BANK OF SCOTLAND LIMITED

CONTINUED PROGRESS

The one hundredth and twenty fifth annual general meeting of the proprietors of The National Bank of Scotland Limited, was held in the bank's head office on December 14th, the Most Hon. the Marquess of Zetland, K.G., P.C., G.C.S.I., G.C.I.E., the governor of the bank, presiding.

The governor, in the course of his speech, said the balance sheet as at November 1, 1950 is in itself sufficient evidence of the continued progress of the bank, but there are one or two features upon which some comment may be thought to be appropriate. Our deposits, at £96,300,000, are higher by £1,400,000, while on the other side our discounts and advances, amounting together to £23,400,000, show an increase of practically the same amount. Our liability for acceptances, endorsements, guarantees, forward exchange and other obligations undertaken on behalf of customers, has expanded notably from £4,700,000 to £8,300,000. This growth is mainly accounted for by the greater part the bank has taken in the finance of international import and export trade, many of the transactions, involving quite important sums, being concerned with shipments from one part of the world to another, never touching the shores of the British Isles but earning for our country valuable sums in foreign exchange. The reward the bank receives for the services thus rendered is part of our "invisible exports" which help to bridge the dollar gap.

Our profits, at £300,800, are fully £7,000 higher, but once again, pursuing our traditional policy, the amount set aside for distribution as dividend is little more than one-third of our earnings, absorbing only £107,800 net, and we have been able to appropriate towards building up the inner strength of the bank—£60,000 to investment reserve, £40,000 to heritable property account, £75,000 to trustees for the officers' pension scheme, and to make in addition a donation of £10,000 to the staff widows' fund, leaving to be carried forward £118,000.

TRADE AND INDUSTRY

A year ago when I addressed you I suggested that it was much too soon to assess the full consequences of devaluation, but some of you may remember that we were asked by the politicians to believe that devaluation would make relatively little difference to costs and that great benefits to our export trade would follow. It was, of course, easy to prophesy that exports would benefit, as indeed they have done, because the lowering of the price of British articles when converted from pounds into a foreign currency such as the American dollar made it easier for British goods to obtain an increased entry into such a market. Regularly, month by month, we see quoted impressive figures of the growth of British exports expressed in pounds sterling, but what receives singularly little attention is the cost in terms of imports of the essential raw materials that have to be acquired in the international markets for conversion into these same exports, and it is easy to delude ourselves into thinking that the situation is now entirely happy, if we look at the export side only. A considerable part of the initial advantage in the export markets arising from devaluation could be found in the stocks that were already on hand, acquired at pre-devaluation figures upon which an immediate profit could be secured, but as later purchases of raw materials have to be made to replace those which have been manufactured and sold, the initial advantage will evaporate and, unless we look to our other costs, may eventually disappear. Indeed, some of the less pleasing effects of devaluation are now beginning to show themselves, and in this connection wool is as good an example as any.

We can share in the pleasure and encouragement the Scottish pastoral farmers have received from the higher prices for their wool clips, the profits on which will in due time be returned through the Wool Marketing Board instead of being retained by the Treasury as was the case during the period of control, but if their problems have been eased, another set of problems has been created for the manufacturers, especially those who have to seek the bulk of their requirements from Australian sources. The rise in the price of wool has been phenomenal, twice that prevailing twelve months ago, and in some grades as much as ten times compared with 1939. Wool, being an international commodity, is subject to the free play of international forces and currencies and it was inevitable, when both the British pound and the Australian pound were devalued as against the dollar, that the price of raw wool would move upwards. Added to that is the effect of demand having outstripped the immediate supply.

So long as our manufacturers have on hand old stocks to blend with the new and can average out the price of the finished cloth, the effect of the new wool levels can be retarded, but looking ahead one cannot but wonder how the consumer who is always the final judge will respond to the higher prices that will be inevitable when the old stocks have all been converted into cloth. Two years ago I endeavoured to explain how the crushing burden of taxation was depriving industry of the capital which is its very life blood. At that time I had in mind more what was required for modernisation and improvement of plant, but the problem may be even more acute if, with wool as our example, industry is prevented from adding to its resources to purchase and carry its working stocks of raw materials.

SCOTTISH TRADE CONDITIONS

Let me now turn for a moment to Scottish trade conditions. It is satisfactory to record that shipbuilding orders have been placed in considerable volume which will ensure active employment for a good long period ahead, not only in the yards but also in the many establishments which supply the engines and machinery. The jute trade remains troubled over supplies of the raw material, the differences between India and Pakistan, of which I have made mention in the past, being apparently no nearer solution, while little gunny cloth is obtainable from Calcutta for the bags which formed quite a considerable part of Dundee's manufacture. The harvest has had mixed results, and has been expensive to ingather. Farmers in the East and North have fared much better than those in the West. Fishing remains uncertain and its major problem, would seem to lie in obtaining the reopening of the Continental market.

We all welcome the bringing into operation of the first of the major schemes, that at Loch Sloy, of the North of Scotland Hydro-Electric Board. As one by one these various schemes are completed and come into production Scotland should have a more stable and assured electricity supply, attracting as we may earnestly hope within our land still more of the new industries which are seeking a home within the British Isles. It is worthy of remark that 75 per cent. of the American and Canadian concerns which have set up new factories in Britain have done so in Scotland.

The report was adopted.

CANADIAN BANK OF COMMERCE

INDUSTRIAL GROWTH AIDS ARMS PROGRAMME

The annual meeting of the Canadian Bank of Commerce was held on December 12th in Toronto.

The President, Mr Stanley M. Wedd, in the course of his address, commented on the impact of Korean hostilities on Canada's economy. He went on, "The latest official estimate of the value of our production for 1950 is $17.5 billion—an increase of about $1,400 million compared with last year."

After stating that the rate of capital investment in Canadian industry showed little sign of slackening, he dealt with the labour force and said, "It would seem to be a matter of real urgency that the labour force be expanded, and since this can be done to only a very limited extent from the manpower resources now available, the immediate implementation of a well-integrated immigration policy would seem to be the proper solution."

The expansion of Canada's proven reserves of petroleum, the completion of the new oil pipe-line from Edmonton to Superior, Wis., and the decision to build a railway to tap the rich Quebec-Labrador iron ore resources were then touched upon briefly.

Looking at international trade, he said, "The ability of Canada to cushion the effect of a decrease in exports to sterling countries by an increase in exports to the United States is another evidence of the adaptability of the Canadian economy."

The President dealt extensively with the decision to free the Canadian dollar in October and felt that the decision was one with much to commend it.

"The supplementary budget brought more clearly into focus our responsibilities as a member of the United Nations. It also emphasised our role as a signatory to the North Atlantic Defence Pact," continued the President, who hailed Canada-United States military integration in these words: "The new agreement re-affirms the principle of co-ordination in defence purchasing and allocation of materials between the two countries. It also indicates that problems of purchasing ability which hindered co-ordination in the postwar period may well be avoided."

IMAGINATIVE TAX POLICIES URGED AS INFLATION CURB

After commenting that the growth in total assets reflected the increase during the past year in Canadian business, Mr James Stewart, vice-president and general manager of the bank, said: This year costs again are moving upward, and doubtless we shall be confronted with many anti-inflationary proposals. Taxation must raise the revenues necessary to finance much of the defence programme and in general is an important fiscal means for "siphoning off" purchasing power. While the tax structure should be arranged to assist in restraining inflationary tendencies, yet at the same time it should not hamper or retard the industrial programme necessary to meet military and domestic requirements.

The choice of taxes and their rates loom large in our planning. I know that in certain quarters the excess profits tax has its adherents, yet, because of its tendency towards encouraging unnecessary spending, it has, particularly under conditions of full employment, an inflationary potential. A further equally important argument against such forms of taxation is that in our economy, part of which is in the developmental stage, every encouragement should be given to expanding new businesses and industries. Retention of profits is one of the best methods of capital expansion. Serious consideration should be given to setting the rates of corporation income tax at sensible levels. In the long run this might be a better

revenue-raising arrangement than an excess profits tax.

The report was adopted.

THE ENGLISH, SCOTTISH AND AUSTRALIAN BANK

ANOTHER SATISFACTORY YEAR

THE HON. DAVID BRAND'S REVIEW

The fifty-eighth annual general meeting of The English, Scottish and Australian Bank Limited was held on December 13th in London, the Hon. David F. Brand, the chairman, presiding.

The following is an extract from his circulated statement:—

I am pleased to report another satisfactory year of trading operations by your bank, in a period when Australia has enjoyed a high level of financial prosperity, resulting chiefly from greatly expanded export receipts, good seasons generally and a strong demand for manpower in all sections of industry.

At the same time, I have a duty to add my voice to others that have stressed the growing danger to Australia's economy of strong inflationary pressures which, if unchecked for too long, or checked by unwise means, can do inestimable harm to all sections of the community.

Reference was made in my last report to the advance policy of the Central Bank, which is directed towards restriction of bank accommodation in those enterprises that are least essential to proper economic balance, or whose trading structure indicates that monetary needs should be met by share capital or long-term borrowing outside the banking system. The advance policy has remained fundamentally unchanged during the year. We are in accord with its anti-inflationary objectives, and have co-operated fully with the Central Bank in applying these principles to all lending propositions.

As a result, the balance-sheet shows a reduction of £5,168,000 in the total of advances, which now appear at £45,271,000.

On the other hand, our deposits have been built up, both interest bearing and current account, which, with bills payable and other related liabilities, now stand in the balance-sheet at £93,708,000—an increase of £14,658,000. Deposits in the Australian banking system for the past year again showed a heavy increase, major factors being further substantial additions to the Commonwealth's overseas funds and expansion of advances by most banks.

IMPROVED LIQUIDITY

The total of cash in hand, etc., money at call in London, special account with the Commonwealth Bank, and bills receivable, etc., now equals 12s. 11d. in the £ of deposits, current accounts, etc., compared with last year's figure of 12s. 8d. in the £. Adding to public deposits, etc., the Commonwealth Bank of Australia special deposit account, the ratio becomes 12s. 2d. in the £ as against 10s. 4d. last year.

I would draw your attention particularly to the balance-sheet item, "Commonwealth Bank of Australia, special deposit account." This item represents the balance of loans made to this bank (at 3½ per cent. per annum) by the Commonwealth Bank during the period when our advances were increasing. During the year under review our improving liquid resources facilitated a reduction of £12,345,000 in these Three and a Half per Cent. loans to a total of £5,583,000 at June 30th last, thereby enabling the bank's earnings to be maintained at an adequate level. In the same period our lodgments with the Commonwealth Bank at one-half per cent. increased by £4,418,000 to £35,212,000.

A substantial upward movement in gross profit has again been recorded; but as on previous occasions in recent years expenses of management have also risen (mainly through increased arbitration salary awards) and taxation estates are higher, resulting in a net profit of £259,310—an improvement of £21,345 on last year's result.

Having paid an interim dividend of 2s. per share, the directors again recommend a final distribution of 4s. per share, making a total unchanged dividend of 6s. per share, less United Kingdom income tax of 9s. in the £.

An allocation of a further £35,000 has been made to the officers' provident fund, after which £59,310 of the net profit remains unappropriated. This has been added to the carry-forward, increasing it to £456,548.

The report was adopted.

ALLIED BAKERIES, LTD.

FURTHER PROGRESS

The fifteenth annual general meeting of Allied Bakeries Limited was held on December 12th in London.

Mr W. Garfield Weston, the chairman, in the course of his speech, said: The gross revenue in the consolidated profit and loss account at £3,258,000 shows an improvement of £388,000 as compared with last year's figure of £2,870,000, and the net profit before taxation has increased by £221,000 from £2,404,000 to £2,625,000.

During the year the directors put into motion steps necessary to secure the highest possible degree of technical and administrative efficiency. First, our interests were divided into geographical areas for convenience of local administration, namely Southern, Northern and Scottish Bakeries respectively, with a fourth section for Biscuit Manufacturing Companies. Secondly, high executives and leading technical staff were re-deployed to the best advantage.

The third step will be to reduce the number of operating companies by amalgamations and absorptions to reduce operating costs. I am pleased to say that the first results of this change-over have been most encouraging.

Some financial writers have suggested that our company may soon have to raise further capital in connection with our schemes of expansion and modernisation, and I would like to clear this point up by indicating that no such action is at present contemplated by the board. Moreover, our planned policies will continue so long as suitable channels for new activities become available to us.

THE DIVIDEND

I should now like to refer briefly to the retention of our ordinary dividend at the level of 20 per cent. As you know, the policy of the Government is to limit spending power and it has pinned great hopes to wage freeze and dividend limitation policies. These restrictions would be readily accepted by all if the cost of living were stationary, but there is a growing body of opinion that the present inflationary tendency justifies a moderate increase in personal incomes.

Because the present rearmament push has slowed down deliveries of new equipment, the calls on our liquid resources during the current financial year will prove to be lighter than was originally anticipated, and this will enable the board to reconsider its dividend policy (with especial reference to the claims of the smaller shareholders) when the directors meet shortly to consider the first interim ordinary dividend on account of the year ending March 31, 1951.

At the request of the chairman, the meeting was addressed by Mr A. Barrowman, Mr A. E. Ellison and Mr J. Thomson, each of whom described the progress made in the Bakery Group for which he was responsible, and also by Mr W. P. Van Sickle, for the Biscuit side of the business, and Mr C. M. C. Symes, general sales manager for the three Bakery Groups.

The report was adopted.

WALTER SPENCER AND COMPANY, LIMITED

A DIFFICULT YEAR

The fourteenth annual general meeting of Walter Spencer and Company, Limited, was held on December 13th at Sheffield, Mr E. Ransom Harrison, F.S.A.A., the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to September 30, 1950:—

The year under review has been one of great difficulty and towards the end devaluation began to take effect and has now caused very considerable increases in the cost of raw materials used in our specialities.

IMPROVEMENTS COMPLETED

The scheme of improvements I referred to last year has not yet been completed, but the new boilers and conveyors are now on site and erection will proceed with all speed; every effort will be made to commence the new plant by the end of November. This should effect considerable saving. It is estimated that the sum still required for capital expenditure is £28,677. In addition certain existing plant has been modernised and is now giving satisfactory production.

Due to the increased capital expenditure and to the company's practice of providing for depreciation each year a sum not less than the Inland Revenue allowances, the charge for depreciation is £12,397 compared with £9,318 in the year to September 30, 1949. Although the profits earned for the year to September 30, 1950, are less than for the previous year, the reserve needed for income tax on those profits is greater because the benefit obtained from initial allowances is not so pronounced as in the previous year. A further transfer from profit and loss account to contingencies reserve is recommended.

TURNOVER AND EXPORT TRADE

The output has shown some slight decline in both the home and export trade but this is mainly due to the fact that until the new scheme is completed we are working under great difficulties, as part of the old plant has had to be dispensed with. With regard to the future, we have a very satisfactory order book both for home and export trade and already the current year shows a pleasing increase.

Your directors recommend a final dividend of 7½ per cent., less income tax, making with the interim dividend of 5 per cent., less income tax, paid on May 31st last, a gross dividend of 12½ per cent., less income tax, leaving a sum to be carried forward of £8,093. It is with regret that your directors recommend a reduction in the final dividend, but they consider this a prudent course, especially as the higher cost of raw materials referred to will need a heavy outlay to carry on production in our specialities for which there is a great demand.

I may point out that a very considerable capital outlay has been met and the further expenditure under review is provided for without making any further share issue. No effort will be spared to restore the dividend at the earliest possible moment—and if the restrictions on raw materials do not curtail output I anticipate no difficulty in this direction.

Mr P. B. Henshaw accepted an invitation to join the Board. Recent changes have taken place in the staff and we are pleased to record advancement for some of our old members to positions of greater responsibility, and the Board express their appreciation of the co-operation of the staff and workpeople during the year.

The report was adopted.

DORMAN, LONG AND COMPANY, LIMITED

GOVERNMENT JETTISON AGREEMENT ON INDUSTRY'S FUTURE

REVIEW OF RECORD PRODUCTION

The sixty-first ordinary general meeting of Dorman, Long and Company, Limited was held on Thursday, December 14, 1950, at Caxton Hall, Victoria Street, London, S.W.1.

Sir Ellis Hunter, chairman and managing director, who presided, in the course of his speech, said:—

The year has been one of mounting production and we are again able to report new record outputs. Iron production reached 1,206,554 tons, an increase over the previous year of 18,106 tons, while steel ingot production increased by 52,147 tons to 1,694,742 tons, and rolled steel production at 1,376,989 tons showed an advance over the previous year of 63,986 tons.

This striving after the highest possible productivity has been the industry's consistent policy since 1945. The whole of the industry has participated in this endeavour and no section has failed to make the necessary effort. More than three years ago the men agreed to the introduction of the continuous working week in the melting shops when in many other important industries there was pressure for the introduction of the five-day week. In 1945 managements produced their co-ordinated plan of national development and, what is more, they put it into operation and have made good progress ever since. They have also used to the utmost the resources of their own organisations and of the industry's organisation to secure adequate supplies of raw materials and a free flow of the industry's products to the consuming trades.

NO NEED FOR EXHORTATION

And in all this work there has been no need to urge either men or managements. Repeated exhortations to produce more which were showered upon industry generally were not required in the case of iron and steel where the need was recognised long before it was acknowledged elsewhere.

All employed in the industry, whatever their status, are entitled to full credit for this record of unstinted effort.

The higher outputs in the past year have had to be achieved, however, not in any atmosphere of encouragement, but against a background of disturbance caused by the Government persisting with the project of nationalisation. The policy now being pursued cannot as the Government allege dissipate the uncertainty that surrounds this issue. Both opposition parties have pledged themselves to the repeal of the Act.

The production record of the industry in recent years is a reflection of its endeavour to do its utmost to give the nation what it needed and the Government might have been expected in the present circumstances to be content to hold their hand and allow the industry to continue with its efforts undisturbed by political action.

This problem of the relationship between the industry and the State has been shown to be capable of permanent settlement on a basis that involves the fullest protection for the public interests.

In September, 1946, the Government itself established an iron and steel board, including four members with wide experience of the industry, as well as a consumer representative and two independent members, one of whom was chairman. It continued to operate until March, 1949, and provided a remarkable demonstration of successful public control, in full co-operation with all branches of the industry. Nor was there any insurmountable difficulty in according to the board such powers as would remove any possibility of its being suggested that it could only act negatively.

AGREEMENT WITH GOVERNMENT JETTISONED

During 1947, negotiations were conducted between the Federation and Cabinet representatives and an understanding was reached providing for giving the board additional powers and functions to meet any such criticism. We had hoped that at last the relations between the industry and the State would be placed on an effective and permanent basis, but the discussions were suddenly terminated without any reason being given beyond the bald statement that the Cabinet had decided to proceed with nationalisation.

The Trades Union Congress have shown more perception and realism on this matter than the Government. In their report issued at the end of August this year the T.U.C. urged the desirability of considering whether other forms of public control might not be better than outright nationalisation. This is what the report said: "It may, however, be that in important cases a more practical means of public control, alternative to both public ownership and development councils, would be the statutory board of control."

This is precisely what we thought we had achieved in our negotiations with the Government in 1947. The opportunity which was cast away three years ago was surely recreated by this pointed suggestion from the T.U.C. It offered the Government, had they not really been obsessed with nationalisation for nationalisation's sake, an admirable chance of reviving this sensible course of action. But instead of adopting this course, the Government proceeded to implement the Iron and Steel Act and even declined to avail themselves of the opportunity for delay with which they had provided themselves in the Act.

There need be no speculation regarding the attitude of the leaders of the industry because they have declined in the present political situation to nominate members to serve on the Corporation which has been set up. The answer is simple and can be stated categorically. We shall continue to conduct our affairs with only one purpose in view, the continued development of the industry for the highest public service, endeavouring to raise productivity and increase efficiency so that our products are available in the largest possible quantity at the lowest possible price.

The company's record outputs at the iron and steelworks are matched by equally successful operations in the other departments and by the subsidiary companies. All this is reflected in highly satisfactory financial results on the year's working.

TREATMENT OF SHAREHOLDERS DEPLORED

The full amount of the initial allowances has again been written off capital expenditure in the past year. Your directors have consistently followed this practice since these allowances commenced. They are of opinion that all practicable steps should be taken to offset the effect of inflated costs of development work. If, instead of adhering to their policy of retaining profits in the business in this and other ways so as to provide for increasing needs for larger working capital, as well as for heavy commitments involved in the company's development schemes, they had increased dividends, the shareholders would probably have received more compensation under the Iron and Steel Act; but the company would not have been so well placed to implement its part in the national development programme. Paradoxically, shareholders of companies which have adopted a less conservative policy will receive greater consideration if and when their holdings are taken over by the State. The Dorman, Long group's net current assets, after deducting current liabilities and provisions, amount to £14,500,000. The compensation payable to the company's debenture holders and shareholders is £13,000,000, so the State will take, without consideration, £1,500,000 of current assets, in addition to the whole of the valuable fixed assets, which are worth far more than their book value of £8,000,000, following a year in which the group profit is over £6,250,000.

About two-thirds of our 26,000 members hold 100 shares or less. They are not speculative investors who are constantly operating on the market and for whom the criterion of market prices might have some relevance, but small investors who have put their savings into the company and kept them there in bad times as well as good. Your directors deplore the injustice to be perpetrated on these shareholders and earnestly hope that if vesting does take place before a General Election the Opposition Parties will bear these facts in mind when considering their proposals for the subsequent repeal of the Iron and Steel Act.

DEVELOPMENT: STAGE TWO

A start was made in the autumn of last year on stage two of our major development plan, the main item being the construction of our new open hearth steel works at Lackenby with which satisfactory progress has been made. The whole project has been designed by our own staff and is being built by the Dorman, Long Group. This is a striking example of the extent of our resources and the versatility of our engineering and technical staffs.

Virtually, all our major developments up to stage two have been designed to improve the efficiency of our production by additions to and replacement of existing plant rather than materially to increase output. They have, however, contributed to the general increase in production by reason of the improvement in efficiency which has been secured. Demand for heavy structural steel which, of course, is the particular field in which we are specially interested, has been maintained at a high level and tends to increase.

This tendency gives additional encouragement to the implementation of the next stage in our plant development programme. In these circumstances adjustments to stage three must be considered which would permit the new capacity being operated for a period in addition to our existing equipment, rather than making the replacement of present units the sole consideration. There are also proposals which would lead to an expansion of rolled steel output at our existing works. Stage three of our developments provides for the installation of the beam mill at Lackenby and the construction of new large blast furnaces at the Cleveland Works.

MAGNITUDE OF STAGE THREE

Pressure on plant makers in this country in the immediate postwar period was so great that the major strip mill development in South Wales had to take precedence over our own mill construction project. The overall progress made with the industry's national development plan, however, has been such that the third stage of the Dorman, Long development programme could now be put in hand at an early date.

Our developments are essentially a continuing process and should not be regarded as isolated projects. They are stages in a long-term policy designed to ensure economic production and to assure to Dorman, Long a full share in the steel industry's expansion.

The report was adopted.

GREAT UNIVERSAL STORES

ANOTHER RECORD YEAR

MR ISAAC WOLFSON ON THE OUTLOOK

The thirty-second ordinary general meeting of the Great Universal Stores Limited was held on December 12th at Winchester House, Old Broad Street, London, E.C., Mr Isaac Wolfson, chairman and managing director, presiding.

The following is the chairman's statement circulated with the report and accounts for the year to March 31, 1950:—

I have pleasure in submitting the accounts of your company together with the consolidated accounts of the group. The consolidated trading profit is £5,896,913, as compared with £4,576,290 for the previous year, an increase of £1,320,623. To the above-mentioned trading profit must be added £54,194 in respect of dividends from trade investments and sundry items receivable, making a total revenue of £5,951,107. From this has been deducted £461,308 for depreciation, £44,974 for auditors' remuneration of the group, £426,773 for interest paid, and £437,462 for the proportion of profits relating to outside shareholders of subsidiary companies.

APPROPRIATION OF PROFITS

This leaves a balance of £4,580,590 from which the substantial sum of £3,019,367 for taxation must be deducted leaving a net distributable revenue of £1,561,223.

During the year under review the freehold and leasehold properties of the group with the exception of properties overseas were professionally revalued which resulted in a surplus amounting to £3,313,023. These assets have accordingly been increased by this amount, and the surplus has been transferred to capital reserve in the accounts of the companies concerned. Properties now stand in the balance sheet at £9,730,390, being an increase of £3,876,128.

RESERVES

Capital reserves after writing off the above amount then stand at £4,430,504, as compared with £3,806,946 last year, an increase of £623,558. Furthermore, revenue reserves and undistributed profits (apart from £2,039,296 reserve for future income tax) amount to £3,350,479, having been augmented by £1,005,290 during the year.

The above total reserves amount to £7,780,983 and are applicable to the issued capital of the parent company which consists of £2,250,000 preference and £1,319,979 ordinary stock or £3,569,979 in all. They are therefore over twice the amount of the total issued capital, or nearly six times the amount of the issued ordinary capital of the parent company.

As mentioned in the directors' report, we have succeeded in acquiring on advantageous terms the whole of the outside minority interest in the equity capital of the British and Colonial Furniture Company, Limited. This purchase will be of benefit to the former company and the group as a whole in that it has now become possible to co-ordinate the administration of the above concern with other units of our furniture division, which will permit of substantial economies in costs of operation.

Debtors of £4,397,416 represent short term credit accounts for the sale of goods other than furniture and the like. These show an increase in the ordinary course of trade. The average amount outstanding continues at just over £3 per customer. In the normal course of business an amount equivalent to the hire purchase debtors outstanding at a given date is collected over the ensuing period of a year and in the case of short term credit debts outstanding these are collected within the following 18 weeks.

Thus at the date of the forthcoming annual general meeting two-thirds of the amount outstanding as at March 31, 1950, under hire purchase contracts and the whole of the amount outstanding under short term credit accounts will have been received. This should be kept well in mind when considering the bank loans and overdrafts at £7,230,976 as compared with £6,252,254 last year. As against this there are balances with bankers and cash in hand of £2,901,763 so that the net liability to bankers is £4,329,213 as compared with £3,972,302 last year. As stated in previous years these loans and overdrafts largely arise from long-standing arrangements in connection with the Jays and Campbells furniture group of companies. The increase in the above amount mainly arises as a result of the consolidation of subsidiaries acquired during the year.

Debentures, mortgages, etc., are £3,940,868. These show an increase on last year largely due to items falling under this heading of newly consolidated subsidiaries which includes £391,480 mortgage debenture stock of Smart Brothers, Limited. These borrowings are repayable over a long period of years and in effect are working capital.

Total current assets at £38,464,733 represent an increase of £9,277,139 in relation to last year whereas total current liabilities have only increased by £6,000,341. The surplus of current assets over current liabilities is now £14,725,911 as compared with £11,449,113 last year.

GROUP'S RECORD YEAR

The year under review has again been a record one for the group. Turnover again showed a large increase. Falling profit margins coupled with a tendency for expenses to rise which is the experience of the distributive trade as a whole became evident during the year.

Prices of all goods have risen so much in relation to prewar and subsequent years that comparative sales figures in money values can be misleading. The true test of good trading and service is if the actual volume of goods in numbers of articles shows an increase. This is so in our case.

While prices have continued to rise recently the purchasing power of the public has not increased to any like extent. It therefore follows that greater discretion is being exercised by the buying public in seeking out the exact articles it requires at the prices it can afford to pay. Manufacturers must pay greater attention to improved methods of production to offset the price increases in raw materials. Those who do not will find demand for their output falling. Value and service to the customer has become more important than ever.

As I have mentioned in my previous annual statements our constant endeavour is to achieve a very high degree of efficiency within the group which must result in improved value and service to our large body of customers.

Sales for the current year show an increase over the year under review and trading profits are being held. I am hopeful that the results for the current year will be at least as good as those now presented to you.

The report and accounts were adopted.

REGIS PROPERTY

BURDEN OF TAXATION

The twelfth annual general meeting of Regis Property Company, Limited, was held on December 14th in London, The Rt. Hon. Lord Kennet of the Dene, P.C., G.B.E., D.S.O. (the chairman), presiding.

The following is an extract from his circulated statement:

Profits subject to taxation show an increase of £18,598, but increased provision for taxation absorbs a further £17,099. Thus the net profit of the group for the year has risen from £75,096 to £76,595.

Nearly 92 per cent. of the increase in profit has been absorbed by taxation. Increased profits tax has, of course, been incurred, but the greater part of this increase in taxation is due to an inconsistency in the rate of annual charge arising out of the fact that increased mortgage interest has been charged this year for the first time. The additional revenue which we look forward to earning in 1951-52 from our new office building should not be subject to more than the normal percentage of tax applicable to the year in which the income arises.

DIVIDEND RECOMMENDATION

It is now recommended that we should pay a final dividend of 8 per cent., less tax, making a total distribution for the year of 12½ per cent., less tax. The small increase in the proposed dividend is in relation to the increased receipts arising from the restoration of the war damaged section of Plantation House in respect of which the company itself has incurred additional expenditure over that provided by the War Damage Commission in order to improve the property.

After appropriations the combined profit of the group to be carried forward is £24,857, and including this amount the revenue reserves and surplus shown in the consolidated balance-sheet now amount to £55,249.

Our properties continue to be fully let and seem likely to remain so; but expenditure on repairs and the cost of all the services which we render for our tenants continue to increase, and legislation to permit some compensation for this additional burden still seems to be far away.

PLANTATION HOUSE

The building of a new section of office premises in the City of London adjoining our Plantation House property is proceeding rapidly and all the available space has already been booked by prospective tenants.

We have entered into an agreement to purchase the leasehold interest in this property on the completion of the building and we hope that we shall be in possession of the new block in not much more than six months from now.

We estimate the cost of the leasehold to be in the neighbourhood of £950,000, the finance for which has already been arranged, and there is no doubt not only that this new property will yield an attractive return to the shareholders but that the long-planned steps which will have led up to our investment in this leasehold will turn out to have greatly strengthened the financial position of the company. Our properties including this leasehold will have a market value greatly in excess of their book value.

You will, I am sure, readily appreciate the advantage in the company's applying its resources and experience more equally in the management of first-class office properties as well as flats, particularly in view of the great difficulties under which landlords of flats operate so long as the Rent Control Acts remain unamended and tenants do not have to meet the greatly increased cost of repairs.

The report was adopted.

TUBE INVESTMENTS LIMITED

RECORD OUTPUT, TURNOVER AND EXPORTS

MR IVAN A. R. STEDEFORD CALLS FOR FIRM POLICY IN REARMAMENT PLANNING

At the annual general meeting of Tube Investments Limited, at Birmingham on December 13th, Mr Ivan A. R. Stedeford (chairman) said that new high records had been achieved in output, turnover and sales, and that this had resulted from a combined operation in which all employees had worked with a will and in good fellowship.

T.I had extended, with quite remarkable results, the application of redeployment and scientific production management to lower costs and increase productivity, and for over a year had been introducing the newest techniques in standard costing and budgetary control, urged upon British industry within the past two months in the Specialist Productivity Team's report on U.S. management accounting. The Residential Training Centre for supervisors had proved to be of great value in helping supervisors to adjust themselves to the new responsibilities which came with new production systems. Promising results had also accrued from the courses for young men on the shop floor who sought promotion through training. Experience had shown that the talent and special qualities required of supervisors were latent in many young men who would remain undiscovered without the stimulus of training.

GROWTH OF CYCLE DIVISION

The profits for the trading year covered by the accounts amounted to £6,282,651. Each of the five divisions has made its contribution to these record results. The Cycle Division, which produced bicycles and components under the world-famous names of Hercules, Phillips, Norman, Armstrong and Brampton, again achieved new high records with exports up by over 10 per cent. on last year's records; T.I. exports of bicycles represented more than half of the British total. These good results might appear to be at variance with the warning he sounded last year, when he said that the time might be approaching when the British productive capacity of bicycles would outstrip the demand; but he indicated then that T.I. were well equipped to hold and extend their trade, and this they had done. The published export figures for the six months following the statement showed a reduction for the industry of 17¼ per cent. But the Korean developments caused a sudden change, and overseas a sellers' market for bicycles returned overnight. The industry was set a further spell of very great activity, and it could be safely assumed that since Korea most, if not all, cycle plants in the country had been working to capacity.

This state of affairs was unlikely to continue. Already many materials essential for bicycle manufacture were in short supply, and it seemed unavoidable that the industry must soon be faced with a period when the priority needs of rearmament would impose restrictions upon cycle production generally, both in terms of finish as well as quantity, as it did during the last war. In this event, steps would be taken to see that T.I. plants secured suitable work to keep them fully employed during any emergency period.

CURBS TO ALUMINIUM DEVELOPMENT

The output of the Aluminium Division—and its sales at home and overseas—were expanding satisfactorily before the added impetus of rearmament, and good progress also had been made with the installation of the large rolling mills in South Wales. But for one seriously limiting factor which was outside our control, and about which he expressed concern twelve months ago, he could this year have described the prospects of this Division as good. The British aluminium industry has been warned that imported supplies of virgin aluminium might be cut by over 10 per cent. This reduction was serious. Over the last two years the industry, with full encouragement, has expanded its productive capacity, with the result that its requirements of virgin metal for 1951 would be 25 per cent. greater than its needs in 1949-50 for economic operation. From T.I.'s point of view, as the new mill was not planned to come into operation for another six months, the cut would rob the company more of what was to come than of what it had already enjoyed.

Recent Anglo-American talks had considered plans for an equitable distribution of raw materials for rearmament. If this principle were fully applied in regard to virgin aluminium, it would be reasonable to expect that this country would receive enough at least for its more efficient fabricating plant to operate economically. Whilst T.I. might be compelled to slow down some of its existing plant he hoped it would not be necessary to postpone the starting up of the new rolling mill in South Wales, which was not only strategically well-sited, but, incorporating all the most recent developments in technique, was, or would be, one of the most efficient producing units anywhere.

TUBE OUTPUT OF 403 MILLION FEET

The Steel Tube Division, with its great production of over 403 million feet of cold drawn, precision and welded tube, had achieved an all-time record output—unequalled during the best years of the war when we had more men working at more machines for many more hours. The greater part of this Division experienced a return of the sellers' market during the year. Despite great demands and rising costs, T.I. had recently been able to offer some price reductions. Under present conditions it seemed unlikely that there would be many more opportunities of doing this. The companies in the General Division also did well, constantly extending their range of products.

The Electrical Division, which manufactured the famous Creda and Simplex products, had improved its contribution to the group's results, and had gained its fair share of the available trade, both at home and overseas. There still remained, however, a number of factors beyond the industry's control which necessarily curbed the great potential demand for electrical appliances in the home, and this compelled T.I. to base expectations on a long-term view.

EXPORTS UP AGAIN

T.I. had had another record year for exports—the fifth in succession. Direct exports, at £14 million, were 10 per cent. better than the previous year's record, and were an eloquent contrast to the best prewar performance, which was just one-tenth of that figure. Sales to Canada, to the U.S.A. and to other dollar account countries were as much as 60 per cent. higher than in 1948-49. Devaluation undoubtedly aided T.I.'s special efforts in these markets.

Describing the company's postwar policy of overseas expansion, Mr Stedeford said that the newest development was the acquisition of a substantial interest in the Standard Tube Company Limited, of Canada, which would be renamed Standard Tube and T.I. Limited. It was a well-established and progressive concern already earning a substantial income. It had been mainly engaged in the manufacture of electrically welded precision tubes for the Canadian market. Its operations would be extended to cover a wider range of precision, mechanical and pressure tubes as well as other tubular specialities. The company, which owned a number of distribution depots throughout Canada, would supervise and promote the sale of T.I. products exported from the home factories. He believed that a closer integration of Canadian and British industry would be generally welcomed by the North American continent, and that a closely united Commonwealth was still a corner-stone of stability in a restless world. T.I. had also purchased the assets of Southern Engineering Supplies Limited, of South Africa, which manufactured electrical appliances.

FURTHER OVERSEAS DEVELOPMENTS

The factory of Hercules and Phillips Cycles (South Africa) Limited had already surpassed the planned maximum production of over 8,000 a month; the cycle factory in Madras, India, was in the process of construction, and plant and equipment was on its way to India. Initial production should start in the coming spring. Exchange difficulties with Argentina had prevented T.I. receiving the fruits of their tube-making partnership in Buenos Aires in association with F.A.C.A. Mauricio Silbert. The development of this company was being hampered by Argentine restrictions, which prevent the importation of needed plant and machinery, but, within the limits of its present capacity, very satisfactory progress had been made. There had been a change of plans in New Zealand. When he visited that country in March, it was evident that the rapid development of secondary industries there had created labour problems. He had talks with ministers and, with their unqualified approval, decided to postpone indefinitely the T.I. tube-making project.

T.I. now had subsidiary or associate companies in Australia, Canada, India, New Zealand, South Africa and Argentina. Over the past two years he had journeyed nearly 100,000 miles by air in T.I.'s interest, and the fruits of these overseas travels encouraged him to believe that still further trading exploration should be undertaken.

£10 MILLION HOME PLAN

On the home front, a five-year plan for what was in effect a technical revolution within the group could now be regarded as about completed. Since 1945 some £15 million had been spent in developing and expanding T.I., of which over £7 million had gone towards rehabilitation of plant, modernisation of factory layouts and works extensions. The board was well aware that further modernisation and specialisation was essential if T.I. were to keep ahead of foreign competition, and it had been decided to embark upon a second home development plan which would involve an expenditure of £10 million over the next three years.

The plan would touch upon most of the group's factories in Britain, but it embraced some important developments. They included a modern plant for the production and special heat treatment of high precision tubes for ball and roller bearing manufacturers, which would make the country for the first time almost independent of imported supplies of this vital product; also additional plant of the best design to produce long boiler and other high duty and specialised tubes, such as those required for power stations; also completely new equipment and layout for the production of high pressure steel cylinders, etc., of which T.I. was among the world's largest manufacturers.

These projects, which were not without their significance in the development of the country's military and economic strength, served to demonstrate that the main thrust of what he termed T.I.'s two-pronged development drive continued to be centred in the home country.

It might be felt that this record of past achievement and future development explained the purpose of the increase in capital and the issue of shares, for which confirmation would be sought at a meeting later that morning. The proposal was to increase the authorised capital by £10 million, and to issue for cash as soon as possible five million £1 4½ per cent. preference shares. He trusted he had shareholders' confidence that the money would be well spent.

OBSTACLES TO GREATER PRODUCTIVITY

A factor was creeping into Britain's industrial economy, the dangers of which might not be fully appreciated. It was that earnings retained in a business, and which would be needed to finance increased production resulting from greater productivity, were now so heavily taxed that many companies—he was referring particularly to smaller companies—would be unable to finance the additional output in the normal way, and would find themselves compelled to borrow or raise capital simply because they had become more efficient. The supply of cash savings, both private and business, was strictly limited, as taxation made accumulation difficult, and many companies might be unable to raise funds when needed, or might have to accept terms which would prove onerous when trade slackened. It meant that industry was taking up private savings as working capital to finance increased productivity, when much of its own savings—its undistributed profit—were taken away by the government to be used for current expenditure. Using capital as income in this way as a general taxation policy seemed to be basically unsound. A robust economy surely required that industry should be able to generate its own energy for maintaining day by day its competitive efficiency.

British industry had come to depend increasingly on a high volume of output for its competitive power. It was useless to conjecture how long world demand would sustain peak output. It would remain high for some time, but already it was known that the shortage of raw materials would force a restriction of output. As this happened, we might be faced with higher raw material prices, but would no longer be able to minimise their impact by increasing production; then we could expect the inflationary forces to get still more busy.

REARMAMENT PLANNING

Rearmament had brought an upsurge of activity which had given an impression of lessening economic difficulty but it would be strange indeed if rearmament, with its diversion of output from constructive purposes, turned out to be a blessing in disguise. The apparent benefits were largely deceptive, and any immediate advantages were likely to vanish unless the inflationary forces set up could be brought under control. It was, therefore, of first importance that the transfer of resources to defence activities should be carried out smoothly and efficiently so that civilian production, exports and technical progress were not damaged more than was unavoidable.

Owing to the somewhat haphazard manner in which the new defence plans had been set in motion, forces much more violent than ordinary demand and supply were now at work. The world's industrial production had in general expanded more rapidly than its output of primary commodities; this had coincided with a sudden acceleration of stockpiling purchases by some governments. As a result, the prices of important industrial raw materials had risen astronomically, while supplies of some were falling to famine proportions. The free nations of the world were suffering from shortages and the early spirals of an inflation which threatened to distort their economies and unsettle their social relationship.

It seemed still possible to bring these disrupting forces under control, though great damage has already been done. A firm financial policy was needed at home to restrain purchasing power and to maintain as much stability as possible, but the crucial correctives had to spring from international action.

Great encouragement was derived from the Anglo-American statement of policy following the meetings between our Prime Minister and the United States President. This recognised the necessity of international agreement to secure the equitable distribution of basic raw materials in accordance with defence and civilian needs, and it indicated that immediate problems of raw material shortages would receive further consideration. Further discussions then obviously were necessary, but, Mr Stedeford concluded, he would respectfully submit that it was already late in the day. What was urgently needed was the immediate application of a plan, even though it be a temporary emergency one, to achieve, not only the orderly distribution, but also the economic pricing of scarce supplies.

The report and accounts were adopted and the dividend approved.

ANSELLS BREWERY LIMITED

A SATISFACTORY RESULT

The fiftieth ordinary general meeting, being the forty-ninth annual meeting, of the stockholders of Ansells Brewery Limited was held on December 11th at Birmingham, Mr A. E. Wiley, chairman and managing director, presiding.

In the course of his speech, the chairman said: The trading profits of the group for the year now under review amount to £1,463,334, which is a small decrease over the previous year of £34,221. This result, I am sure you will agree, is very satisfactory. It has been a very difficult year in which a constant increase in cost of most materials and expenses has taken place, but fortunately, owing to the popularity of your company's products, the turnover has been considerably increased over that of last year.

The net profit for the year, after charging all items, including taxation, amounts to £461,452, being a decrease of £29,220 when compared with that of the previous year. After giving effect to the proposed appropriations, it is suggested that the balance of £307,075 be carried forward to next year's accounts.

IMPROVEMENT SCHEMES

In common with other members of the wholesale trade, it has always been your company's policy to encourage and assist in any improvement schemes. We are justly proud of the licensed premises that were built shortly before the war, and it is our endeavour to put up houses of as good a quality, to serve the public in the future on the development and redevelopment areas that are now being planned in so many parts of the Midlands. It must be remembered that if the present policy of granting lease of sites for licensed premises to take the place of sites where freeholds were previously owned is to continue, then the provisions of such leases, particularly as to length of term and rental, must be reasonable. It is economically impossible for us to put up houses of the same quality as were built before the war on short leasehold and I regard a term of 99 years as the absolute minimum which we can reasonably be asked to accept.

The question of the amount of ground rent also arises, and it must be appreciated that any exorbitant demand can only result in a reduction in the quality of houses we are able to build, and in the amenities these houses provide. As a matter of elementary fairness, the amount of ground rent we pay should be related to the amount we are asked to pay for licensed premises that are compulsorily acquired from us.

As you are aware, in 1949 the Chancellor of the Exchequer reduced the price of beer by 1d. per pint. This year he enabled the brewers to increase the gravity of their products by three degrees; taking the trade as a whole, these measures have been insufficient to stay the decline in consumption. Your directors feel that to get the best results from the rearmament drive, and to bring the price of beer within the reach of the average consumer, the price of beer should be reduced by at least a further 2d. per pint.

NEW ACCOUNTS

Mr Walter Scott, J.P. (Deputy Chairman and Managing Director), in the course of his speech, said: Our increased barrelage is the result of extra trade derived through newly acquired properties, and to a greater extent from opening new accounts with Free Trade customers, which the popularity of our beers has made possible.

If we had been content to rely upon our former outlets the effects of the heavy beer duty in depressing the consumption would have been much greater and it is disappointing that we have to show a somewhat reduced profit in spite of our success in increasing the output.

The bulk of the barley crop this year was harvested under phenomenally bad weather, much of it being ruined for malting purposes.

The report was adopted.

HERRBURGER BROOKS

(Manufacturers of Pianoforte Actions)

The thirtieth annual general meeting of Herrburger Brooks Limited was held on December 14th in London.

The following is an extract from the circulated statement of the chairman, Sir Louis Sterling:—

The directors are pleased to report that, after providing for taxation, the net amount available for distribution shows an increase over that of the previous year.

The position with regard to timber supplies has now improved and our stocks of this commodity are on a more healthy basis. Unfortunately the cost of most materials continues to rise and we feel much concern at the heavy increases which are already forecast in connection with woollen materials.

The piano trade is still almost wholly devoted to export business, although the Government has given permission for pianos to be allocated to the home market, subject to the satisfaction of all export requirements. Sales of pianos in the home market are at present negligible owing to the very high rate of purchase tax chargeable thereon. The purchase tax is at the rate of 66⅔ per cent., which makes the selling price to the public prohibitive. If the purchase tax was reduced to a reasonable rate I am confident that home sales would become very large and the Revenue benefit considerably. The position with regard to the home trade, however, is fully known to the authorities, and I can only hope that this matter will receive more favourable treatment at an early date.

The company is still operating also in directions other than those connected with the piano trade, and your directors will continue to endeavour to utilise the resources of the company to the fullest possible extent.

The report was adopted.

CROMPTON PARKINSON LIMITED

SUCCESSFUL RESULTS

MR ALBERT PARKINSON'S REVIEW

The thirty-seventh annual general meeting of this company was held on December 15, 1950, in London.

The chairman, Mr Albert Parkinson, M.B.E., in the course of his speech, said:—

I have come to the conclusion that many conditions we had been accustomed to regard as abnormal now constitute normality. Rapid and large changes in the prices of important raw materials, mainly increases: wars and rumours of wars; political uncertainties at home and abroad and the economic uncertainties that flow from them, have been our lot and have become almost commonplace in our industrial scene.

While it is our duty as individuals to work towards greater stability by every means in our power, it is our task in industry to meet the varying conditions with an organisation that by its flexibility and adaptability can continue to achieve success.

The accounts and reports now presented to you indicate the measure of our success and I have no hesitation in enlisting your support for an expression of gratitude to all employees of your company who have contributed to it.

In making comparisons with the previous period, you should have regard for the note on the consolidated profit and loss account calling your attention to the varying lengths of the accounting periods included in 1948-49. The 1949-50 figures are for twelve months in every case. This accounts for some of the increase in the amount written off fixed assets, although this increase is mainly caused by the normal provision caused by the further considerable capital expenditure during the year; the insatiable search for means of increasing the efficiency of production together with the much increased cost of normal replacements are responsible for such expenditure.

A close review of our taxation and other liabilities has revealed an excess of provisions made in previous years and the resultant sum of £109,500 has been added to the balance of profits unappropriated which now stands only £11,000 below last year's figure, notwithstanding the capitalisation of £216,821 in the new issue made during the past year. If account is taken of the increase in the balance of profits unappropriated in subsidiary companies, the total of unappropriated profits together with general reserves represents nearly 65 per cent. of the issued equity capital.

THE CONSOLIDATED BALANCE SHEET

Our latest balance sheet clearly indicates that the process of absorbing revenue reserves into the permanent financial structure of the company still continues. This process will continue so long as your board can find opportunities for profitable investment in expanding or improving production and in the working capital needed for the business. I feel confident that you will endorse this policy which has been so successful over the last twenty years and even longer.

During the past year our total net assets have increased by £488,823, our net expenditure on fixed assets has been £510,687 and a note on the balance sheet indicates outstanding commitments for a further £362,488. The figure quoted represents only the legal contractual commitments at the date of the balance sheet and your board has in hand and in mind other extensions and improvements that will call for substantial further sums.

Of the increase of £70,460 in trade investments, all but £5,322 is in respect of overseas interests, nearly three-quarters of which is for manufacturing companies.

Our net current assets continue to increase. At June 30, 1950, our liquid position was more favourable than it was a year earlier and we could at last point to some reduction in the figure of stock-in-trade and work-in-progress. These, however, are ever changing figures and with a continuance of the inflationary trend and our extensive plans for the expansion and improvement of our production processes we shall require to maintain the utmost control of our finances.

OVERSEAS

From our home factories we export about 20 per cent. of our production but, although we have no means of measuring the volume of our products that go overseas as part of larger units, e.g., pumps, compressors, washing machines and refrigerators, we believe that upwards of one-third of all we make in this country eventually adds its quota to the solution of our country's balance of trade problem. The difficulties of embargoes, import controls, tariffs and currency controls are common to all those engaged in our industry and I further believe that we have our fair share of success in overcoming them.

The increase of our trade investments in overseas manufacturing companies does not, of course, represent the extent of our interest in manufacturing operations in overseas countries. Altogether we are interested in sixteen overseas factories and have technical and production responsibilities in six of them. During the past year we have used every endeavour to foster the good relationships which exist between your company and its many overseas friends and several of our senior executives have travelled extensively abroad in the pursuance of this policy.

The education and training of employees is covered by four main schemes; the apprenticeship class, the occupational training scheme, the Crompton Bursary which provides educational opportunity in the widest sense for suitable applicants, and the Parkinson Empire Bursaries which make financial provision for travel and subsistence and provide a two-year training course in the company's factories for suitable young men from the British Commonwealth.

DIVIDENDS

A study of the consolidated balance sheet will emphasise the desirability of maintaining a conservative distribution policy. Furthermore, it is still very much in the national interest that everything possible should be done to counter the inflationary pressure which, if ever it assumes control of our economy, will lead to untold misery and distress. It is unfortunate that adequate means have not yet been discovered to make this restraint effective in controlling inflation, but I feel we should continue to do what we can to that end and take what consolation we can find in the thought that such enforced saving may well be to our ultimate benefit.

For these reasons your directors are again recommending the same distribution as last year except that owing to the increase of issued equity capital the final dividend and cash bonus on the ordinary and "A" ordinary stocks are expressed as 3¼ per cent. instead of the 7½ per cent. to which you have been accustomed previously.

Your directors look forward to the future with cautious optimism, confident of the ability of your company to maintain its position in our industry throughout the world.

The report was adopted.

SCOTTISH AUSTRALIAN COMPANY

ANOTHER RECORD YEAR

The annual general meeting of the Scottish Australian Company, Limited, was held on December 8th in London.

Mr J. Norman Eggar (chairman and managing director) in the course of his speech, said: It is my privilege and pleasure to speak to you about a record year, the second in succession. During the year we have consolidated our position in many directions. The purchase of the leasehold of Devoncourt in North-west Queensland is mentioned in the report, and there is every reason to think the station will prove a valuable asset. It incurred a small loss in the period under review, due simply to the fact that there was only a small turn-off of cattle. Kynuna, also, incurred a loss, but that station is only now recovering from the bad seasons of 1947 and 1948, when its stock was reduced to about 600 head. It is now carrying nearly 8,000 head, and weather conditions have been far better and I am confident that next year's results will show a great improvement.

TOO MUCH RAIN

There was far too much rain on our New South Wales stations, and it has continued right up to the present; it is unusual for that part of the world to cry out for relief from rain, but such is now the case. Warrana has had 14 inches of rain in the last few weeks and further losses of sheep and lambs are, I fear, inevitable. Blowfly has been taking, and will continue to take its severe toll as the result of these conditions.

Corrella-Warraweena has had the wettest season on record, with at times 200,000 acres under water. All the Riverina stations have shown good results. The harvest return was 69,000 bushels of wheat, 2,022 bushels of oats and 181 tons of hay. Wheat gave a slightly better return per acre than last year.

Due to losses by floods and blowfly, our stocks of sheep are down to 329,000, as compared with 372,000 in June, 1949. On the other hand, cattle are up to nearly 50,000 head, showing an increase of 15,000.

As regards the immediate future with wool prices as they are today, we can look forward to another good year.

THE ACCOUNTS

Coming now to the accounts, our wool clip realised £183,475 more than last year, but the clip was 1,200 bales larger. Sales of live stock realised £18,814 more. Receipts for wheat and other crops, including further payments from the Wheat Board on account of 1947 and 1948 crops, amounted to £33,540, a decrease of some £2,500 on last year. Our share of the special distribution by the Commonwealth Government amounted to £70,168. Working expenses on the properties are £48,071 up on last year. Administration expenses show an advance of £4,900, which I consider moderate.

With land tax, taxation absorbs the huge sum of £406,747. Slightly over 54 per cent. of our profits go to Australian and United Kingdom revenues. The final profit at £342,370 is £104,595 larger than last year. We propose to pay a final dividend of 6 per cent., making 10 per cent. for the year, and to add to it a bonus of 5 per cent. in consideration of the joint organisation distribution.

The balance sheet discloses a very healthy financial position.

The report was adopted.

SINGER MOTORS LIMITED

RECORD PROFIT FROM NORMAL BUSINESS

The annual general meeting of Singer Motors Limited was held on December 13th at the company's Birmingham works.

Mr A. E. Hunt, the chairman and managing director, presided. The following are extracts from his circulated address: The last financial year showed a record profit from the normal motor-car manufacturing business and it is very pleasant to look back to my remark last year that we had satisfactorily surmounted the final hurdle in the change to a complete post-war model and to note that our optimism, even though cautious, has proved to be fully justified. Our results have been better than our hopeful anticipations, for we succeeded in stepping up on our planning.

SM. 1500 REFINEMENTS

The models mentioned in my remarks last year continue—the 9 h.p. Roadster Series 4A and the SM. 1500 Saloon. The latter basically is unchanged, but interior refinements have been introduced. As to the Roadster, there is another edition, Series 4AB, which will be available in the new year with a changed front, including independent suspension.

In April this year the company took part in the British Motor Car Exhibition in New York, showing both models—the SM.1500 Saloon and the 9 h.p. Roadster. We feel we now have arrangements by which the small but useful volume of business we have already secured in the United States will increase.

We have complied with Government desires regarding export, and the good results of the past year will be a spur to greater efforts if indeed that is possible.

I wish I could say the three works in Coventry presented as good a picture to the eye as the Birmingham works, but although most carefully organised, until complete reinstatement of war damage has been effected, we cannot plan satisfactorily and so put an end to the many expedients which still have to be used to get sufficient production from the Coventry works. Unfortunately, the reinstatement of those works is proceeding extremely slowly.

SUCCESSFUL EFFORTS

Until now, when we have made a real success again in our own business of making and selling motor-cars, we have been careful not to take credit for the company's achievements during the war. The time has come when I feel I should not be denied the opportunity of saying that your company during the war did a job "second to none." But—it made no motor vehicles after March, 1940. However, your company "played the game," although as a result it was for more than five years deprived of the benefit of the research experimental work and knowledge which go with the manufacture of motor vehicles and which are so important to success in that sphere. Therefore when we resumed production of cars we were at a great disadvantage compared with other companies which were able during the war to make motor vehicles. How well we have surmounted this disadvantage and the difficulties which accompanied it is clearly demonstrated by the results of last year's trading.

We have not yet been given any indication of what we may be required to do in the immediate future for the Services programme, but we hope we shall be able to continue our own business. Whatever transpires, our loyal co-operation will again be available for the benefit of the country.

The report and accounts were adopted.

MALAYALAM PLANTATIONS

The twenty-ninth annual general meeting of Malayalam Plantations Limited was held on December 14th in London, Mr H. J. Welch (the chairman) presiding.

The following is an extract from his circulated statement:—

The tea crop at 13,503,100 lb. exceeded that of the previous year by over 1,264,000 lb. and the rubber crop by approximately 160,000 lb. and included 388,193 lb. of sole crepe. The profit per acre from tea was £16 4s. 1d. and from rubber £3 17s. 2d., compared with £10 1s. 2d. and £2 18s. 7d. respectively for the previous year

Exportable tea realised nearly 2d. per lb. and rubber about 1½d. per lb. more than in the previous year, but the f.o.b. cost of production of tea increased by just over ½d. per lb. and that of rubber by over ½d. per lb. As a result of rubber control in India this company is unable to sell its rubber at world market prices, but can sell only in India at the control price, at present 1s. 4d. per lb. Manufacturers in India are getting the rubber at control price and are encouraged by the Government to export and sell their rubber at world prices based on the world price of rubber. Rubber producers as a class are in effect now singled out for expropriation of their profits and for a discriminatory tax the cost of which should in fairness be borne by taxpayers generally.

I again draw attention to the heavy taxation demands made upon the company, necessitating provision this year of £357,488 or practically 60 per cent. of the profits.

We originally estimated during the current year to produce more tea and rubber than last year, but owing to severe drought revised estimates for 1950-51 are for 12,840,000 lb. of tea and 5,709,000 lb. of rubber.

The report was adopted.

ANGLO-SCOTTISH AMALGAMATED CORPORATION, LIMITED

SATISFACTORY RESULTS

The twenty-fifth annual general meeting of Anglo-Scottish Amalgamated Corporation, Limited, was held on December 12th in London.

Mr H. C. Drayton (the chairman), in the course of his speech, said, inter alia: The net profit attributable to the members of the Corporation for the year under review is £38,600, as against £45,000 last year.

If you turn to the consolidated balance sheet you will see that our reserves including undistributed profits which are available total £358,000, a figure which is considerably in excess of the capital of the company, which is £283,000. On the other side of the balance sheet, the valuation of our investments shows them to be worth £471,000.

The value of your ordinary stock today is 207 per cent., as against 209 per cent. last year, a result which, in view of what we went through between September, 1949, and September, 1950, is not unsatisfactory.

During the course of the year we made four issues involving an amount of £1,300,000.

As regards the current year, gentlemen, I cannot prophesy what is going to happen. We shall do our best to present to you next year as good an account as we can. We are equipped to take advantage of any turn in the markets. We have an efficient managing director and an efficient staff who, I am quite certain, will not miss any opportunity of bringing business to us.

The report and accounts were adopted and the dividend of 6 per cent., plus a cash bonus of 8 per cent. on the ordinary stock, was approved.

CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA, LIMITED

INCREASED PROFIT

The annual general meeting of The Consolidated Gold Fields of South Africa, Limited, was held on December 14th in London.

Mr Robert Annan, the chairman, in the course of his speech, said: The accounts of the operating company, New Consolidated Gold Fields, Limited, cover a period in which the outstanding feature was the increase in the price of gold resulting from the devaluation of the pound sterling in September, 1949. Following upon this there has been a rapid rise in the price of other metals and, on the other hand, a substantial increase in operating costs and in the price of all supplies.

The gross revenue from dividends and interest at £858,942 is £123,499 higher than in the previous year and now constitutes 58 per cent. of the total revenue. There is a gross profit of £1,283,797, which is £254,986 greater than in the previous year. Taxation at £597,220 is greater by £64,090, leaving an available balance of profit for the year of £686,576.

The book value of investments at £10,540,652 shows a decrease of £16,429, representing the excess of sales at cost and depreciation over purchases, the greater part of the latter being increases in our investments in the Orange Free State. The consolidated accounts show an addition to the net assets of the operating company of approximately £1,030,000, of which £223,000 arises from profits for the year retained by the subsidiaries.

The report was adopted.

NOTICES

BRITISH Engineering Company with small, well-equipped works and young organisation already established in India requires a General Manager to take over at end of 1951 after one year's training in England. The appointment offers wonderful opportunity for man who has a desire to establish himself and the concern in a leading position. It demands the services of a man with solid engineering background, not necessarily qualified, together with a flair for getting best out of staff and works, and a sales minded approach to clients. Age about 40. High salary and exceptional privileges for right man, who will later have an opportunity to become Managing Director if able to grasp broad aspects of financial control.—Box No. G.3694, Bensons, Kingsway Hall, Kingsway, W.C.2.

Experienced P.R.O. will edit, make-up, produce House Organ, Catalogue, Directory, etc.—Box 548

BRITISH NYLON SPINNERS LIMITED, having planned considerable extension to their Pontypool plant, will shortly be appointing two Senior Executives to take control of large new nylon yarn production units. Candidates for these vacancies should be men of first class education, up to the age of 45, with degree in Engineering or Chemistry, and previous experience of modern production methods and technique in executive position; they should also have full knowledge of cost control and ability to secure maximum machine and labour efficiencies. These are senior posts with salary appropriate to the responsibilities and with considerable scope for advancement.—Write to the Personnel Manager, Pontypool.

INFORMATION bulletins, Journals of Societies or Institutions: Consultant editor and designer will undertake production, layout and finalization of text for printer. Moderate fees. Inquiries invited from Embassies, literary, social and industrial bodies.—Box 547.

Statistical Summary

EXCHEQUER RETURNS

For the week ended December 9, 1950, total ordinary revenue was £45,927,000, against ordinary expenditure of £66,220,000 and issues to sinking funds £290,000. Thus, including sinking fund allocations of £11,561,000 the surplus accrued since April 1st is £76,479,000 compared with a deficit of £43,680,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	Receipts into the Exchequer (£ thousand) April 1, 1949 to Dec. 10, 1949	April 1, 1950 to Dec. 9, 1950	Week Ended Dec. 10, 1949	Week Ended Dec. 9, 1950
	£'000				
ORDINARY REVENUE					
Income Tax	1388000	497,895	486,941	8,859	7,148
Sur-tax	120,000	44,100	46,200	1,100	1,500
Estate, etc., Duties	195,000	133,700	127,150	6,000	3,800
Stamps	50,000	35,800	35,860	1,100	700
Profits Tax	270,000	187,560	189,420	5,700	7,600
E.P.T.		29,800	9,150	800	...
Other Inland Rev.	500	80	60	...	...
Special Contributn.	4,500	16,300	3,730	300	80
Total Inland Rev.	2028000	945,059	898,511	23,859	20,828
Customs	870,650	570,132	622,444	17,239	18,934
Excise	713,150	497,300	500,700	3,585	4,390
Total Customs and Excise	1583800	1067432	1123144	20,824	23,324
Motor Duties	56,000	12,613	13,629	125	165
Surplus War Stores	35,000	65,559	26,298	439	...
Surplus Receipts from Trading	85.000	15,945	41,905	...	...
P.O. (Net Receipts)			6,100	Dr 300	Dr 900
Wireless Licences	13,000	7,190	7,300	...	...
Sundry Receipts	27,000	12,305	19,291	389	79
Miscell. Receipts (in Crown Lands)	70,000	59,917	59,843	6,394	431
Total Ord. Rev.	3897800	2185996	2196021	51,730	43,927
SELF-BALANCING Post Office	172,150	111,300	113,300	4,000	4,100
Income Tax on E.P.T. Refunds	5,700	8,723	6,440	428	108
Total	4075650	2306019	2315761	56,158	48,135

Expenditure	Estimate, 1950-51	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1949 to Dec. 10, 1949	April 1, 1950 to Dec. 9, 1950	Week Ended Dec. 10, 1949	Week Ended Dec. 9, 1950
	£'000				
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	490,000	340,496	348,394	8,559	7,956
Payments to N. Ireland	36,000	24,228	24,141	1,153	1,281
Other Cons. Fund Services	11,000	6,178	5,287	74	183
Total	537,000	370,902	377,822	9,786	9,420
Supply Services	2918069	1846687	1730158	35,100	56,800
Total Ord. Expd.	3455069	2217589	2107980	46,886	66,220
Sinking Funds	...	12,087	11,561	1,100	290
Total (excl. Self-Bal. Expd.)	3455069	2229676	2119541	47,986	66,510
SELF-BALANCING Post Office	172,150	111 300	113,300	4,000	4,100
Income Tax on E.P.T. Refunds	5,700	8,723	6,440	428	108
Total	3632919	2349699	2239281	52,414	70,718

After increasing Exchequer balances by £287,591 to £3,098,598, the other operations for the week increased the gross National Debt by £30,319,747 to £26,715 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities Acts, 1919 and 1921	18

NET ISSUES (£ thousand)

P.O. and Telegraph (Money) Act, 1948	975
E.P.T. Refunds	132
Housing (Scotland) Act, 1944, s. 4(2) and Housing (Financial Provisions) (Scotland) Act, 1946 s. 13(2)	500
Local Authorities Loans Act, 1945, s. 3(1)	4,500
New Towns Act, 1946, s. 12(3)	42
Coal Industry Nationalization Act, 1946, s. 34(1)	1,000
Finance Acts, 1946 and 1947: Post-war Credits	317
	7,466

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	5,328	Nat. Savings Certs.	1,600
Tax Reserve Certs.	1,694	2½% Def. Bonds	125
Other Debt:—		3% Def. Bonds	380
Internal	33	3½% Ter. Annuities	1,186
Ways & Means Advances	5,955		
Treasury Deposits	20,000		
	33,010		2,691

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1949						
Dec. 10	2970·0	1985·6	430·5	2·5	803·0	6191·6
1950						
Sept. 9	3120·0	1898·1	417·3	...	475·0	5910·4
" 16	3120·0	1889·8	408·2	...	505·0	5923·0
" 23	3130·0	1869·6	401·3	...	505·0	5905·9
" 30	4,975·9		451·0	...	505·0	5931·9
Oct. 7	3130·0	1820·0	467·6	2·7	530·0	5950·3
" 14	3140·0	1789·4	469·9	...	555·0	5954·3
" 21	3160·0	2077·8	490·2	...	574·0	6302·0
" 28	3170·0	2041·1	471·3	...	585·5	6268·0
Nov. 4	3180·0	1885·7	353·3	...	573·0	5992·0
" 11	3180·0	1897·3	374·3	0·5	543·0	5995·1
" 18	3190·0	1968·7	372·5	...	555·5	6086·7
" 25	3200·0*	1950·0*	390·9	...	564·0	6104·9
Dec. 2	3230·0*	1956·3*	369·1	...	525·0	6080·4
" 9	3240·0	1951·6	375·1	...	545·0	6111·7

*Corrected

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Avg. Rate of Allotment %	Allotted at Min. Rate
				s. d.	%
1949					
Dec. 9	230·0	321·9	230·0	10 4·01	58
1950					
Sept. 8	240·0	313·4	240·0	10 3·22	70
" 15	250·0	294·4	250·0	10 3·45	81
" 22	240·0	310·2	240·0	10 5·21	34
" 29	240·0	307·0	240·0	10 3·23	72
Oct. 6	250·0	312·3	250·0	10 3·23	74
" 13	260·0	319·4	260·0	10 3·25	76
" 20	250·0	332·3	250·0	10 2·94	66
" 27	250·0	335·8	250·0	10 2·98	65
Nov. 3	250·0	347·7	250·0	10 2·70	60
" 10	250·0	318·4	250·0	10 3·17	72
" 17	250·0	325·6	250·0	10 3·13	69
" 24	260·0	310·6	260·0	10 3·36	79
Dec. 1	250·0	347·5	250·0	10 2·74	60
" 8	260·0	328·8	260·0	10 3·09	72

On December 8th applications for 91 day bills to be paid from December 11th to December 16th were accepted dated Monday to Saturday as to about 72 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £260 million are being offered for December 15th. For the week ending December 16th the banks will be asked for Treasury deposits to a maximum of £25 million at 154 days.

NATIONAL SAVINGS

(£ thousand)

	Week Ended Dec. 3, 1949	Week Ended Dec. 2, 1950	Total, Apr. 1 to Dec. 2, 1950
Savings Certificates:—			
Receipts	1,450	1,400	60,100
Repayments	3,100	2,500	89,800
Net Savings	Dr1,650	Dr1,100	Dr29,700
Defence Bonds:—			
Receipts	340	300	11,620
Repayments	773	800	34,249
Net Savings	Dr 433	Dr 500	Dr22,629
P.O. and Trustee Savings Banks:—			
Receipts	13,235	15,071	437,589
Repayments	14,850	17,522	464,065
Net Savings	Dr1,615	Dr2,451	Dr26,476
Total Net Savings	Dr3,698	Dr4,051	Dr78,805
Interest on certificates repaid	645	575	19,809
Interest accrued	2,393	2,442	84,465
Change in total invested	— 1,950	— 2,184	— 14,149

BANK OF ENGLAND RETURNS

ISSUE DEPARTMENT

December 13, 1950

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1339,218,407	Other Govt. Securities	1359,216,147
In Banking Department	36,038,416	Other Secs.	755,692
		Coin (other than gold)	4,013,061
		Amt. of Fid. Issue	1375,000 000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1375,356,823		1375,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	583,451,441
Rest	3,489,204	Other Secs.	62,762,414
Public Deps.:—	287,788,340	*Discounts and*	
*Public Accts.**	*21,374,218*	*Advances*	*37,650,119*
H.M. Treas. Sp. Inv. Acct.	*266,414,122*	*Securities*	*25,112,295*
Other Deps.:—	383,825,480		
Bankers	*300,563,405*	Notes	36,038,416
Other Accts.	*83,262,075*	Coin	1,403,753
	689,656,024		689,656,024

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts

COMPARATIVE ANALYSIS

(£ million)

	1949 Dec. 14	1950 Nov. 29	1950 Dec. 6	1950 Dec. 13
Issue Dept.:—				
Notes in circulation	1312·1	1286·0	1308·0	1339·3
Notes in banking department	38·3	64·3	42·4	36·0
Government debt and securities*	1349·3	1345·3	1345·2	1370·2
Other securities	0·7	0·7	0·8	0·8
Gold and Coin	0·4	4·4	4·4	4·4
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	9·2	18·4	14·2	21·4
Treasury Special Account	81·0	266·4	266·4	266·4
Bankers	295·4	305·0	302·7	300·6
Others	111·7	82·2	85·4	83·5
Total	497·7	672·0	668·7	671·7
Securities:—				
Government	430·5	550·5	581·9	589·5
Discounts, etc.	16·2	37·8	35·9	37·7
Other	24·9	35·4	25·0	25·1
Total	471·6	623·7	642·8	652·3
Banking dept. res.	43·7	66·2	43·9	37·4
	%	%	%	%
"Proportion"	8·7	9·8	6·5	5·5

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,350 million to £1,375 million on December 12, 1950.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Dec. 6, 1949	Nov. 28, 1950	Dec. 12, 1950
Cereals and meat	147·6	156·3	156·6
Other foods	147·3	167·2	167·2
Textiles	203·9	294·9	295·8
Minerals	268·3	316·7	317·0
Miscellaneous	151·9	181·4	181·3
Complete Index	**176·9**	**211·1**	**211·3**
1913—100	*243·4*	*290·5*	*290·7*

GOLD AND SILVER

The Bank of England's official buying price for gold has remained at 248s. 0d. per fine ounce since September 19, 1949. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Dec. 7	70	80	181 9	108 11
" 8	70	80	182 12	109 6
" 9	Markets	Closed	182 8	109 2
" 11	70	80	182 2	108 12
" 12	70	80	183 2	108 14
" 13	70	80	183 2	108 4

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CANADIAN PACIFIC RAILWAY COMPANY.—(Incorporated in Canada with Limited Liability.)—DIVIDEND NOTICE.—ORDINARY CAPITAL STOCK.—At a meeting of the Board of Directors held today a final dividend of 4 per cent (one dollar per share) on the Ordinary Capital Stock in respect of the year 1950, was declared payable in Canadian funds on February 28, 1951, to shareholders of record at 3 p.m. on December 29, 1950. The Directors point out that net earnings from railway operations for the year continue to show improvement over last year. Three per cent of the dividend declared today on the Ordinary Capital Stock is attributable to railway operations and 1 per cent to income from other sources. The interim dividend declared in August last was attributable to income from sources other than railway operations and the total dividend for the year is thus at the rate of 6 per cent, one half from each source. In recent years the declaration of the final dividend has not been made until after the close of the year to which the dividend applied. In future, so far as may be possible, an announcement in respect of a final dividend will be made before the close of the year. By order of the Board, FREDERICK BRAMLEY, Secretary. Montreal, December 11, 1950.

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Germans and Russians

TO inquire why it has taken so many wasted months to secure the appointment of General Eisenhower as supreme commander of the forces of the west is to come to the heart of Europe's defence problem as it now presents itself. Let no one imagine that the agreement reached in Brussels last Monday by the Atlantic Pact conference—on this appointment and on the contribution to be made by Western Germany—means anything more than the overcoming of differences between the allies themselves. It does not mean that Europe is any closer to having its 50 divisions than it was last September, when the Atlantic Council agreed it should have an integrated force. Everything practical to that end has still to be done. Nor does it mean that ten German divisions are henceforth available for General Eisenhower. It will be many, many months before the first German "combat team" is equipped and trained to take its place on the frontier of its own country. And it may be many months before any German government can be persuaded to accept the terms for participation in common defence that will soon be offered in Bonn. All that has really happened is that a paper problem of major difficulty has been solved—on paper.

The problem was this. In September Mr Acheson had to tell the other governments of the North Atlantic Treaty Organisation that their plans for rearmament—particularly for infantry divisions—were too modest to convince Congress that Europe would play the major part in organising its own defence. If Congress could not be given convincing evidence, then nothing that Mr Acheson could say would secure the appointment of an American supreme commander, the reinforcement of American troops in Europe and the sending of vast new supplies of arms and equipment. When the utmost that the partners offered to provide by 1952-3 was added up, it fell short of the 50 to 55 divisions regarded as necessary by Nato's own chiefs of staff. This was the shortcoming that drove Mr Acheson, with British support, to press on the French and others his proposal for the limited rearmament of the Germans and their contribution of 10 divisions to the integrated force that would one day exist. And it was this proposal that started the wrangle between the French and their allies about the form that this contribution should take.

For three months Europe has had to sit back and listen, while the arguments flew back and forth: about German brigades versus German battalions, about the rank to be given to German staff officers, about the difference between their integration into a non-existent European army or into a non-existent Atlantic army. Just in time for the Brussels meeting the usual compromise was reached. But meanwhile there had begun among the Germans—who had not been consulted—a most uncompromising argument against making, in present conditions, any contribution at all to western defence. Indeed, these three months have been used to bid up threefold the price of German aid; and the Americans and their allies now find themselves not very far from where they started in September. For the plain fact is that no German

will take rearmament seriously until the risks which it holds for him have been reduced. That is to say, he may be ready to join in defending Western Europe if Western Europe will show beyond any doubt its intention and ability to defend Western Germany—if there stand between the Rhine and the Elbe sufficient divisions to hold an initial thrust from across the Communist frontier. It is true he may make, or his statesmen may make, other conditions—discussed elsewhere in this issue—but his essential demand is for evidence that his western neighbours will stand fast in front as well as behind him. In short, the Germans are asking of Britain, France and their continental partners precisely what the Americans asked of them—a greater effort to give Germany a defensive screen of divisions on the ground. Because the British and Europeans have hesitated, the Americans turned to the Germans ; because the British and Europeans still hesitate, even a Chancellor as shrewd and loyal and patriotic as Dr Adenauer sees himself threatened with political disaster if he presses on parliament the defence programme that will soon be submitted to him.

As if there were not in this situation elements of confusion sufficient to satisfy any member of the Politburo, the Russians have now taken a hand in stirring the pot. Notes delivered in London and Paris during the weekend declare that the part the British and French have played in the Atlantic Pact and in planning German rearmament is a breach of the treaties of alliance signed with the Soviet Union. They arrived in time to be slipped into the brief cases of Ministers leaving for the Brussels conference and, what is more important, to influence the tone of the Notes which Americans, British and French are sending to Moscow this week, suggesting that the talks proposed six weeks ago by the Russians should range beyond the single question of "demilitarizing" Germany. Opinion in France—where consciences are deeply uneasy about German rearmament and where the fear of a "preventive" war by the Russians is widespread—seized at once on the connection of the Russian move with the second rather than the first event.

*

This French reaction should be clearly understood and firmly faced in this country now ; for it will almost certainly gather strength with time, and will play its part in any Foreign Ministers' talks on the causes of world tension that can be arranged. The French argue that the Russians are genuinely frightened that an independent Western Germany, with control of its own forces and arms industries, will rise up as America's main ally in Europe. In the long run, it is said, the Russians cannot take seriously the western talk of integration, of limited rearmament, of maintaining restrictions on arms industries ; for in the long run the Germans will break loose and plan a war of revenge in the east, dragging their allies with them. If the Russians are to stop such a process beginning—argue the French—now is the time, when the west is relatively weak and somewhat divided on this question. In short, to persist with planning a German force of 10 divisions is to run the risk of world war and to wreck the prospect of four-power talks.

Now clearly in this argument there is a kernel of sense and many layers of exaggeration. At no time has it been suggested than an independent Wehrmacht should arise and that Germany's armaments industries should be set up again. On the contrary, the question of keeping the German effort within bounds has been given such attention that three precious months have been wasted in arguing about it, and the chance of getting that effort quickly and willingly has probably been lost. The Russians have no real cause for alarm or complaint, either on the score of broken agreements or of danger to their own security. If they insist on regarding as unfair odds of three Russian divisions to one Atlantic division in Europe—and that is what the Atlantic Pact plan amounts to—then they are going beyond all limits of reasonable complaint. That figure has been chosen precisely to give Europe the bare minimum of security and Russia the minimum of provocation. For Moscow to question this would be to challenge the right of the Atlantic community—and of the whole free world—to adequate self-defence. In fact it has not formally done so, although it has referred to the Atlantic Pact from the first as aggressive.

*

Among all these conflicting arguments, one thing ought to be clear. To hesitate about bringing Germany into the western defence effort—or to appear to hesitate—because of the Russian attitude would be quite fatal. It would be fatal in its effect on the Russians themselves, who would be encouraged to believe that they can at any time hamstring the free world by uttering threats. It would be appeasement in the worst sense of the word. The Russians have no genuine grievance over the arming of Germany—which they did first and are still doing—and it is unlikely that they are now going to change their plans, whether they include war in Europe or not, because of a document signed in Brussels. To hesitate would also be fatal in its effects on the Americans. Mr Attlee has just been to Washington to convince the Americans that there is no thought of appeasement in London and to persuade them that Europe is the vital area. What could more completely undo the good that the Prime Minister's visit did than to attempt to appease the Russians by hesitating over something that is essential to the defence of the vital area ?

On the principle, therefore, there should be no hesitation and no wavering. But so much has been made of the German issue in the last three months that one might almost think that it was the most urgent and most vital part of the western defence effort. It is certainly on the programme ; but it is not the most urgent item. The co-operation of the Germans themselves must first be secured, and the securing of it will involve concessions of freedom and equality to the German government that will require further inter-allied negotiations. These further stages should be speeded up as much as possible ; but they stand between the present agreement and the recruitment of the first German soldier. To have put Germany so much in the forefront has done no good to anybody. It has encouraged the European allies to believe that somebody else is going to do the job for them ; it has enabled the Germans to put up their price ; and it has permitted the Russians to drive a wedge into western solidarity. The task now is to get on as quickly as possible with the job of multiplying American, British, French, Dutch and Belgian divisions, of equipping them and of moving them up to the defence line. That, and that alone, will provide a partnership within which Germans can make loyally and freely the contribution for which they will be asked.

State of Emergency?

THE proclamation by President Truman at the end of last week of a state of emergency in the United States was designed to serve two purposes. The smaller of these was to confer on the President certain legal powers that he will require in the period of mobilisation that lies ahead. The larger purpose was to signalise a climacteric—to make it clear that, in the last few weeks, the United States has crossed the watershed from a state of affairs that was still more peace than war to one that is definitely more war than peace. As a further symbol of the same thing, it is reported that the President is contemplating the offer of two seats in his Cabinet to leading members of the Republican Party—which is as close to a coalition as the Constitution can be driven.

Not unnaturally, the question has arisen whether some formal act corresponding to the proclamation of a state of emergency might not serve a similar purpose in Great Britain. And the talk of a coalition government, which in the present state of the House of Commons is never far below the surface, has welled up with renewed force. There have even been, according to report, for the first time some Labour voices to be heard on this theme—though still in the safety of anonymity.

From the legal point of view, of course, no proclamation is necessary. It is important that Americans should understand why. The reason is not that measures of mobilisation and control of the kind that President Truman is proposing to exercise under his proclamation are thought here to be unnecessary ; the reason is that the powers already exist. It may be that in mobilising a large part of the military reserves of the United States and in setting up machinery for industrial mobilisation, the President has moved further than the British Government in diverting manpower and resources to defence. But the difference is one of policy not of law, for the British Government already possesses—it has never ceased to possess since the crisis of 1940—all the emergency powers which President Truman has now assumed. The British Government could put every ex-officer and soldier back into uniform, commandeer factories, regulate the supply of every raw material, and ration all consumer goods, by a stroke of the administrative pen. Because the framework of wartime regulation was kept in being to serve the ends of the welfare state there is no constitutional necessity to demand a fresh sacrifice of liberty from the British people.

*

But what is the answer to the belief that a country really determined to give first priority to defending itself should give overt proof of its unity by suspending party politics for the duration ? The theoretical arguments for a coalition are unanswerable. It is true that there is already a high degree of unity on matters of defence and foreign policy on the floor of the House of Commons. There is something like a coalition of opinion, but that is not the same as a ministry of all the talents. It is certainly unfortunate that the abilities of the best Conservative politicians should not be harnessed to the service of the state. At a time when only skilful diplomacy offers a chance of staving off a disastrous running war with China, and when only determined leadership can unite the other Asian countries to the West, it is absurd that Mr Eden or Lord Salisbury should not be able to fill the vacuum left by Mr Bevin's ill health. At a time when the morale of Western Europe is visibly sagging for want of confidence, not only in its own military capacity but in the validity of its moral standards, it is tragic that Mr Churchill should not be able to speak with the whole weight of the British Government behind him. The defence quadrumvirate of Mr Shinwell, Lord Hall, Mr Strachey and Mr Henderson could be greatly improved upon by an influx of new blood.

But the practical, political obstacles to a coalition are at the moment almost insurmountable. In the first place, there is the stumbling block of iron and steel nationalisation. The Government has clearly demonstrated that this is the measure of appeasement towards its own left wing that it is not prepared to forgo. It is also the measure which the Conservatives oppose most strongly, with every confidence in the weight—though hardly the enthusiasm—of opinion behind them. The dropping of steel nationalisation would be an essential part of the Conservative price for entering a coalition, and it is a price that the Labour Party will not pay.

Secondly, the nature and the traditions of the Labour Party would make it exceedingly difficult for it to offer to share power with the Conservative Party on terms of near equality. There are many Labour Ministers who can remember from first hand experience the coalition of 1931, when a Labour Prime Minister became a cipher in the hands of the Conservatives. Moreover, there is the immediate danger that a coalition with the Conservatives would split the Labour Party down the middle. There are still a great many Labour members who hate the Tories more than they hate Russia, and there are several dissident and ambitious men, both in the Government and on the back benches, who would be only too pleased to lead a Labour opposition to a coalition government.

If a coalition is not at present a matter of practical politics, what action should the Government take to increase both the appearance and the reality of unity among the British people ? Is it Mr Attlee's duty to dissolve Parliament and hold a new election ? An election involves a month to six weeks of political bickering which would create disunity rather than unity, and, while it lasted, paralyse policy. This heavy price would be worth paying only if there were a reasonable certainty that it would buy something worth having. But there is no certainty that the British people would express such a strong preference for either party as to produce a government with a majority of, say fifty seats. For what the signs are worth, the probable result would be a Conservative majority of a few seats. Such a result would make a coalition more desirable than ever, since a Conservative government with a small majority would not enjoy Mr Attlee's immunity from serious labour trouble. But if the Labour Party will not enter a coalition of which they could be the senior partner, is it likely that they would enter one immediately after being beaten at the polls, as junior partner and for the express purpose of protecting the Tories from the unions ?

On every previous occasion when the question of a coalition has been discussed in these columns, the view has been expressed that it was not only impracticable but also undesirable. The time has come to change that

view. The well-known defects of coalitions still exist; but in our opinion they are outweighed by the gravity of the hour and by the need to use the talents that the Conservatives can deploy in the vital fields of foreign affairs and defence policy, and especially in representing British determination to the world (they have no similar advantage in other fields of government). But unfortunately, in our judgment, a coalition is still as impracticable as ever; and it is as well to be quite clear about the reason, which is that the Labour Party—or enough of its members to determine its policy—still prefers to get what it can out of leading half the nation than to share the duty of leading the whole nation.

It is a very heavy responsibility that the Socialists bear. Almost certainly, public opinion would welcome unity, and it should make its weight felt by every means in its power. Nor should they be left to suppose that there is nothing, short of a coalition, that they can do to create and express the national unity. If they insist on staying in office with the barest majority of the House of Commons and a minority—by all the evidence, a shrinking minority—of the people behind them, let them at least act like a government of the whole nation. If the deferment of steel nationalisation involves too much swallowing of pride, let them eschew any further controversial measures—for example, let the forthcoming budget be what the Americans would call a bipartisan one. Mr Attlee can hardly believe that, in an atmosphere of universal sacrifice, he alone is exempt from the necessity of demonstrating awareness that the times are no longer normal. If he cannot find a clear way to proclaim his readiness to lead the whole nation, then the public will have to proclaim its own state of emergency.

The Trouble With China

MR BEVIN uttered some surprising *obiter dicta* on China in last week's parliamentary debate. He said that the British Government knew, from information available to them, that the Chinese really wanted to stop the fighting in Korea. He also claimed that there was a great field open—"by treating the Chinese people the right way"—for keeping China from lining up permanently with Soviet Russia. These are misleading remarks. There is undoubtedly some truth in both of them, but it would be most dangerous to agree with either at its face value.

The Chinese Communists want peace, certainly—but only on their own terms. The Chinese people have long been hardened to war, having now seen more years of almost continuous fighting than any other nation in the world. In the latest round, they have moved for the first time to a foreign adventure, and with tremendous success. This has followed—like Napoleon's victories after the Directory—a profound revolution at home. These are heady experiences, and there can be little doubt that for the moment the Chinese are even more careless of world peace than the Soviet leaders—who see the glittering prize of world domination at stake in a sense that the Chinese do not.

What, then, are the Chinese terms? There have been many statements by official spokesmen during the past few weeks which show the consistent and increasingly aggressive line taken in Peking. It should have come as no surprise, therefore, when Mr Wu Hsiu-chuan, after two weeks of indirect answers, replied on Saturday to the United Nations' proposals for negotiating a cease-fire in Korea with three specific conditions—evacuation of Korea by the United Nations, abandonment of American protection for Formosa, and a seat at Uno. As far as Korea itself is concerned, the full implication of Chinese views may be gauged from an order of the day, issued after the capture of Pyongyang, by General Lin Piao, now commanding the 4th Field Army in Korea. "Comrades," declared General Lin Piao, "you have turned the tide of the critical military situation in Korea. . . . We hope you will advance heroically in order to bring about the *total annihilation* of the imperialist invaders." In saying "total annihilation" there is no reason whatever to suppose that that is not what the Chinese, in their present mood, mean.

Mr Wu gave full expression to his country's established and uncompromising views when he first arrived in New York. As a major statement of policy, the importance of his opening speech to the Assembly tends to be overlooked. He dwelt on all the main aspects of Chinese political thinking which have often been repeated in the flood of propaganda from Peking. He emphasised, amongst other things, two fundamental themes—that America is the arch enemy and that its aim is to encircle China. In this role, the Americans, he claimed, have taken the place formerly occupied by the Japanese. Here Mr Wu revealed something very deep-seated with the Chinese, when he quoted how

> one of the master-planners of Japanese aggression, Tanaka, once said: "To conquer the world, one must first conquer Asia; to conquer Asia one must first conquer Manchuria and Mongolia; to conquer Manchuria and Mongolia one must first conquer Korea and Formosa."

On Saturday, Mr Wu rounded this off by saying flatly that "an aggressor who invades Korea today invariably invades China tomorrow." If this is their belief, it is small wonder that the Chinese will not accept a cease-fire there with the Americans.

To understand the violent anti-Americanism in Peking, few Chinese pronouncements have been more useful than an article two weeks ago in the *Jenmin Jih Pao*, the Peking "People's Daily" or Chinese equivalent of *Pravda*. The article was headed quite simply with the instruction "Hate the United States," and it gave eight reasons for doing so. The Americans "started the war of aggression against Korea" and openly occupied our territory of Formosa. They are increasing the scale of their aggression in Korea every day. Their planes and warships "have incessantly provoked us"—American planes have infringed the Manchurian border many times. They are still aiding our bitter enemy, the bandit Chiang Kai-shek. They have kept us out of Uno. They are rearming the Japanese. They maintain "an immense net of military bases in the Pacific." They try, apart from open aggression, to work against us from the inside.

Last month the *People's Daily* effectively summarised the constant charges of encirclement. "The US imperialists," it said, "are making every effort . . . to retain influence over Tibet so that they may turn it into a military base for further aggression." The "invasion of Korea and . . . intervention in Vietnam are . . . intended to impose a military encirclement of China" in order to prepare "large-scale aggression against China"; for this purpose the Americans have also sent their naval, air and land forces "to invade China's territory of Taiwan" (Formosa). Mr Wu, in his first New York speech, also spoke in these terms, except that he included the Philippines and Japan in the American policy of encirclement. This phobia about encirclement undoubtedly springs from a tremendous new urge to national greatness which has swept through the Chinese people. Many of those who know China best believe that Communism has come to power on the crest of a wave of national rejuvenation. It answers a deep-felt longing for internal unification and reorganisation, which has been growing under the surface for perhaps a generation and which has gained impetus from every successive twist and frustration in the endless fighting of the last decade. The Chinese are a proud people and now they feel they have something to be proud about. Quite apart from being Communist, they mean to dominate Eastern and Southern Asia, and they mean to put an end to the last traces of Western colonialism in their part of the world.

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If all this is true, it may well be asked what the western powers and the United Nations can do about it. Is Mr Bevin correct in suggesting that China can be won from the arms of Russia by the right sort of treatment? Is there a sound basis, in fact, for any part of the British Far Eastern policy of recognising the Peking government and of supporting its candidature for Uno at this stage? These are hard questions to answer, and it may be—it almost certainly will be—that no conclusive answers to them are produced for several months. Meanwhile, the continuing war in Korea and the pressure of Soviet imperialism force the western powers to make decisions, military, strategic and economic. On what are these decisions to be based?

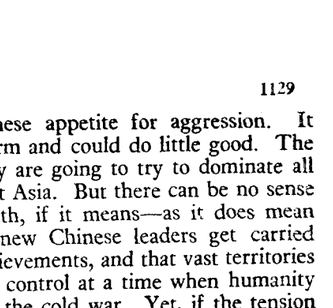
Several leading facts stand out. Although it is no use crying over spilt milk, there can be little doubt that the Chinese feelings about Korea were less acute last June than they are now. Had Britain and America been able to act together, there might at that time have been some return (though it might have been small) from the policy of recognising the Communist government and proposing its admission to Uno. Equally, there is a chance that one day, given time, it may be possible to detach China from Russia. The national interests of the two countries by no means always coincide and, whether Communist or not, the Chinese have no intention of being dominated by the Russians—already they are wondering whether their size may soon enable them to become the senior partners in the Communist firm.

But neither the past nor the possibilities of the more distant future apply at this moment. All Korea might have been Communist and China would probably have had Formosa by this time if the North Koreans had not attacked in June. As it is, the train of events set in motion by that wanton act has given the United Nations no alternative but to stick to its guns. To retire from Korea, to hand over Formosa and to vote the People's Government into Uno after all that has happened would whet the Chinese appetite for aggression. It would probably do harm and could do little good. The Chinese look as if they are going to try to dominate all of East and South East Asia. But there can be no sense in smoothing their path, if it means—as it does mean at present—that the new Chinese leaders get carried away by their own achievements, and that vast territories fall under Communist control at a time when humanity is split to its roots by the cold war. Yet, if the tension in the Orient could be allowed to slacken a little, the People's Government should certainly be voted into Uno. Not to do so is to deny reality.

Korea remains the key point. At present, the Chinese will almost certainly not tolerate anything but the complete abandonment of all that the United Nations forces set out to achieve when they first landed at Pusan. If the present cease-fire does not work, it has therefore become more essential than ever that some part of these forces should succeed in remaining in Korea until it is possible to arrive at an honourable settlement. How much of Korea should be held is a matter that depends on the military situation, in view of the paramount necessity of not locking up any more of the free world's resources in the Far East—indeed, if possible, of releasing some. But that some part of Korea should be held is imperative.

Whatever happens, it is hard to see that there can now be anything but a painful period of tension and friction in the Far East, lasting at any rate for several months and perhaps for two or three years. The task of the western powers during this time must be to take the edge off Chinese aggressiveness, while always showing themselves ready to talk on a basis of friendly realism.

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Is Full Employment Secure?—III.

The External Menace

IT was argued in the first two articles of this series that even in a closed economy—a country having no dealings with the outside world and therefore exempt by definition from external disturbances of employment—it is impossible completely to flatten out all fluctuations of activity and at the same time to maintain dynamic progress and free choice of jobs and of consumption. The reason for this is that fluctuations are not caused simply by avoidable instabilities in the monetary system; they are also the fruit of "real" changes in the industrial structure of a developing economy. There is, however, no such thing as a closed economy in the real world—certainly not in the free world—and the history of trade fluctuations shows that, in practice, rapid changes in the external balance of payments of the large trading nations have been a disastrously efficient mechanism for transmitting, and amplifying, those fluctuations across national frontiers. Of course, if it were possible completely to abolish domestically-generated fluctuations, this international aspect of the matter would be less important; every country would simply have to be educated in its duty to stabilise its own economy, and perhaps shown how it can be done. But since domestic fluctuations cannot be wholly abolished the question of international transmission—the "export of unemployment"—becomes very important. One country may have a downswing of activity which, in the context of that country, is not particularly alarming. But suppose that country to be a very large and economically dominant one; suppose it to be so constituted that a slight variation in its total activity is translated into a large variation in its foreign trade; and suppose its currency to be one that is already scarce, or verging on scarcity—and immediately its slight recession becomes a very serious problem for other countries.

There are those who would recognise this combination of phenomena in what happened in the United States in the early part of 1949. The point is disputed. There are others who hold that the effect on other countries of the slight American recession of those months has been greatly exaggerated. But the present argument need not stop to examine the evidence for this particular example; it is enough to establish that the hypothesis is a perfectly reasonable one. Indeed, the discussion of methods of preventing the international transmission of slumps tends to resolve itself into a discussion of how to prevent American depressions from affecting the rest of the world. This is convenient as a means of focusing thought, and it is not wholly unjust, for it is clear in the memory of the present generation that one gigantic depression did originate in America and derived much of its terrible intensity from there. It is not in the least necessary to accept the popular Left-wing view that the natural state of so unregenerately individualist an economy as that of America is one of chronic underemployment and its natural influence on the rest of the world malignantly deflationary. Indeed, the events of early 1949 can be held to show how very rapidly a recession can be cured by an economy that still preserves competition and allows both prices and resources to move. But America has been unstable in the past; and to Europeans at least it seems clear that the American tradition and temperament, both in business and in administration, the American propensity to use both brakes and accelerator suddenly and fiercely, make for sharper divergences from the trend of economic progress than are to be expected elsewhere. There are, of course, compensations to be seen in the high and rapidly rising American standard of living. But though that is a point of very great substance it is beside the point of the present discussion. It is also true that if other nations' economies were less rigid, and the world market less nationalistically fragmented, adjustment would be quicker and easier. But that also does not destroy the thesis; justly or unjustly, the argument about the international transmission of slumps is an argument about how sudden American recessions can be prevented from leading to a sharp cut in American purchases from the rest of the world, to a dollar famine and thence to forced reductions in activity in other countries.

This was certainly the angle of approach of the commission of experts appointed by the United Nations to review the problem, whose report was published in January 1950. Though they did not say so in so many words, they were clearly thinking of the contingency of a slump in America creating an aggravated shortage of dollars. Their main proposal arose logically from this: they proposed that if America, because of trade recession at home, reduced its purchases from other countries, it should make available, through the International Monetary Fund, the dollars it would have spent in the absence of recession. Other countries would then be in no need to cut down their purchases in America, and the spiral need not begin to turn.

The experts' plan is, all too clearly, politically out of the question. At a time of relative depression and rising unemployment, American opinion is likely to demand higher tariffs, stricter customs procedure, a rigid adherence to Buy American rules, and Government economy—or, at all events, concentration of the benefits of government bounty on American recipients—and most unlikely to acquiesce in an unlimited grant of dollars to foreigners.

But there is also a theoretical weakness in the experts' plan. It is a plan for providing more money; it brings the international argument up to the point that the purely domestic argument had reached when the cure for depression was thought to be the printing of more money or the issue of more credit. The domestic argument has long since gone beyond that point because experience has shown that, once the trend has turned downward, the mere provision of more money may be very unsatisfactory. If it works, it may create all those evils of perpetuated disharmony indicated, in the first two articles of this series, as the result of treating "real" internal divergences by purely monetary means. Permanent full employment is not to be secure, internationally or domestically, by permanent inflation. But if this is the likely effect of large doses of extra money, small doses are likely to be quite ineffective: the new money may not be spent but may simply go to satisfy the rising "liquidity preference" of the public. This is the objection to the Uno experts' plan in the international field. The way in which a turn of the tide in America (or—as throughout this argument—in any other country) communicates itself to other countries is not only by the mechanistic channel of a falling off in American imports. It transmits itself much more quickly and, in the initial stages, more effectively by psychological means. When markets turn sour in America, they tend to do so all over the free world. When Uncle Sam says turn, we all turn. In such a bearish climate of opinion, the likeliest effect of making extra dollars available, as under the experts' plan, would be not an increase in spending and a consequent improvement in, or safeguarding of, employment, but a grateful grabbing at the extra liquidity which in such a climate is more valued than goods or the opportunity of profit.

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It was from the realisation of this that the domestic argument, years ago, moved on to the idea of "public works." Money should not merely be provided, the state should see that it is spent. The next stage should therefore presumably be some international form of "public works"—that is, some projects of international investment that can be held in reserve in good times and put into action when slump impends to ensure that dollars are not merely provided but actually spent.

Here we enter a very shadowy field, in which opinion, even among the economists, has hardly begun to form. There has been plenty of discussion of international investment, but very little of the idea of using that investment as a deliberately contra-cyclical force. It is time that more exploration of the possibilities in this field was put in hand, for they may be considerable. But it is also, unfortunately, clear that there are both practical and theoretical obstacles to overcome. The practical difficulties are of the same nature as those that stand in the path of the experts' plan: a time which is, by definition, one of impending slump is not usually favourable for projects of lending and borrowing. In addition, there are all the disadvantages of public works schemes in general—the difficulty of so timing the preparatory steps of a long-term project as to ensure that the period of maximum expenditure falls at the right time; the difficulty of avoiding on the one hand a wasteful and politically deplorable curtailment of valuable schemes on the upturn, and on the other a frittering away of resources in international boondoggling on the downturn. To work out a policy of "international public works" would call for a degree of intelligent and far-sighted international co-operation which it may be optimistic to expect.

There are also the theoretical difficulties. The basic principle of "public works" is that when private expenditure falls off, public expenditure should be increased to compensate for it—that is, to offset a negative fluctuation in one form of expenditure by a positive fluctuation in another form of expenditure. In so far as the labour and other resources required by the two sorts of expenditure are the same (as when unemployed factory builders are set to building post offices) or can easily be transferred, the idea is workable. But if the labour and other resources cannot be moved, then "public works" simply increase the strains upon the economy. "International public works" might mean, for the United States, that the unemployed in the tobacco and cotton states would have to move into the states that make bulldozers and locomotives—and back again when the emergency passed. It might mean, in the under-developed countries, a similar alternation between, say, rubber growing and railway building. Work so provided, it may be urged, is better than no work at all; but it is a long way short of perfection as a full employment policy.

Again, there is the awkward fact that not all the dollar problems of the world are due to fluctuations in America; some of them are due to the high productivity of American business and the speed with which it exploits technical innovations. The effect of these may look very much like the "export of unemployment"; but if other countries refuse to import this sort of unemployment, they may be refusing to import progress.

It is, in fact, no more possible, in a free and economically progressive world, to find a completely satisfactory solution to the problem of international economic contagion than to prevent the ailment concerned from manifesting itself in the first place. In the one case as in the other, the danger arises of mistaking a situation properly to be met by a readjustment of real resources (uncomfortable though that may be) for one suitable for monetary treatment. In the one case, as in the other, failure to make this distinction and act on it must result in cumulative disharmonies and increased vulnerability for the future. In the one case as in the other, the actual application of monetary techniques, even where these are unmistakably appropriate, is a delicate task to be carried out without benefit of precedent and in the teeth of public ignorance and unrealism. In the international field, moreover, economic therapy is hampered by obstacles having no counterpart within national frontiers; by additional sectionalisms, by defective or defectively integrated machinery, by the sheer frictions of procedure, by the lessened rationality with which people generally tend to regard any question involving their relations with foreigners.

In the catastrophe of the thirties, economic paralysis struck across frontiers with the swiftness of an airborne epidemic, the counter-measures which almost irresistibly suggested themselves were strictly national, completely unco-ordinated, and from the world point of view entirely self-contradictory and destructive. Hope for the future must rest in a reversal of this contrast; in a concerted and mutually sustained international attack on the foci of depression whatever the national economy in which they first appear. There is hope along these lines. There is, certainly, more hope than in the opposite policy of insulation and the *cordon sanitaire*. That policy is not only objectionable in principle, because it would split the free world, but also unworkable, since it would demand controls too complex to be manageable by the administrators and too severe to be tolerable to a free public. But it must be admitted that the working out of effective policies for stability in a free world is still in a very early stage. As in the purely domestic field, the most that the economists can honestly tell the public is that they think they know how to moderate the incidence of a depression and prevent it from developing into a catastrophe, but that they do not yet know how either to prevent it completely or to cure it quickly.

(*To be concluded.*)

NOTES OF THE WEEK

SHAPE

All loyal and confident people in Western Europe and Britain will be glad to see General Eisenhower back, however much they may deplore the passions and events that have made necessary rearmament and the setting up of an integrated force with a Supreme Command. Both his personality and his command recall Shaef—something that worked in an efficient and friendly way. Perhaps even the Russians will remember the restraint shown by this victorious commander during the closing stages of the German campaign of 1945. After all the controversy that has surrounded General MacArthur's policy in the Far East it was not easy for Mr Truman to send forth yet another supreme commander. But he has chosen a man of conspicuous political ability, whose presence is a firm pledge of America's commitment in Europe.

One of his first tasks will doubtless be to streamline the cumbrous planning and executive organisation built up during the last two years. (A sign of that intention is the appointment of a powerful Defence Production Board which is to have an American chairman.) One wonders whether General Eisenhower's powers to overcome such vested interests as exist in the overlapping committees of Nato have been considered and defined. It is true he is to have the assistance of an international staff and that he is formally responsible to the Atlantic Council of twelve Foreign Ministers. But it is difficult to believe that an urgent, secret and effective military job can be done if the Supreme Commander cannot turn to some smaller body for political decisions.

Political problems will arise very quickly; for already national contingents are earmarked to come under his control. More countries are involved than took part in Shaef and all are represented by party governments responsible to parliament—not by weak governments in exile. There will, in fact, have to be some form of political integration at the top of SHAPE. The French suggestion of a European defence minister or the Canadian proposal for a supreme council may not provide all the answers; but they do show awareness of the fact—which Mr Bevin seems reluctant to face—that the planning of strategy and the disposition of troops in foreign countries is a part of foreign policy.

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The Excursion of Mr Wu

The visit of the Peking delegation to Lake Success (which came there formally for the purpose, not of discussing Korea, but of pressing the Peking Government's accusation against the United States of aggression against Formosa) has not yet produced any cessation of hostilities in the Far East. It was, indeed, excessively optimistic to expect that the Chinese Communists, in the middle of a victorious military advance in Korea, with China suffering no retaliation for its audacious assault on the forces of the United Nations, would be ready for a cease-fire with no political conditions attached. The Chinese wanted a guarantee of the fruits of victory (including products of all the orchards of the Far East and not merely of Korea) if they were to desist from battering the army of the United Nations. The hope that the Chinese would be willing to stop fighting, merely to leave the field open for diplomatic negotiations, proved groundless. So on December 17th, after the Assembly had passed by 52 votes to 5 (with the Soviet bloc opposing) a resolution proposing an armistice without specified political conditions, Mr Wu announced that he and his delegation were returning to Peking. Meanwhile the Assembly's truce committee, consisting of the President of the Assembly, Mr Entezam of Persia, Sir Benegal Rau of India and Mr Lester Pearson, the Canadian Minister of External Affairs, let it be known that they would continue efforts at mediation, and were prepared to go to Peking if necessary.

Mr Wu's utterances at Lake Success were in general characterised by great bitterness and arrogance. His visit has certainly been a disappointment to those who hoped that to refrain from retaliation against China would induce a conciliatory mood on the Chinese side and that the presence of Peking delegates at Lake Success would facilitate a quick settlement. The Chinese, however, are deserving of some sympathy in that they have taken their stand on the well-established principle that it is the business of the victors in war to dictate terms and of the vanquished to accept them if they have no stomach for further fighting. So long as this attitude lasts, it makes a bargain impossible—unless, indeed, the United States and its allies were so resolved to avoid further fighting that they were ready in effect to capitulate to China's demands.

There is no such willingness. Nor should there be. It is not merely that the western peoples do not like seeing their troops defeated. It is even more an unwillingness to see the authority of the United Nations overturned by force just after it had been for the first time triumphantly asserted and vindicated at the cost of more than 30,000 (mainly American) casualties. The Chinese Communists, who see the United Nations as a mere instrument of American imperialism, may not believe this—nor is it much appreciated in Britain, where zeal for the United Nations has never equalled the enthusiasm for the League which existed at the time of the sanctions against Italy in 1935. Many Americans, however, realise that if a settlement on Korea, negotiated under Chinese duress, undoes the Uno decisions which the Korean campaign was fought to enforce, it is the end of Uno as an international authority.

* * *

Teeth and Monopoly

The members of the Monopolies and Restrictive Practices Commission were appointed twenty-three months ago. Their first (and, as an isolated study, admirable) report, on the supply of dental goods, was published last week. (HM Stationery Office, 3s. 6d.) It is distressing confirmation that the piecemeal investigation of monopoly practices, trade association by trade association, will never have many teeth.

The Association of Dental Manufacturers and Traders is concerned to maintain manufacturers' resale prices and thereby to limit competition between dealers. Its main sanctions are exclusive dealing and the collective boycott. The commission's analysis of their operation is discussed, with other aspects of the report, in an article on page 1156. The commission has no doubt that these practices have in the dental trade worked against the public interest. But they are restrictions of competition different only in degree, not in kind, from those used in many other industries. Even the difference of degree is probably in practice small. The dental trade is more tightly organised than most, but the commission did not find "any very great abuse" of the association's wide powers. The same verdict would probably be widely applicable. Because of the fear of public opinion, monopoly power is more discreetly used the greater it is; in other words, competition is little more limited in the dental trade than in many others, which are, superficially, much further from being "closed shops."

What the commission has shown, therefore, is that there is no case for legislation against restrictive practices in the dental trade that is not also a case for legislation against similar practices in a very large part of British industry. Two members of the commission explicitly recognise this point—which is, in effect, that the commission can do nothing of practical importance until the Government itself makes up its mind on the issue of principle. Mr Wilson has attempted to show some enthusiasm for the attack on monopoly by increasing the commission's membership from eight to ten, with the object of speeding up its enquiries. It is hard to see in this anything but an attempt to avoid the awkward question. The acceleration means that in a year's time the commission will have completed inquiries into six trades. The practical position will then be just what it is now. It would be no fairer or more reasonable to legislate for six (or fewer) individual cases than for one.

The only effective weapon against monopoly is a general prohibition of such practices as the collective boycott. But it is unfortunately significant that the dental trade association found that its restrictive aims could be furthered by registering itself as a trade union. It requires some idealism to think that the embarrassments of a vigorous campaign against the trade associations can be faced by a Government that dare not attack restrictive union practices—and that has been busy establishing exclusive trading by nationalisation.

* * *

Appealing from Tribunals

The decision of a King's Bench Divisional Court last week in the case of *Rex* v. *Northumberland Claims Appeal Tribunal* may have a considerable influence in restoring the rights of the recognised courts to review decisions made by administrative tribunals. The facts in this case were that a Mr Shaw, a local government servant, held both the offices of clerk to a local district council and clerk to a joint hospital board from 1936 until 1949, when the joint hospital board was replaced under the National Health Service Act. He claimed compensation for loss of office based on his total length of service in local government. The appeal tribunal awarded him compensation based on his length of service with the joint hospital board only, so he took his case to the High Court. The court was asked to decide, first, if the applicant's claim was justified under the regulations, and secondly—a point of much wider interest—whether the applicant had any right of appeal to the High Court at all. None was given by statute.

The High Court decided that it was competent to hear the appeal. The importance of that decision is that, in making it, the court had to find a way round (called "distinguishing") an earlier decision which stood in the way. In 1944 the Court of Appeal held that when a tribunal has been set up by statute and the statute gives no right of appeal to the High Court, the High Court has no jurisdiction over the decisions of that tribunal. Last week's decision is to the effect that, when a tribunal of this kind bases its decision on an interpretation of the law (as the Northumberland Claims Appeal Tribunal had), the High Court has power to review that decision and, if it considered the tribunal's view of the law to be wrong, to quash it. That it did in the case of Mr Shaw's application.

This decision does not open the door to appeals to the High Court from every administrative tribunal in all circumstances. But it does mean that, if the tribunal is required to base its decision on a view of the law, and if it gives its reasons when making that decision, the result is a matter which the High Court can review. The Lord Chief Justice concluded his judgment with the words: "It was very beneficial that they should do so because, now that many tribunals had been set up by various statutes, and they all desired to do their duty, it must be for their benefit that the Divisional Court should be able to give guidance to them."

Twin Notes from Moscow

The Russian Notes presented in Paris and London last weekend are, apart from minor variants in wording, identical twins. Considering the difference in strength and morale between France and Britain at the moment that fact is quite remarkable. Also remarkable is the restrained wording of the Notes and their timing, which is discussed in a leading article elsewhere. As this "correct" and skilful presentation of the Russian case against German rearmament is clearly intended for future propaganda use—as well as for formal diplomatic purposes—it is important to examine just what it says.

Britain and France are being addressed as allies of the Soviet Union under treaties signed respectively in 1942 and 1944. The occasion and the purpose of those treaties were provided by the need to crush the military power of Germany; but they also contain general undertakings about co-operation in the postwar world which have been flagrantly disregarded by Moscow. The Notes say that "the restoration of the German army in the western part of Germany" is "undermining the foundations and significance" of these treaties. And they also allege that German rearmament in any form is a breach of Potsdam. The Notes seem to show more concern about the future than the present. They emphasise that to allow the West German army to comprise one-fifth of the Atlantic force

> opens the gates for a predominant place, in the future, of the West German army among the armed forces of the West European countries.

They accuse German politicians of talking about "preparations for a new war in Europe" and of preparing to demand heavy armaments, the restoration of the General Staff and the restoration of war industry. All this amounts to "a serious threat to peace"; and the Notes end with a declaration that the "entire responsibility for the situation created" rests with the Government addressed.

These Notes will be seriously examined in the context of other Russian statements about German rearmament. But two things may be said about them now: the first is that their account of the causes and nature of what is being done to get Western Germany defended is exaggerated and untrue. The second is that the Notes are tuned into the wavelength of the peace campaign, the neutralists, the anti-Americans, and all who refuse to face the bleak facts of the cold war.

* * *

Deadlock in Bonn

The western Foreign Ministers, busy with Atlantic Pact matters and arranging a meeting with the Soviet Union, are still leaving Dr Adenauer in the corridor, adequately informed through the High Commissioners, but outside the discussions on Germany's fate. But the Germans no longer accept this treatment, and they are using the weapon of passive resistance, fortified by clamant protests.

A deadlock has been reached over the revised Occupation Statute which will only be resolved if, as appears possible, the Brussels meeting throws over the whole occupation system. It is obviously to the Germans' advantage to delay acceptance. They may be accused of blackmailing the western powers; but the concessions offered to them in the revised Occupation Statute were out of keeping with the new conception of Germany as an ally, as were the two provisos attached to them. The Germans retort that the occupation authorities are blackmailing them by making these two provisos: that Bonn should assume liability for the Reich debts, and guarantee to make raw materials available for export.

As it stands, the Foreign Affairs Committee of the *Bundestag* has refused to allow Dr Adenauer to sign a blank cheque for the Reich debts, and the *Bundestag* itself would

certainly do the same. In the background, the vociferous Dr Schumacher is warning the Chancellor not to oppose "the people's will" in the matter, and influential voices are heard demanding that against the Reich debts should be set the German assets abroad which have been confiscated as reparations. Tactlessly it is also being argued that Germany should not be even formally debited with all the relief received from American and British funds, because the Hague Convention stipulates that the people of occupied territories must be fed. Last week, the Bonn Minister of Finance, Dr Schaeffer, announcing the long-delayed Bill for equalising war losses among German citizens, made the gratuitously irritating statement that this share-out represented a German contribution to defence. The Germans have a way of making matters difficult for their friends by using such arguments.

The second proviso attached to the Occupation Statute has developed into the practical question of the Ruhr's coal and coke exports. Dr Erhard has fought to have the current quota reduced by 500,000 tons, and has succeeded in inducing the High Commission to recommend to the Ruhr Authority that 300,000 tons should be cut from December exports. For the next quarter, the Germans are ready to sell abroad only 5,000,000 tons instead of the 6,800,000 tons which the Ruhr Authority wishes to allocate. "Crises" in Germany are almost invariably exaggerated and inefficiently handled, the present coal shortage being no exception. Moreover, it may be argued that, while Germany is making no other defence effort, it should not have the same freedom as Britain to cut its coal exports. Nevertheless, it is clear that arguments will have little effect on the Germans in their present mood. Their demands for equality can most safely be met by abolishing the Ruhr Authority as soon as the Schuman Plan is in operation.

* * *

Uncertainty in East Africa

The statement on East Africa, made by the Secretary of State for the Colonies in Parliament last week, was intended to dispel the "growing uncertainty" of which Mr Griffiths has now become aware. The uncertainty largely springs from the European population. They are afraid lest too much power will be given too quickly to the Africans and that their own position in the dependencies will in consequence become untenable. The Africans, on the other hand, or at least the few of them who are politically conscious, are uncertain lest, in an attempt to defend themselves, the Europeans in the three dependencies should link up with each other and attempt to make Kenya, Tanganyika and Uganda into a self-governing colony on the Southern Rhodesian model.

It hardly needs saying that the fears of both populations are quite unjustified. Whatever may be happening in West Africa, there is no sign that the British Government is pushing on too fast with African political advancement in East Africa. Direct African representation on a legislative council which is still predominantly European in membership, and still has a large official element, is as far as policy has gone as yet. Similarly, there are few signs of the settlers in Kenya and Tanganyika making common cause. There are good economic reasons for a federation of the three territories, but its achievement is remote. Nevertheless, uneasiness and mutual suspicion, however unjustified, persist; and the interracial distrust is further complicated by the presence of the Indian, who is strongly entrenched in all three territories.

In East Africa Mr Griffiths's statement appears to have been received with cautious approval. In fact, however, it contains nothing new. He reaffirmed the ultimate objective of colonial policy in East Africa—self-government within the Commonwealth. He declared that in promoting that aim the proper rights and interests of all the different communities must be safeguarded—here, perhaps, the essence of the declaration lies in the word "proper"—and that the Africans must be educated, and their resources developed, to fit them to play their full part in the political and economic life of the territories. In the meantime, ultimate control will continue to be exercised by the British Government. In other, blunter, words, self-government is something for the very distant future. Perhaps the realisation of this will help to relieve the tension.

* * *

"A National Scandal"

Mr Bevan ought not to have been so ready to denounce as "quite disgraceful" the views of a committee of the British Medical Association, which described the "inadequacy of the present provision for the diagnosis, treatment, and aftercare of tuberculosis in this country" as a "national scandal." For ever since the health service was introduced, his Ministry has been strangely negative in its response to any suggestions for improvements.

It was not until this summer that a circular was sent to regional boards and management committees asking them to set aside beds for tuberculous patients—and in the meantime the waiting list for institutional treatment had grown to 11,000. The salaries of the chest physicians, the old tuberculosis officers of the local authorities writ large, are often reduced by the regional boards in respect of the prevention and afterecare work they do for local authorities, although in tuberculosis this work is as important as the actual treatment. The London County Council's proposal to establish a hostel for chronic infectious cases, 160 of whom are sleeping in common lodging houses, was turned down as too expensive—by a Minister who could sanction the free grant of notepaper, toothpaste and soap to patients in general hospitals. Before the health service was introduced, some local authorities used to contribute towards the cost of sanatorium treatment in Switzerland if a bed could not be found for a patient in their areas. Until very recently, Mr. Bevan flatly refused to allow the cost of treatment in Switzerland to be met from health service funds, although it would be little if anything higher than the cost of sanatorium treatment in this country. In its attitude towards BCG vaccination (that is, vaccination with the Bacillus Calmette Guérin, which in other countries is claimed to be successful in promoting immunity to the disease) the Ministry of Health has been conspicuously unenthusiastic.

What is also startling is that Mr Bevan should apparently consider it wrong for anyone to criticise strongly this branch of the health service. He must have known that that is an inevitable result of taking the responsibility for a service like this, or at least a large part of it, out of the hands of local authorities. Divide—and criticism is weakened. But centralise the service in a Government department, against whom the pressure of public opinion and parliamentary questioning can be brought to bear, and all the weak spots are given publicity. The chief architect of the National Health Service Act has only himself to blame that this has happened over tuberculosis.

* * *

National Parks in the Chrysalis Stage

The National Parks Commission, whose first report was published recently (HMSO, 4d.), has selected the Peak District, the Lake District, and Snowdonia as the first three national parks to be established. When the boundaries have been finally drawn, the management of each park will be entrusted to a joint planning board of the local authorities. The commission, however, will continue to give advice both locally and centrally. Meanwhile, it has its work cut out in shielding potential parks and other areas of natural beauty from too much development. It wisely recognises that so large a part of Britain cannot be sterilised from economic growth; but its optimism about achieving a satisfactory compromise between "amenity" and "enterprise" has still to be justified.

The commission's report includes "a few examples" of questions about development which it has handled. They give a misleading and patchy picture. The commission ought to tell the public what is happening in each potential park, especially as their problems differ so widely. The Lakes and the Peak, for instance, could be quickly spoiled in many ways and the closest control is desirable. The Pembrokeshire coast is chiefly in danger from the Service Departments and the South Downs from unsightly building. Recently, Dartmoor and the Brecon Beacons have also become the goals of Service Departments; Snowdonia is in danger from a formidable hydro-electric scheme. Some public bodies—the Forestry Commission, for instance—are co-operating quite well with the planning authorities; but the British Electricity Authority has still to show its regard for aesthetic values, and the Service Departments are the least accommodating of land users.

The commission will also have difficulty in reconciling its two objectives of preserving natural beauty and improving public access. Which is the more important? Available funds are limited. Is it better in the Lake District to subsidise the putting underground of electricity cables or the provision of cheap accommodation? The amenity societies will say the former, but the inhabitants of Manchester may disagree. In any event it would be farcical to make into a national park any area where neither of these purposes can be effectively pursued, which may prove to be the case with some of those on the original Hobhouse list. Perhaps during 1951 the commission will acquire enough authority to nurse at least some of its charges effectively.

* * *

Riots in Singapore

The only comforting thing to be said about the recent riots over the Bertha Hertogh case in Singapore is that they were not caused by the Communists. On the other hand, in much more than a hundred years of British rule over this city, there have never been such racial or religious disturbances in peacetime; casualties were reported as 15 dead and over 200 injured. It is a portent of the times, therefore, that even such a dangerously inflammable religious issue as the Hertogh case should have set fire to such a large section of the Singapore mob for so long. Rightly or wrongly, the Asian now senses that the white man is on his way out in the east, and he therefore acts aggressively on slight pretexts. In Singapore, the most serious aspect of all was the way in which the police—predominantly made up of Malays—showed such sympathies with the rioters as to perform their duties no more than perfunctorily at the height of the city's crisis. Hitherto, this smart and highly efficient force has been one of the foundations on which the administration of the colony has been built.

The case itself began some months ago when Mrs. Hertogh, whose home is now in Holland, claimed that a thirteen-year-old girl found in a Malay village was her daughter Bertha, whom she had entrusted to Che Aminah, a Malay nurse during the Japanese invasion in 1942. Che Aminah, who had acted as a devoted foster-mother, treated the child as her own and undoubtedly saved her life, refused to part with Bertha. When the case was first heard, a ruling was given in favour of Che Aminah. Mrs. Hertogh has six other children and Bertha, for the time being at least, preferred her Malay foster-mother to her real mother; there was therefore much sympathy with the court's decision. Che Aminah, however, then suddenly ruined her own moral case by giving Bertha in child marriage to a young Moslem teacher of twenty-two. On appeal, Mrs Hertogh had the verdict reversed last week by the Singapore Supreme Court and took Bertha back to Holland by air. Singapore is now returning uneasily to normal but apparently may have to face another critical period when a final decision in the Hertogh case is given in March.

Public opinion in every community in the colony hopes, meanwhile, that inquiry into the handling of last week's riots will be thorough. Singapore is a dapper, prosperous seaport, a key point in the strategy of the Far East and a show place in Britain's colonial empire. Neither the British nor the Singapore Government can afford to see the tragic events of last week repeated.

* * *

Patel—Pupil of Gandhi

The death, at the age of 75, of India's Deputy Prime Minister, Sardar Vallabhbhai Patel, must be linked with the passing of Gandhi as marking the end of the epoch in which India won independence. Of the great triumvirate, there is now only Mr Nehru left, and he is overworking to a degree which gives reality to talk of his resignation in the months ahead. Inside the Cabinet, the death of Mr Patel at present unbalances the political front in favour of the Left—and who, besides, can take his place as a firm home minister? The moment has come when the new India must throw up its next generation of leaders or see a decline from the eminence which it has attained in world affairs.

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Our correspondent in India writes as follows:—Sardar Patel waited to die until his battle was nearly won. He had organised the Congress for Gandhi, he had remapped India, he had preserved its iron frame—the administration—he had limited the drift to the Left, he had knocked sense into the heads of the less responsible ministers, he had eased the transition for zemindars and rulers. The reconciliation of the Right, the return from revolution to stability was above all his handiwork. He had so successfully taken upon himself the drudgeries of everyday administration that Mr Nehru could immerse himself in foreign affairs without qualms. But he had not had time to shame and bully his own backbenchers into a responsible and cohesive policy for the coming elections.

Patel's devotion to Gandhi never obscured his vision of the possible and the necessary. No greater tribute can be paid to his magistral acumen than the devotion and respect he induced in his administrators—many of whom had viewed his coming into office with profound misgivings because of his reputation for vindictiveness. He was one of the few to realise that the government machine, like any other, must be oiled in order to work. Indeed, to the Services his death is that of a personal friend who was always impartial, yet fought their battles for them to the bitter end. The Princes, too,

We regret . . . .

to announce that the first printing of THE ECONOMIST DIARY 1951 *is sold out. A second printing is now in preparation and copies will be available in January.*

We suggest . . . .

that those who have been unable to obtain diaries should apply for copies from the second printing. Post-free price: U.K., 37/6*d.*; *Overseas*, 32/6*d.* THE ECONOMIST DIARY, 22 RYDER ST., LONDON, S.W.1.

have lost in him the only man whose shrewd sense of the historical process enabled him to make concessions in order to preserve peace. The integration of the States was carried out in a few months because Patel sympathised with the needs and ideas of the Right, although he was fundamentally the pre-1914 Lloyd George Liberal. It was he, for instance, who fought for adult franchise. How complete a Liberal he was emerges in his comment about some of his colleagues on the electoral committee: "The trouble with them is that they are not democrats; *I* trust the electorate."

* * *

Hospital Establishments

The position of the hospital registrars was raised in the House of Commons last week on the adjournment, and for the first time Mr Bevan was able to present his case at length. The greater part of his speech was devoted to a defence of his circular, which asks regional boards and boards of governors to make big reductions in their establishments of registrars. The opposition within the medical profession aroused by this circular is best measured by the fact that even the Socialist Medical Association has asked for its immediate withdrawal.

There are very few who will disagree with Mr Bevan when he says that the number of registrars in training for consultant posts should in future be closely related to the number of consultant posts likely to be available. Disagreement arises when this principle is applied, without warning and without agreements, to the present body of registrars who are told, in effect, to join the armed forces or the colonial service when they lose their jobs. There is even greater disagreement over the effect a wholesale reduction in registrars will have on the work of the hospitals. In last week's debate, the chairman of the North-West Metropolitan Regional Board said that 400 hospital beds might have to be closed in that region unless persons as skilled as the registrars can be found to undertake the work.

This points to the way out of the difficulty. Why should registrars be considered solely as consultants in training, who must leave the hospital service altogether if the luck of a consultant vacancy passes them by? Is there not a case for having another grade of hospital doctor between registrar and consultant? The medical profession's representatives objected to the widespread employment of the grade called "senior hospital medical officers" because they considered it a ministerial ruse for obtaining a consultant service on the cheap. Present circumstances may persuade them to change their mind. Mr Bevan, in the concluding sentences of his speech, hinted at a solution of this sort. If he is wise, he will withdraw the circular until his teams have completed their reviews of hospital establishments, and then look at the whole matter again in co-operation with the representatives of the profession and the hospital authorities. He may then achieve what he wants without creating such anger and discontent.

* * *

Students after Conscription

There could scarcely be a more crushing indictment of national service as it now operates than was given from the platform and the floor at the conference of the Universities in Great Britain held in London last weekend. It is rare for this annual gathering to generate so much heat. No one questioned the necessity for national service; its potential value for widening and maturing experience was widely accepted. The criticism was of the boredom, the dissipation of enterprise, and the demoralising atmosphere of inadequate training. The defects are not only in the services. The attitude of parents was also condemned. What boy is likely to make the most of his period of service, if his parents imply that it is a waste of time, and suggest that he should use as much as possible of his energy for studying what he will subsequently do at the university?

The practical question was whether boys should do their national service before or after going to the university. The differences of opinion are considerable. In a few subjects, such as classics and mathematics, a facility may be permanently lost if a gap of 18 months or two years intervenes between school and university; but many students can make better use of their university years if they have gone first from school to the services. So, at least, it should be. But Mr T. R. Henn, senior tutor of St. Catharine's College, Cambridge, claimed that in practice the effect of national service was often quite the reverse; students arrived from their service period bored and frustrated. They then started on their university courses with a heavy disadvantage.

Part of the criticism is no doubt exaggerated; conditions vary from place to place and the experience of some conscripts, particularly those who go abroad, is much better. The reactions of university students may also not be typical of the whole. But the criticism was too nearly unanimous for the services to ignore it. They have further reasons for self-examination. It is from the conscripts that they must recruit their regulars and from the university conscripts many of their best officers. If they cannot create a better impression at the start, regular recruitment is doomed.

* * *

Conspicuous Consumption

It is hard to share the enthusiasm of the officials of the BBC about the corporation's plans for extending the range and scope of television. Sir William Haley, the director-general, announced last week that over the next three years the corporation will spend £4,250,000 on capital investment, in the building of new stations and studios. In 1954—that is, thirty years before Nineteen Eighty-Four—85 per cent of the population will be able to enjoy the sight of television, and it is estimated that there will be a million and a half sets in operation by the spring of 1953. At the same time, £750,000 is to be spent on research for colour television.

It is very difficult to see the justification for such an extensive programme. Four million pounds is a great deal of money, even in relation to the budgets of other public corporations. But it is no measure of the demands which an extended television coverage will make upon the country's most precious resources, since television broadcasting involves the use of metals and electronic gear needed for defence. Moreover, the sums to be spent by the BBC are only a fraction of the expenditure of the community as a whole, if it is true that a million extra sets are to come into use within the next two years. It is difficult to believe that the production of television sets will not soon collide with the demands for expanded production of radar equipment.

The reason why the BBC—and the Government—are prepared to make such a tremendous effort to extend the scope of television is clearly because television has become the recreation of "the people." Before the war television was a diversion for the rich, but by about 1948 the lower income groups were acquiring sets at a much faster rate than the middle income groups; at the present day 68 per cent of the holders of television licences are said to earn less than £12 10s. a week. Indeed, the speed with which television aerials are appearing above the roofs of the rent-controlled houses in almost every working class area in London and the Midlands would make the late Mr Thorstein Veblen ponder whether his theory of "conspicuous consumption" should not be stood on its head. There would be virtue in this if it could be believed, as enthusiasts argue, that television was in fact bringing the arts and the world into hitherto mentally shuttered homes. In fact it is at the moment merely a novelty gadget, and as Mr Robert Silvey, the head of the BBC's audience research, concluded in a recent paper to the Manchester Statistical Society, "the extent to which TV is watched appears to depend only to a limited extent upon the nature of the programme transmitted."

* * *

The Turks and Collective Security

"Stir up trouble between the western allies" is the most constant of Communist propaganda directives, and is quite often successful. It has just been tried, with singular non-success, between the Americans and the Turks. The party line was to exploit Turkish losses in Korea, which have been high in proportion to the number of Turks engaged. "The United States units on the Turkish flank retreated without informing their commander and left the Turks to their fate"—this is a typical example of the statements made.

Nothing is further from the truth. The Turks are one of the very few non-Anglo-Saxon nations who took sufficiently seriously their duties under the UN Charter to equip a fighting unit and to deliver it at a Korean port. A Turkish brigade 4,500 strong sailed in September. Between November 26th and 30th it was thrown in to stem a breach in north-west Korea. For two days it fought against six divisions. Fighting next to a British regiment, which saw and appreciated its valour, it took its turn to serve as rear-guard on the retreat down the road to Sunchon. It lost over 1,000 men.

The Turks feel no resentment about the stroke of fortune which assigned them these tasks. They are a nation with a strong military tradition, full of the names and dates of fights in tight corners and casualties far from home. The radio programme which they are relaying to their troops in Korea is proof of their stolidity and quality. "We acted in accordance with our sovereign capacity as a nation which fulfils its obligations." "More men are volunteering at home."

It is true that there has been a party quarrel in Parliament over the procedure whereby the decision to send troops was taken. As in the United States, a declaration of war is the prerogative of Parliament. The cabinet, treating the UN "request" as President Truman treated it, decided that Parliamentary permission was not necessary. The opposition motion querying this decision has been defeated. What is more, the great majority of Turks—knowing the Russians as they do—are constantly exhorting their western allies to take a firmer line. To their minds, President Truman's declaration of a state of emergency was an end to a "false policy" of appeasement. "War is the kind of evil which pursues people who flee from it." Part of the explanation of this staunch attitude lies in centuries of experience of Russian bullying; part is that the Turks have immediately at their backs a social revolution which started as long ago as 1923 and which leaves little room for communist yearnings.

* * *

"For the Defence of Peace"

A new manifestation of the Cominform's "peace campaign" is now appearing in eastern Europe. In answer to the Warsaw "peace" congress's request that "warmongering" should be made a punishable offence, the parliaments of eastern Europe are obediently affixing their rubber stamp to laws "for the defence of peace." The Hungarian, Roumanian and East German parliaments have so far obliged and, at the time of writing, the Czechoslovak assembly is discussing the matter at a special session. These laws are said to be inspired by honest indignation at the "US war hysteria" and by a determination to stamp out what the Cominform Journal calls "the evil gospel of the frantic savages who scream that the time has come to exterminate the civil population."

These laws amount to nothing more than a grand propaganda gesture. Few individuals in eastern Europe will be so foolhardy as to suggest openly that the western powers are justified in building up their defences—even if they should be sufficiently immune to Communist propaganda really to believe this. And the east European governments, unlike those of the west, are under no compulsion to explain and justify to their people their own defence measures.

But in Eastern Germany the law has more sinister implications. It inflicts the death penalty on those guilty of warmongering on behalf of any warmongering state (i.e. the United States). It inflicts hard labour on anyone who "recruits Germans to participate in belligerent actions" (the preamble makes it clear that this does not apply to the "people's police"). Finally, it is said to apply to all Germans whether they live in Eastern or Western Germany. This means that the Federal Chancellor, the Mayor of West Berlin, all officials of the Bonn Government, and all Germans who may join any sort of defence force—to mention only the most obvious—will be liable to severe penalties, including death, if they are caught by the East German Government. The law is clearly designed to confuse the German people still further over the question of their own rearmament and to paralyse any efforts to build up the Federal Republic's defences. There need be no fear that Dr Adenauer or Herr Reuter will allow their actions to be affected by it. But the people of the Federal Republic are acutely conscious that they could be overrun by the Red Army in a few days, and unless they receive strong and resolute leadership this law may prove a cunning device to sap their will to resist aggression.

The President's Message

The Message does not convey the impression that the President is one of the intellectual giants of the age . . . Mr Fillmore claims to be a considerate and a just man, but he seems to have left his love of justice in the court where he practises so skilfully as a lawyer, and to discard it from the White House, where, to the injury of his reputation as a man and as a politician, he proposes to tax all the rest of the community for the advantage of certain manufacturers. . . . A great question has now been discussed in civilised society, more or less continually for nearly a century—namely, "How far a Government can promote national welfare by undertaking to influence production by bounties and duties;" and . . . experience year after year has confirmed the opinion that Government invariably does mischief by any such undertakings; and without saying one word to disprove or explain differently the records of experience . . . he goes forward from sentence to sentence, recommending this interference, proposing that undertaking—at one time condemning monopolies which do not and cannot exist, and at another proposing to create them—pretending in one sentence to guard labourers against capitalists, and then taxing them to enrich the class he stigmatises—distinctly proving, we think, that compared to the mighty subject he pretends to grasp, the intellect of Mr Fillmore is small and weak. The foreign policy of the Message, as far as we have observed, is unexceptionable. . . . It is humane, peaceful, and comprehensive. But the domestic policy—cockering up the several interests of the nation for contradictory and often-refuted reasons—is contemptible. It is a bundle of the smallest expedients we ever saw collected together . . . If the great spirit of Franklin, who described a Legislative Assembly regulating trade as the greatest fool on earth; or the bold and vigorous mind of Jefferson, be permitted to know what Mr Fillmore proposes, it must be overcome by surprise, if not by scorn and disdain, at the puerile schemes which Washington's successor borrows from the effete and discarded practices of the European statesmen of the last century.

The Economist

December 21, 1850

Letters to the Editor

Controls for Father Christmas

Sir,—In many department stores at this time of year there are toy fairs, presided over by Father Christmas. In some there are notices to the following effect:

"Queue here to shake hands with Father Christmas (when operating)."

On the face of it, sound; fair shares and a reasonable working week are guaranteed. But the scheme should be rounded off by arrangements to deal with its disciplinary and incentive aspects. I suggest an impartial panel of bachelors and spinsters, administering a system of disincentives (e.g., postponement of presents till Christmas, 1952), for children adjudged guilty of (*a*) absenteeism, (*b*) queue-jumping; and a range of incentive inducements (e.g., a banana or a pool ticket) for children displaying (*a*) patient queuemanship, (*b*) kindness to lost parents.

There remains the problem of the child who, on reaching the head of the queue, kicks Father Christmas on the shins. Advanced penological thought would indicate that the most suitable corrective would be for the delinquent to be convinced (by an approved psychiatrist) that Father Christmas does not exist.—Yours faithfully,

JASPER ROOTHAM

London, N.1

Transport in Trouble

Sir,—I should be glad if you would allow me to reply to Mr George Morton's letter.

Mr Morton states that the costs of running their docks were well known to the railway companies from 1928 onwards. I can only say from my own experience that I know it to be almost impossible accurately to ascertain the individual costs of two closely integrated businesses. Bearing in mind the fact that the railway-owned docks were treated as adjuncts to the railway systems I find it difficult to believe that, however carefully the accounts were kept, the costings were not based largely upon assumptions; for the connection between the two undertakings was very intimate and many services were jointly performed. I believe that only the complete separation envisaged by the framers of the 1945 Transport Act has made it possible to give the actual cost of running our docks, to which traders and others interested were entitled.

The maintenance and improvement of some of the railway-owned docks was seriously hampered by lack of capital. The Port of Hull provides a good example of what can happen when a great port has to be treated as an adjunct to a railway system. It will take years to catch up arrears and to raise this port to standards commensurate with its importance as a trade harbour.

With regard to the canals, I know how often boats could be loaded only to a proportion of their normal capacity and even then had frequently to be hauled over patches of mud by means of a snatch block. It is not to be wondered at that, with the movement of canal boats so hampered at strategic points in the system, traffic was dwindling and did not revive even under the peak transport demands of the last war. The dredging of these canals has been the main preoccupation of the Docks and Inland Waterways Executive in an effort to increase the overall efficiency of our canal system. The results are already quite remarkable.

The grouping of the ports and canals has been a leading factor in reducing costs, and a thorough overhaul and reallocation of staff duties throughout the docks and inland waterways has given rise to considerable increase in efficiency.

To amalgamate the Docks and Railway Executives at this stage would seem to reverse the whole intention of the Act on this question. Mr Morrison has rightly said that competition, even among nationalised industries, is essential for efficient working.—Yours faithfully,

GEORGE CADBURY

Birmingham

Out-of-Date Pensions

Sir,—The continued increase in the cost of living and the prospect of additional taxation to pay for rearmament are bad enough for salary and wage earners, but for many ex-salary and wage earners, who have retired on fixed pensions which are now out-of-date, they are positively disastrous. Surely it is time that the pensions muddle was tackled?

The present position of such pensioners is not merely illogical but repugnant to ordinary ideas of fair play. Why should two people who have done exactly the same work in their working lives now be so placed that one retires on a reasonable pension and the other, because he retired before his employer's pension arrangements were adjusted to meet the increased cost of living, be hard put to it to find the money for the bare necessities of life? Again, it is accepted that most pensions represent deferred pay. Why should current pay be adjusted to meet the increased cost of living and deferred pay be left unadjusted?

There is only one fair and simple way out of the muddle, namely the way which many good employers have already taken. They have improved pensions *pari passu* with pay and have made the improvements applicable to past as well as future pensioners. Public opinion should compel other employers to follow suit and particularly the Government. So far the Government has been woefully behindhand in this matter, and many pensioners of the fighting, civil and local government services have had the rawest of deals. For the benefit of those who are not familiar with the facts let me give an example. There has been no adjustment of Civil Service pensions to meet the increased cost of living since 1939 except that provided by the Pensions (Increase) Acts of 1944 and 1947 and from the following examples of the adjustment provided by those Acts, it will be seen at a glance to be fantastically inadequate.

Pension (gross annual amount)	Percentage Increase Over the 1939 Level
£100	40
£300	20
£500	7
£700	5
Over £788	Nil

The larger percentage increases, in the £100-£300 range, are subject to proof of need.—Yours faithfully,

Amberley, Glos. G. D. ROKELING

Successor to Smuts

Sir,—As a student of South African affairs, I should like to call your attention to an error in *The Economist* of December 2nd in your correspondent's article "Successor to Smuts." The Nationalists were returned to power in May, 1948; Mr J. H. Hofmeyr died on December 3rd, 1948. An unfortunate impression is conveyed by the statement: "Lodged between these two disasters [the deaths of Hofmeyr and Smuts], a general election put the Nationalists in power." It was Mr Hofmeyr's liberal policy towards the non-European population that made him a Nationalist target in May, 1948.—Yours faithfully,

D. R. SCOTT-SMITH

St. Andrews

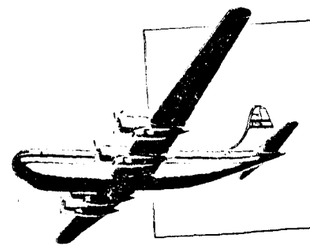
The Fun Fair Vote

Sir,—Politicians are always under pressure—in the United States mainly from their constituents, in Britain mainly from the Whips. But a rare occasion like the fun fair debate shows how similar is political human nature on the two sides of the Atlantic.

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Nuffield College, Oxford



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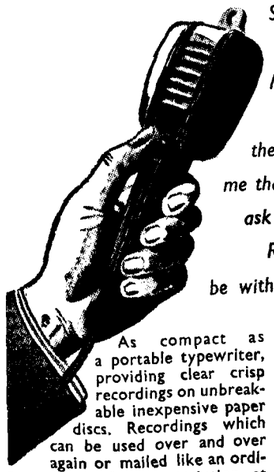
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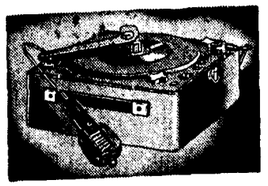
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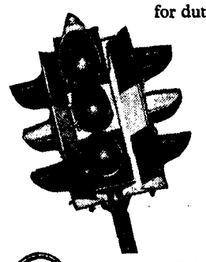
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Books and Publications

The British Dilemma

Documents on British Foreign Policy, 1919-1939. Edited by E. L. Woodward and Rohan Butler, assisted by Margaret Lambert. Third Series, Vol. III. *HMSO.* 677 pages. 27s. 6d.

The period covered by the present volume is the last three months of 1938 and the first three weeks of 1939. The editors, as in the earlier volumes of this collection, have limited their selection of material almost entirely to the telegrams and letters which passed between the Foreign Office and its posts abroad, the only important exceptions being the minutes of Mr Chamberlain's meeting with the French Ministers in Paris in November, 1938, and the minutes of his meetings with the Italians in Rome in the following January.

For two reasons, however, it is more than welcome as an important addition to the growing body of evidence concerning the outbreak of the Second World War. In the first place, the situation was so tense after Munich that information collected "in the field" temporarily acquired a greater influence on the formation of British policy than it possesses in normal times, with the result that the telegrams to the Foreign Office which are here reprinted are more important and relevant than has been the case in the earlier volumes. In the second place, the period after Munich is so critical for an understanding of the subsequent outbreak of war that even the unimportant moves, even the uninteresting telegrams, are essential for the proper reconstruction of events.

In this reconstruction the central problem from the point of view of British foreign policy is to explain why Great Britain, for the first time in its history, went to war over an Eastern European commitment. We will not solve that problem correctly unless we first grasp that the importance of Munich lay not in the fact that Great Britain, true to its traditional foreign policy, gave way there, but in the fact that, despite its traditions, it nearly did not do so. For it is this which explains Hitler's policy after Munich; and British policy in the same period, including the declaration of war itself, was dictated by the policy that Hitler pursued.

Right up to the Munich crisis Hitler was certain that Great Britain would be true to its traditions. He was convinced that, if he offered no direct challenge to Great Britain, if he deliberately neglected the German Navy, if he left France and the Low Countries alone, and if he chose his opportunities carefully for expansion in the other direction, Great Britain would give him a free hand in Eastern Europe. He had been so confident of this that he brought the Sudeten problem to a head without any scheme for general mobilisation or any thought of a general war; and it was the fact that he came so near to a war for which he was unprepared that made Munich the first serious blow to his hopes and plans. He disliked the Munich settlement, not because he did not get what he wanted in Czechoslovakia—the early chapters in the present volume show that he did, and that the Western Powers were powerless to stop him—but because he had to make an agreement at all, because it was not the Anschluss all over again.

After Munich, for the period covered by this volume, if not until the outbreak of war, he wavered between two conflicting beliefs; and the policy of the western powers wavered with his. On the one hand, he would not abandon altogether the hope that he might still obtain his free hand for further expansion to the East; and to this end he incited the German Press against British rearmament, officially reproached Great Britain on the same score, and concluded the Franco-German Declaration of December, 1938. On the other hand, he was forced to recognise that any further step might involve war with Great Britain; and for that reason he faced, belatedly, but for the first time, the need for naval rearmament, deciding, among other things, to take advantage of the clause in the Anglo-German Naval Agreement of 1935 which permitted him to build to equality in submarines with Great Britain. In either event, he would not settle down; and because this was obvious, because the Munich Agreement did not bring the improvement for which Mr. Chamberlain had hoped, the policy of the western powers similarly wavered, at least until the shock of the occupation of Prague in March, 1939 (which will be covered in a subsequent volume), between the urge to leave Germany free in the East, the possibility of buying Hitler off elsewhere with colonies, and the hope of deterring him by rearmament and by rapprochement with Italy if time was allowed. The initiative was all with Hitler; the British dilemma was acute; and, at least on these points, these documents, which also throw much light on the policies summarised above, provide the final confirmation.

International Affairs

A Short History of International Affairs, 1920-39. By G. M. Gathorne-Hardy. Fourth Edition. *Oxford University Press.* 540 pages. 21s.

Those of middle age who seek to inform and guide the readers of their newspapers about international affairs are only too liable to forget that a reader aged twenty-one will have only a book knowledge of the events that led to the last war; and that they themselves have only the most general memories of how the world looked five years after the war of 1914-18. It is therefore important that the very few books available should be scholarly, objective and constantly under check. It is standards such as these that Mr Gathorne-Hardy has observed while revising periodically the book he first produced under the auspices of Chatham House in 1934.

It has grown in size and in stature through the years. And the author has now added an epilogue in which he uses sixteen years' experience of watching over his history to offer some radical and far-sighted criticisms of the ways in which great powers now manage their foreign affairs. His theme is the failure of the peoples of the civilised world to eliminate war from international relations. He emphasises the spread of ideological warfare, the worthlessness of written agreements, the failure to distinguish between different types of war, the pretence that interest is not the sole guide of national policy, and the way in which pacifism has undermined the strength of the pacific nations. One hopes that the author will be invited to expand this analysis and so encourage the British—and more especially the American—public to examine the roots of democratic foreign policy. As a preparation for such analysis the busy general reader under 40 could not find a better book.

Picture of Russia

The Soviet Union, the Land and its People. By Georges Jorré. Translated by E. D. Laborde. *Longmans, Green and Company.* XVIII + 353 pages. 21s.

This book is an enlarged English version of a work by Professor Georges Jorré of the University of Toulouse. Part I sketches the physical features of the Soviet Union; Part II describes its inhabitants and their general mode of life before the revolution; Part III discusses the country's economic resources and the extent to which they have been developed under the Soviet regime; Part IV deals with the physical and economic geography of the main natural regions of the Soviet Union. Nearly 70 maps, diagrams and photographs illustrate the text, and a useful appendix supplies a list of some of the place-names which have been altered in recent years.

Within its limits the book draws a good general picture of the Soviet Union which will instruct the specialist as well as the general reader. It is skilfully composed, and its wealth of detail does nothing to blur the clarity of the outline. It is at its best and surest when describing the physical geography and the general economic resources of the Soviet Union. But its excursions into history are not always happy, and in discussing the country's economic development under the five-year plans it makes more misstatements and factual errors than a serious book of this kind ought to make. Most writers on Soviet affairs revel in such adjectives as "gigantic," "colossal," "enormous," "miraculous," "wonderful," and Professor Jorré is no exception. But he is in danger of overstating his case when he uses "enormous" to describe a city like Sverdlovsk, which had a population of 425,000 in 1939. Occasionally the reader will find what may strike him as apparently conflicting points of view lying side by side on the same page. For instance, on page 333 he is told that the Soviet Union "can boast of being in many respects in the van of progress." A few sentences later he reads that "the masters of the country were forced, in order to establish their ideal, to organise one of the most oppressive totalitarian regimes the world has ever known."

The translation by Mr E. D. Laborde, Assistant Master in Harrow School, reads smoothly and easily. But it is irritating to find the Kola peninsula constantly referred to as the Kolski peninsula, to have Mt. Kazbek in the Caucasus always misspelt Mt. Kazber, and to see the new name of Vladikavkaz invariably given as Ordzhonikidzevskaya instead of Ordzhonikidze. Professor Jorré can perhaps be pardoned for saying that Stalino (formerly Yuzovka) was founded by an Englishman named Youth. But his English translator might have guessed from the name "Yuzovka" that its founder was not an Englishman called Youth but a Welshman called Hughes.

A Scholar's Range

F. M. Powicke: Ways of Medieval Life and Thoughts. *Odhams Press.* 255 pages. 12s. 6d.

Like Stubbs, Sir Maurice Powicke was Professor of History at Oxford for nineteen years; but where one speaks of "the pupils of Stubbs" the fruits of Sir Maurice's tenure of the chair are summed up as "the Oxford school of history." The essays collected in this volume give a clue to the reason for the difference, for, although they have almost all been published before, when put together they show the extraordinary range of Sir Maurice's work.

The comparison which springs at once to mind is that with Maitland. Like him, Sir Maurice has the rare gift of combining scholarship of the highest order with a fine, simple prose style and the ability to relate single events and great causes. Take, for instance, the essay on "The Murder of Henry Clement." In itself this is surely one of the finest historical detective stories ever written, one whose unravelling demanded a vast amount of skilled research into many obscure corners of the Chancery's records. Yet, over and above the sheer excitement of the story, the reader is constantly but unobtrusively reminded of the ways in which the affair of the Lundy Island pirates touched every aspect of thirteenth century England: its king and government, the relations of church and state, the intricate network of feudal society. At the other end of the scale, in his discussion of "Some Problems of the Medieval University," Sir Maurice can suddenly focus the whole difficult and involved subject of the medieval examination system in one phrase: "It suggests a mental discipline as astonishing to us as the physical discipline suggested by a suit of medieval armour."

The essays are here published for the most part without their critical apparatus, and it would be interesting to see how many younger scholars would be needed to reconstruct the types of sources Sir Maurice has drawn on in the various essays: a guess may be hazarded that at least five such men would be needed. Breadth of knowledge is, however, only part of the point: what these essays contain is (to quote the author himself in another connection) "depth . . . depth as a dimension." Here is medieval society set out in all its variegated richness. For many years such suggestive articles as "Reflections on the Medieval State" have been pondered on by scholars. Now they can be read with equally rewarding results by those who are not specialists, for they can gain here an understanding of the medieval approach to the problems of freedom, of the search for truth, of civilisation itself. In one of the essays Sir Maurice sums up part of the historian's task, and in so doing provides the best definition of his own work: "pedantry is a kind of darkness, but he is trying to let in the light."

A Spanish Socialist

The Last Optimist. By J. Alvarez del Vayo. *Putnam.* 406 pages. 18s.

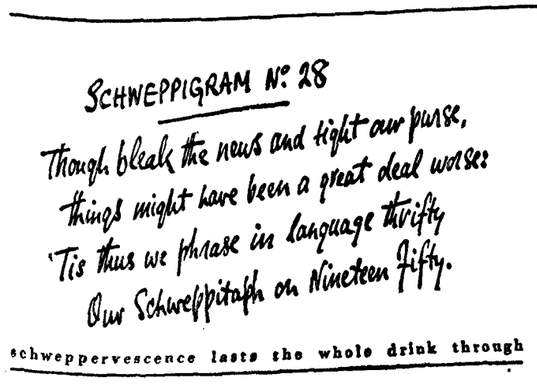
These are the memoirs of the well-known Spanish Republican journalist, diplomat and statesman. Journalism is the best school for diplomacy, Senor del Vayo maintains, at least for the modern top-ranking journalist who, by the nature of his profession, has direct personal contact both with men of affairs and the affairs themselves. Senor del Vayo tells how, the son of an army officer brought up in the gaunt precincts of the Escorial, he went abroad as a student to England, France and Germany. In the first world war he visited America, and began to make his name as a journalist by his hostile dispatches from Berlin for a Madrid paper. There followed, till 1923, a fruitful period as European correspondent for *La Nacion* of Buenos Aires—including a visit to Russia. Then he turned to politics in earnest.

Senor del Vayo's book breathes the spirit of the Webbs, Karl Liebknicht and Rosa Luxemburg. A heartfelt Socialist, he found himself as much opposed to King Alfonso and Primo de Rivera as later to General Franco. Intermittently in prison or on the run, he earned ministerial rank in the Spanish Republican government the hard way. In exile since 1939, he looks back on the life of a martyr to an ideal, the progress of humanity. As a mirror of the last thirty years, this is a worthwhile and stimulating book. It is a graphic account of the background to modern Spain.

Shorter Notice

Economics for Commercial Students and Business Men. (13th Edition.) Albert Crew. Enlarged and Rewritten by L. T. Little. *Jordan and Sons, Limited.* 591 pages. 12s. 6d.

The first edition of this book appeared in 1914 and a preface to the present edition states that much of the detail bears but little resemblance to the original. The work remains a clear elementary textbook designed to meet the requirements of examination candidates, and each chapter ends with a selection of questions set by various examining bodies. The section on international economics includes a description of the results of the Bretton Woods Agreements, and that on governmental economics includes chapters on state control and public ownership of industry.





AMERICAN SURVEY

Prospects for Unity

Washington, D.C.

ON Tuesday President Truman said positively enough that, just as President Lincoln refused to dismiss his Secretary of State, Mr Seward, at the behest of "a group of Republicans," so now he would refuse to dismiss his Secretary of State, Mr Acheson. That the President should need to make any such statement at so tense a time as this is explicable only in terms of the apprehension, self-questioning, obstinate wrong-headedness and sub-surface isolationism which defeat in Korea has stirred up in America. If some of the confidence that has been lost in Asia can be regained in Western Europe—if General Eisenhower's arrival is accompanied by signs of stouter hearts and busier hands—the picture in America will almost certainly improve very noticeably. But it is idle to pretend that, during the week in which a state of national emergency has been proclaimed, there have not been some joyless moments of confusion and disunity in and beyond Washington.

The story reached some sort of climax at a little before 6 p.m. on Friday, December 15th. At that moment, the typists in the White House were preparing the advance copies of the President's broadcast on the current crisis. The Republican Party Senators were meeting on Capitol Hill, a mile or so away. In the White House, the typists were typing:

> I am talking to you tonight about what our country is up against, and what we are going to do about it. Our homes, our Nation, all the things we believe in, are in great danger. This danger has been created by the rulers of the Soviet Union.

On Capitol Hill the Republican Senators were considering and preparing to vote on a resolution calling for the dismissal of Mr Acheson. The resolution declared that Mr Acheson had "lost the confidence of the Congress and the American people and cannot regain it." It was being voted on by Senators who were well aware that within 48 hours the Secretary of State would be boarding an aircraft to fly to Brussels. In the White House the typists were recording that

> He and representatives of these (the North Atlantic Treaty) nations will complete the arrangements for setting up a joint army, navy and air force to defend Europe. The defence of Europe is of the utmost importance to the security of the United States.

By the time the typists had finished their job and the duplicated copies of the President's impending broadcast had been distributed to the waiting newspapermen, the Republican Senators on Capitol Hill had passed the resolution by 23 votes to five. Republicans in the House of Representatives had already voted earlier in the day for a similar resolution "overwhelmingly, but not unanimously."

The opposition party had been willing at this moment of great danger to pursue to a climax a campaign which may come in time to be regarded as one of the most unlovely episodes in modern American history. For if it is true, as the resolutions of the Senate and House Republicans said, that Mr Acheson has lost the confidence of the Congress and the people, it can only be because a substantial number of those voting for the resolution lent themselves before and during the election to the vilification of a man against whom the charges were unproven. The most damaging of the charges had been that Mr Acheson had been "soft" to Communists in his department. It had never been shown that there actually were any Communists in his department, and the course Mr Acheson had pursued as Secretary of State had, in fact, been one of resolute, energetic and intelligent opposition to Communism everywhere.

Mr Walter Lippmann wrote in his column last week that Mr Acheson's "troubles" were due to his and the President's treatment of a great issue in foreign policy—the American course in the Far East—as though it were "like an appropriation or a tariff Bill that could be compromised and log-rolled." Mr Acheson's fundamental mistake was "his refusal to confide in the people—his refusal to debate the great issue." If Mr Acheson is now forced from office, this soothing and respectable explanation will no doubt be embraced by many of those who have cast the votes against him on Capitol Hill. Whether it will be as easy to believe as it is to embrace is another question.

*

Yet unity will have to be fashioned, and soon, if the programme Mr Truman put to the nation in his broadcast later on Friday night is to be effectively carried out. A stepped-up draft to bring the number of men and women on active service to nearly 3,500,000, higher taxes, preliminary price and wage controls, steeply rising output of war goods, to be achieved by more people working longer hours, an Office of Defence Mobilisation, directed by Mr Charles E. Wilson of the General Electric Company, to cut into civilian delights —these are measures for a single-minded America with confidence in its leadership.

For the time being, at least, the much-discussed fears that the United States may be setting out to do too much too quickly may be premature. If this crisis can be passed without war, the question whether the pace can be or should be maintained will be relevant enough; but for the time being, all circumstances considered, it will be difficult to criticise the President's programme on the ground that it is too big. Not that such criticism is likely to be heard at the moment in the United States. The country now seems scared enough and roused enough to want action on this scale. And although the noun "mobilisation," and the accompanying adjective "all-out," are being used sufficiently freely to move European readers to startled remembrance of the last time they heard these words, it can do no harm to keep current efforts in perspective. An aid to that exercise is to be found in a recent speech by Mr Zuckert, Assistant Secretary of the Air Force, who said:

> Forty-three per cent of the new budget is given to aircraft and related procurement. This will amount to about $6,000 million, a figure that exceeds the total Air Force Budget of last year. If this seems high, compare the rate of output under this programme with 1944, during the height of World War II. In that year we were turning out eight to ten thousand planes a month. Deliveries for all of last year would have been less than a week's production at the peak of the World War II rate. Under our programme, if it is approved by Congress, the output will still be only a small percentage of the World War II figure.

But it can be assumed that the proclamation of a state of national emergency has administered the "psychological jolt," the need for which was being urged by high officials during the unquiet week that followed Mr Attlee's return to Britain; and a greatly increased American effort can be forecast.

"Unity with our allies is now, and must continue to be, the foundation of our effort," the President said. That was a useful reminder, too. For the disaster in Korea and the human but unhelpful instinct to find someone who could be blamed for it, had provided an unpleasantly sharp demonstration that what the Prime Minister called "the latest propaganda attempt of the Cominform . . . to drive a wedge between our two peoples" was making some impression beyond the circle of Americans who have habitually used Britain as a roundabout route along which to attack the Administration.

There is little sign that any considerable part of American opinion yet understands that the British do not think it desirable to base a long-term policy for China on present indications, which may hold good for the short-term only. The British hope that the Chinese Communists, who are also nationalists, and the Russian Communists, who are also imperialists, may not always be going to want the same things. But for Americans it is easier to understand the "Up Guards and At 'Em" policy. A lot more time and thought than has yet been given on either side of the Atlantic could profitably be spent on an effort to ensure that, if the two peoples cannot agree on the matter of recognition and admission to the United Nations of the Chinese Communists, they should at least be brought to perceive that the explanation of the difference is not simply that one side of the Atlantic is hot-footed while the other side is cold-footed.

There is, in short, an important and urgent job of unifying to be done, at home and abroad. And now—as the Americans get down to their harder work, longer hours and heavier taxes, and as they see (as they should) Western Europe showing new signs of life and energy—now is almost certainly the time for all good men to come to the aid of the Atlantic Party.

Copywriters in the Kitchen

Washington, D.C.

EUROPEANS who gaze longingly at the illustrated advertisements in American magazines may find some consolation in the knowledge that they have had the best of the food by looking at its picture. There was a time when pride, and justified pride, was taken in cooking in every American home and in most American restaurants. It was pride based on the proper preparation, in a few simple ways, of an abundant supply of wonderful raw materials. But mass production has taken much of the quality from the materials—deep freezing may officially leave the vitamins untouched but it drains away the flavour—and the ingenuity of the canning industry has made it unnecessary for the modern housewife to know more than how to heat the contents of tins before serving them.

Cooking is still an art in the country, but in the towns, except in a few private houses where the income will still support an adequate cook or the family is stubbornly epicurean, food is largely tasteless when bought and deteriorates rapidly on its journey from the refrigerator to the table. And, in all too many restaurants, the caption writer has almost replaced the chef. Indeed, the colour photographer has been called in to help at one or two of the more progressive establishments where no expense is spared. Having studied the menu and made a tentative choice, the customer is shown the dish in Technicolor before being required, in the jargon of the modern salesman, to "finalise his preference."

The stomach would, perhaps, not be so disappointed by an average, or even rather poor, "hamburger" if its juices had not been set flowing like the mighty Mississippi by the expectation of a "Fresh, Juicy, Tender Salisbury Steak." There is, no doubt, some relation between this daily disappointment and the incidence of ulcers in the United States. But that the words mean more than the food itself is actually admitted in an entrancing little booklet left on the seats for the edification of passengers on the Pennsylvania Railroad. In a paragraph headed "What's In A Name," it says:

> We recently tried out chicken fried in a special way and offered it as Pennsylvania Dutch Fried Chicken. There were few takers. Then the name was changed to Fried Chicken Kentucky Style, and the dish became a best seller overnight. . . . Yes, names mean a lot in our business.

In a country as large as the United States few can avoid occasional meals on trains and many have to feed on them with some regularity. West of Chicago it is often possible to eat in restaurant cars with some appearance of pleasure, but in the East there is usually much to be said for taking a packet of sandwiches. The Pennsylvania's booklet is presumably an attempt to persuade its customers that things are not as bad as they taste.

But, though the method chosen would be thought curious in Lyons, it is typical of what is now considered in the United States more interesting than the quality of the food itself. Except for the paragraph on nomenclature and a short reference to a special department which is "constantly developing new dishes, improvements on old dishes, attractive and tasteful ways of serving them, new combinations, new techniques and new efficiencies" (a department without which Fouquet's and Lapérouse have got on nicely for years), the booklet's twenty-three pages are spent on peeps behind the scenes at the heroic efforts of the company to "streamline our service while cutting our losses."

After reading of these difficulties it seems almost churlish —as perhaps the booklet is intended to make it seem—to complain at being charged $1.85 (13s. 2½d. at the present rate of exchange) for a piece of tinned salmon about two inches in diameter, hiding its pink nakedness in a thicket of tired lettuce. Yet it is depressing that this should be the proud result of "a modern dining car commissary in Chicago, built at a cost of $600,000," "steaks pre-cut" and "pre-prepared" and potatoes pre-peeled by "our new automatic potato peelers," "fresh-caught fish . . . under modern deep freezing methods, purchased in quantity . . . quickly cleaned, filleted and cut into individual portion size" and "micro-wave energy, developed for wartime radar and harnessed in the Radarange to provide the fastest method

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

of food preparation ever known." After that, if there is something wrong somewhere it must be with the client's taste buds.

Ingenuity has taken the place of imagination in the American kitchen and it has proved itself a poor substitute. It can find a way to "bake an individual-size gingerbread in 15 seconds," to use a couple of dozen ill-matched ingredients in one salad or to serve a gastronomic Tower of Babel when a sandwich is ordered. But it is not fitted for the laborious task of perfecting *quenelles de brochet aux queues d'écrevisses*, though if it were ever faced with the problem of putting them on a menu it would know the answer—"Golden Brown, Creamy Cakes of Freshly-Caught Lake Plumbosket Wall-Eyed Pike with Rich, Coral Pink Sauce of Jumbo Colorado Crayfish." The richness of the language is designed to deceive the palate and it must be admitted that it has succeeded in doing so.

Historically, there seems to have been a melancholy progress from cooking as an art to selling as an artifice. At first, perhaps, as it became harder to get supplies of fresh meat, fish and vegetables, frustrated *restaurateurs*, aware that they could not produce their masterpieces out of tins or refrigerators, began to describe their wares nostalgically as they would have liked them to be. Probably this expedient was only too successful and soon made worry about the real quality of the dishes unnecessary. The store-cupboards began to fill with adjectives and the stockpot was used for rendering thick, creamy prose. And so the demand for chefs declined, and with it the supply.

Whatever the cause, the supply has so declined that it would seem that the cookery schools now turn out—presumably by some assembly-line system—finished graduates able only to prepare, with no great skill, some ten or twelve dishes which, as a writer in *Harper's Magazine* pointed out some months ago, form "The Basic, Universal, All-Weather New York Menu." They are, he says, and anyone who eats regularly in the restaurants of New York (and many other cities) will agree with him, "invariable and unchangeable" and he predicts that eventually all other forms of food will die out and only they will remain. Then the advertising profession will have succeeded in doing for food what it has already done for automobiles. With motor-cars indistinguishable from each other, the real competition is now over which advertising agency can whip up the most synthetic excitement about the appearance of a new model. With the basic dishes on the menu immutably fixed, the caption-writers will all start level and will all have the same chance of success. And the expert *restaurateur* will be the man with a nose for poets, not sauces.

American Notes

Summons to the Nation

That President Truman's declaration of a national emergency was a summons to the nation to make additional efforts rather than a summoning-up of additional powers for himself becomes very clear on analysing the powers he actually obtained by the declaration. Their number is much greater than their importance: among other things they permit the government to regain control over various factories and properties that have been sold privately, to alter the terms of service in the armed forces and the hours and wages of workers on government contracts, and to take over shipping and communications facilities. This last is probably the most important, for even the power to place military contracts by negotiation and avoid the delays of competitive bidding apparently must be extended by Congress. The President has also asked Congress to authorise the reorganisation of government bureaux, for reasons of efficiency, a request which may prove controversial in spite of the sense of urgency now prevailing in Washington.

It did not need the declaration of a national emergency to give Mr Truman the powers under which he has acted so energetically this week. They were given to him in September by the Defence Production Act. There is no more striking evidence of the change in temper and tempo in Washington since that time than that Mr Truman has now willingly done the two things which he then refused to do. He has appointed a "czar," or potential "czar," for defence production and he is applying price and wage controls as quickly as possible.

The "czar," Mr Charles Edward Wilson of the General Electric Company, the Director of the new Office of Defence Mobilisation,

> shall on behalf of the President direct, control, and co-ordinate all mobilisation activities of the executive branch of the government, including but not limited to production, procurement, manpower, stabilisation and transport activities.

The Director is given control not only over the National Production Authority and the Economic Stabilisation Agency, set up under the Defence Production Act, but also over all the other powers given by that Act, now scattered through a number of government agencies and so far co-ordinated only by Mr Symington of the National Security Resources Board. Mr Wilson can, if he wishes, and it is thought he will, bring all these defence activities together into one agency. He has more authority and more freedom to use it than even Mr James Byrnes had in the last war.

The company headed by Mr Wilson's namesake, Mr Charles Erwin Wilson of the General Motors Corporation ("Engine Charley" as opposed to "Electric Charley"), is one of the automobile firms that have been the first to feel the chill of price control. Last week they refused the urgent request of ESA that they withdraw price increases on their new models and thus brought down on themselves a mandatory price freeze, until the stabilisers have decided whether these increases are justified by higher costs. General Motors has responded by freezing its cars in its dealers' showrooms. Meanwhile ESA has called for a voluntary ban on all price increases. Its readiness to try the voluntary method again in spite of its failure with the automobile industry is explained by the lack, as yet, of the staff and organisation required to administer and enforce mandatory price controls on a large scale and to work out the more complicated wage controls that must by law follow promptly after price ceilings.

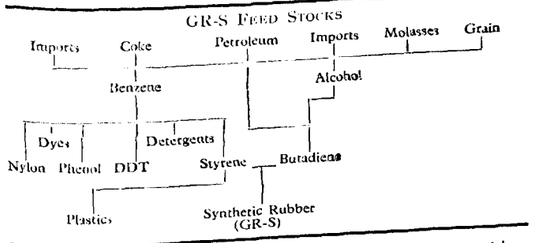
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Stretching Rubber

Recapped tyres instead of new ones are already waiting for the American motorist, and so presumably are the restrictions on speed and loads that synthetic rubber tyres make necessary. The amount of new rubber that may be used for civilian products is being held to a not unduly severe 90,000 tons a month, but as more synthetic rubber becomes available the proportion of natural rubber is being steadily cut back from the 52,000 tons permitted in November to 35,000 tons in February; this is to cover military as well as civilian requirements. If, as is expected, the government takes over the importation of all natural rubber, it will probably be sold to American consumers at prices rather lower than those at present prevailing.

In order to cover higher costs the government has recently raised the price of synthetic rubber, fixed at 18.5 cents a pound in 1943 and never changed, to 20.75 cents for butyl and 24.5 cents for general purpose synthetic (GR-S), of which the bulk of the output consists. With all synthetic rubber facilities coming into use, about a quarter of the GR-S is being made from alcohol-based butadiene which is more expensive than that based on petroleum. Little or no industrial alcohol is available for this purpose; beverage alcohol producers are apparently able to supply what is wanted, for the present at least, but at a prohibitive price. The government is relying on imports of surplus alcohol from France for most of the 140 million gallons needed for synthetic rubber plants next year, but this is not very satisfactory as a permanent solution.

Petroleum offers the best possibilities, through new refining processes, for increasing the output of benzene, the tightest bottleneck in the synthetic rubber programme. At present it is largely a by-product of the steel industry's coke ovens, but the planned expansion of steel facilities will bring little increase in output of benzene. Eventually, however, it may be produced directly from coal, as part of the oil-from-coal programme in which the government has been interested ever since the war. About 20 million gallons of benzene



will be needed next year to make styrene for the rubber programme and even this year's supply, at 210 million gallons, is running behind demand. Many of the best-known post-war chemical products depend on benzene and in styrene itself the plastics industry has its cheapest and, until it was diverted to synthetic rubber factories, its most plentiful raw material.

Although the synthetic rubber plants have apparently not been getting into production as quickly as was expected, they will be producing 50,000 tons a month before long and should reach the goal of 75,000 tons by the summer. But it will hardly be possible to allow unrestricted use of new rubber as long as the synthetic industry remains a cuckoo in the chemical manufacturers' nest, starving their other customers of alcohol and benzene.

* * *

No Monopoly by Merger

Congress has given the President and the Federal Trade Commission an unexpected Christmas present. It has passed a bill prohibiting mergers by the purchase of physical assets, when they tend to reduce competition or encourage monopoly. This is the first major change in the anti-trust laws in a decade. The Clayton Act prohibited such mergers when they were brought about by share purchases, but in the nineteen-twenties, when mergers were the order of the day, businessmen discovered they could get round the law by buying up the assets of their competitors. The FTC has been urging since 1937 that Congress close this loophole, and the President has included the request in most of his Congressional messages.

To support its contention that big business is a cannibal which consumes its smaller brethren, the Commission has published figures showing that, in the years 1940-1947, 2,500 firms disappeared through mergers, and that in the majority of instances it was a case of a big fish swallowing a small one. Businessmen are more impressed by the numbers of minnows still swimming about the economic aquarium; the number of firms has reached an all-time high of about 4,000,000 and has more than kept pace with the growth of the population. Two economists, writing this year in the *Review of Economic Statistics*, conclude that since 1940 mergers have been a small factor in making big business bigger, compared with retained earnings and new financing. They grant, however, that the knowledge that the eye of the FTC was upon them may have had a restraining effect upon business appetites. The Bill passed by Congress would not prevent the merger of small companies to form a larger one, nor prohibit mergers approved by government agencies.

The FTC must balance this Congressional sunshine against storm signals from another quarter. The Interstate Commerce Commission has agreed unanimously that Congress must return to the attack on the freight-absorption issue. It recommends another Bill making it clear under what circumstances businessmen may absorb freight charges without risking anti-trust prosecution. An earlier one, passed after the Supreme Court found against delivered pricing in the cement and rigid conduit cases, was vetoed by the President, on the ground that the judicial decisions clearly permitted freight absorption when no conspiracy was proven. With this industry vigorously disagrees and the Interstate Commerce Committee concludes that the FTC is unable, or unwilling, to give businessmen the guidance they are entitled to have, particularly at a time when they are being asked to expand defence production.

* * *

Combined Operations in Detroit

Willow Run, where the Ford Company turned out 8,000 Liberators during the last war, may be going back into aircraft production. The $100 million war plant was bought by Mr Henry Kaiser for less than a fifth of its value for automobile production. The Kaiser-Frazer Corporation has, however, never become quite established in Detroit; it is still the weak link in the Kaiser chain, which includes steel, cement, and aluminium. Already in debt to the Reconstruction Finance Corporation, it was compelled to request another loan when credit restrictions left unsold cars in its warehouses.

The RFC, whose loans to the far-flung Kaiser enterprises have caused raised eyebrows in the past, made two new and unusual conditions before adding another $26 million to its original $33 million investment. It insisted that the production of cars be halved by January, and that the company seek energetically for war contracts in order to keep its labour force together. Kaiser officials are consequently investigating the possibility of building Boeing-47 Stratojets, a cargo and troop transport, or an unnamed jet fighter. The company insists that even if it secures such a contract, it will continue to make automobiles as long as the materials are available, and Willow Run, with its 85 acres of floor space, is probably large enough to accommodate both. Other manufacturers, who expect that this kind of combined operation will be the pattern for 1951, think that new building will be necessary, perhaps in the south and west, as their present plants are not large enough for automobiles as well as bulky war items. So far, only 3 per cent of the labour in Detroit, which was the arsenal of the last war, is at work on defence contracts. The manufacturers, who expect shortages to cut this year's production of 6,500,000 cars to 4 or 5 million, or even less, are as disgruntled as the automobile workers at the bumpiness of the road to partial mobilisation.

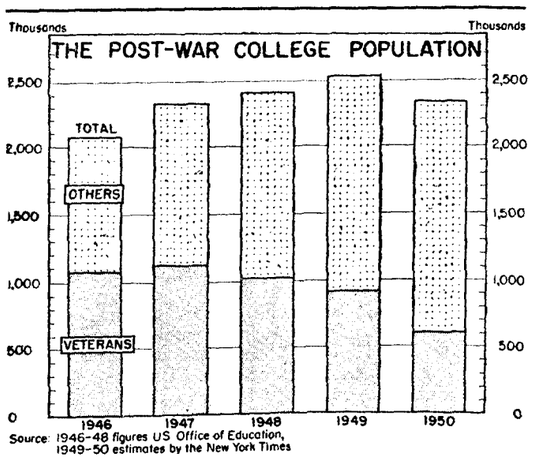
The General Motors Corporation, at least, has decided to do something about the shortage of steel as well as shock the industrial community by echoing Fair Deal criticisms of the steel industry's "timid" expansion programme. It is lending the Jones and Laughlin Corporation $28 million at 3 per cent interest to help finance an expansion of 1.5 million tons in its capacity by 1953, of which 50,000 tons will be available to General Motors. This is part of the expansion which the government is prepared to assist by issuing certificates of necessity. These permit the new facilities to be written off, for tax purposes, in 5 years instead of 15 or 20, and more than $500 million worth have been approved

for the steel and refractory industries. The Jones and Laughlin Corporation has been outraged to find, however, that the certificates granted cover only slightly more than half the total investment, on the ground that some of this new capacity will still be of value when the emergency is over.

* * *

War Cloud over the Colleges

In the five years since the war the colleges and universities have become accustomed to the reassuring, if uncomfortable, sensation of overcrowding. They have come to assume that each year would produce an increased student body, and that the peak of enrolment lay somewhere in the future. Instead, this autumn the *New York Times* reports that there was a drop of 188,000 to a total of 2,300,000. This is more than accounted for by the tapering off of the GI scheme, under which the government has financed ex-servicemen's education to the tune of $8,000,000 in the last four years. But because it was to be expected, the loss of this handsome source of revenue will not be any the less painful. And beyond lies the threat that the colleges may lose 20 to 30 per cent of their men students to the armed forces, while a number of women students will go into war work. The number of resident students fell, during the last



war, from 1,500,000 in 1940 to 1,100,000 in 1944, and the latter included 278,000 full-time military students.

The consequence is likely to be a financial hurricane, particularly for the small, independent institution. With the rise in costs and the decline in investment incomes, private colleges and universities have come to depend on fees for three-quarters of their income, rather than the half which was usual before the war. Even publicly-controlled universities have been raising their charges. Already one out of every four liberal arts colleges is running at a deficit, and even bountifully endowed universities such as Harvard are living on their reserves.

The position now is that college students may have their call-up postponed until the end of this college year, provided they remain in good standing. Permanent exemptions, which must be renewed at intervals, are available under the law to students of engineering, medicine, science, and divinity. Under such a system there is a clear pressure on young men to concentrate on scientific studies, and a revision was recently proposed under which students of high ability, who remained in the upper half of their class, would have been offered deferment, whatever their specialty.

Not every one was convinced that this was either fair or desirable, but in any event the scheme has probably been torpedoed by the news from Korea and the increase in the goal for the forces from 3,000,000 to 3,500,000. The draft boards are eyeing hungrily the university reservations, and there is pressure for reducing the call-up age to 18. The colleges, which in the past provided much of the opposition to universal military training, have accepted the grim necessity with speed and patriotism. The American Association of Universities passed a resolution a fortnight ago favouring universal military training and service for all at 18, the age at which it would least interfere with educatien, though they asked for the exemption of those already at college, and the postponement of military service, but not basic training, for men whose education was of value to the defence effort.

Shorter Notes

San Diego's civic centre is decorated for Christmas with stars, which the Chamber of Commerce considers to be orange, but which make Admiral Standley see red. This local resident, retired both from the Navy and from the Ambassadorship to Russia, has demanded that these symbols of the Soviet should be taken down. The stars must be twinkling in the Stars and Stripes.

*

The Senate Judiciary Committee wants to set up its own Un-American Activities Sub-committee, patterned on the House Committee of the same name, but likely to be an even sharper thorn in the Administration's flesh. The committee would begin by enquiring into the enforcement of the McCarran Internal Security Act and would go on to a general investigation of subversive activities, which would almost certainly include a re-examination of Senator McCarthy's charges against the State Department.

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Of the 76 members of the Eighty-first Congress who will not be serving in the Eighty-second 41, including four Senators, have been members for less than six years and will not therefore be eligible for pensions under the scheme drawn up in 1946. Another 20 must wait until they are 62 years old to become eligible; Senator Glen Taylor, of Idaho, has 25 years to wait. Only two are eligible for the maximum pension of $9,375 a year awarded for 30 years' service; the exact amount paid under the scheme depends on length of service and premiums paid.

*

Watering the milk may before long have become an accepted practice in America. Concentrated milk which, with the addition of twice the quantity of water, becomes exactly like "regular homogenised Vitamin D Grade A" milk is now on the market. The chief advantage, apart from saving space in the refrigerator, is that it may reduce the cost of distribution, which makes up such a large part of the price of milk.

*

The Red Cross has decided to be guided by the medical fact that human blood is unaffected by the race of its owner, rather than by the bigoted myth that white blood can be polluted by a transfusion of black or yellow blood. The race of blood donors is no longer to be recorded on their medical cards, a racial discrimination which Negroes have much resented.

*

When natural grassland in the dry Great Plains has been ploughed up for wheat, or overgrazed, grass will not re-establish itself naturally and a dust-bowl is almost inevitable. The Soil Conservation Service is now seeding 15,000 acres of Kansas land from an aeroplane, the largest experiment of this kind ever tried. It is cheaper than seeding such an area by hand but not so safe, for the pilot must fly below 50 feet.

THE WORLD OVERSEAS

Communism in Asia—I

Poverty and the Men in Power

(From Our Correspondent in India)

COMMUNISM in Asia is not like Communism in Europe. The doctrine and the end may be the same, the causes are almost entirely different. In Europe, Communism is an answer to frustrations that are more often spiritual than physical; in Asia it is the direct result of poverty, though very often poverty working at one remove. The most effective Communists are often not the poor themselves, but those who are disgusted by the corruption, inflation and injustice which poverty produces. In Asia the revolutionary fact is that it is getting steadily poorer. The consequent erosion of all hope in the future makes men ready for any desperate course; the Soviet Union's success suggests that terror and Five-Year Plans can enable even a backward society to pull itself up by its own bootstraps. If Mao Tse-tung can increase China's national income in any visible way (which might not be too difficult), while elsewhere in Asia the rot goes on, the future of Asian liberalism might well be bleak.

Communism in Europe is many things to many men. It is an interpretation of history which provides an alternative inevitability for those who no longer accept the will of God. It is a value judgment in economics which restores its self-respect to a working class too often left out and despised by Europe's hierarchical society. It is a technique of revolution, offering early power to the intelligentsia and the factory workman of whose interests Governments with a military and rural bias have usually taken far too little account.

None of these is of any importance in Asia. There is no anti-clericalism. Traditional religion still retains its hold, and, where it does not, it turns into agnosticism rather than militant atheism. Asian religions have no powerful hierarchies to serve as a focus for attack—in Europe Communism is a phenomenon of Catholic and Orthodox rather than of Protestant countries. Certainly Asia's societies are even more hierarchical than those of Europe; but for that very reason Communism is deprived of one of its most effective weapons. All European creeds appear to the Asian, by contrast with his own stratification, to have equality as their base; it is Liberalism, not Communism which is breaking caste. Communism appears only as the extreme statement of a general attitude. Indeed, the reactionary Asian is more afraid of the easy-going democracy of American social customs than of a Communism which permits the Russian official and manager full Brahmin privilege. Nor does Communism have the same appeal as a technique of gaining power in Asia as in Europe. The intelligentsia has had its interests very satisfactorily served by liberal nationalism; the proletariat barely exists; and Marx had only a nodding interest in peasants.

Tide of Babies

People in Asia go Communist primarily because they see no hope in the present system and feel that any change can only be for the better. That conditions in Asia are in fact desperate over very wide areas should need no emphasis. The Indian gets only 1,600 calories a day, the Pakistani and the Filipino only 1,800. In the countryside, the 3-acre holding and work for only three or four months in the year are usual; in many areas there is a steady increase in the landless—in India there may be some 60 million of them. In the towns, hundreds of thousands sleep in the street because the tenements will not accommodate more than ten to a room. There are still islands of relative sufficiency and content—Siam and parts of Sumatra for example—but even they are being gradually engulfed by the tide of babies.

In the past this poverty had limited political importance. It was accepted as fate, and there was all the authority of religion to emphasise the illusoriness of material wants But for fifty years now liberalism and nationalism have been undermining this resignation. The nineteenth century west believed above all in material progress. Therefore colonial governments felt the need to justify themselves in terms of increased welfare; therefore too the rising nationalist movements had to prove that the west had made them poorer, not richer. They found plenty of material to hand. They pointed out to the masses their poverty, and the masses responded.

Weakness of the Liberal Tradition

Once again, this has not been an undiluted advantage to Communism. One of Communism's strengths in Europe is its capacity for the organisation and exploitation of grievances. But in Asia no Communist outside China has been as effective in this way as the nationalists, Nehru or Soekarno or, above all, Jinnah whose whole career was built on the successful exploitation of a sense of grievance; and there has never been a strike organiser like Gandhi. Communist methods, with their slavish adherence to doctrine, lack the flexibility of a nationalism which could blame the grievances of capitalist and worker alike on the ruling alien.

The liberal nationalists were experts in opposition; their weakness now is that they are now in power. They have promised their followers, in all sincerity, in the best European style, the welfare state; they did not realise—they often still do not realise—that European welfare requires the surplus over subsistence of European national incomes. The men in power, therefore, whose efforts have made them national heroes, seem to grope and lose their way, and the regime loses its moral hold. Yet in Asia it needs a hold much firmer than in Europe. In the west, most people have cause for relative contentment. In Asia poverty gives nearly everyone reason for discontent, and so the whole atmosphere is "agin" the Government. This position is sometimes made worse by the fact that neither people nor Ministers are quite adjusted yet to power; they do not always remember that the Government is now their own, not an alien, if sometimes benevolent, machine. This atmosphere of opposition might, however, not matter if there were a liberal opposition to take advantage of it. But Asian liberalism seems to have exhausted itself in furnishing the great nationalist parties which now hold power; nowhere, not even in the Indian Socialists, has it been able to create an opposition too.

So far, indeed, the Communists have not succeeded in doing so either. Outside China and such special cases as Viet-Minh and the Hyderabad trouble, the Communist parties have neither effective organisation nor mass following. They are always being disrupted by the changes in the Cominform line and discredited by their obedience to Moscow. Nevertheless, because Communism is today one of the two great world doctrines, there is everywhere the feeling that the spread of discontent must eventually benefit them, and them only ; and this feeling in itself saps not so much the will as the ability to resist.

Discontent *is* spreading, because of poverty. It is not only that wider and wider classes of the population are awakening to the misery of their condition. Unless there is also economic equality, poor countries are always corrupt countries ; every little privilege, even the most ill-paid jobs, is so desperately needed. But an awakening Asian public opinion is no longer prepared to tolerate corruption. It may well be no worse today than it used to be, but people find it much harder to bear, and everybody has read of the unheard-of honesty of Mao's soldiers.

(To be continued)

Italy's Fading Visions

[FROM OUR ROME CORRESPONDENT]

AT present Italy seems politically in a sort of trance. It has been brought home by the recent international crisis that Italy with its 45 million inhabitants might disappear under the seafloor without anyone noticing it very much, provided the Vatican City could remain afloat as a beacon to believers in the younger continents and the stronger countries—also perhaps the tower of Pisa and Pompeii for the tourists.

The various visions which have kept the Italian political class in a certain moral tension since 1945 seem to have been fading. The idea of a " great return " of the nations to the bosom of the Catholic Church was one of these visions. Holy Year is said to have brought a million foreigners and two million Italian pilgrims to Rome, and the peasant pilgrimages have indeed been impressive. But the culminating act, the proclamation of the dogma of the Assumption, seems to have marked a stiffening of the hard theological core at the cost of a loss of influence among men of ideas in the west. The hopes of emergence of a great Catholic " underground " in Eastern Europe in reaction against Communist tyranny show no particular signs of maturing. Indeed, in Poland and Hungary the episcopates seem very much in two minds about making themselves martyrs for Pius XII. In comparison with the hopes of twenty years ago for a great apostolate to win over the heritage of Russian religion, and the enthusiasm at the nomination of the first Chinese cardinal in 1946, the present Vatican atmosphere betrays a certain depression. With this there goes some exhaustion of the Christian Democratic enthusiasm inside Italy. The party is a bit like the Congress Party in India, animated by memories which do not really give guidance for the future. Doubtless Signor De Gasperi is a notable leader and the Ministry is perhaps as good as any that could be put together ; but the party seems increasingly to become just an organisation for the sake of retaining power. Elaborate pacts now being entered into by the minor parties with the Christian Democrats for the sake of keeping out the Communists at the municipal elections in the next few months strengthen this impression.

Socialists in Limbo

The Saragat and Romita groups of Social Democrats in whose discords and approaches for reunion there was a year ago a certain lively interest, as developments which might affect the composition and colour of the Government's policy; seem to have receded into an academic limbo. The men are still round about, some of them are Ministers, and quite good Ministers, but the impetus which made them appear as possibly holding a key to the future has gone.

The whole group of people who found an answer to everything in the federation of Europe have dropped into the class considered by the vulgar as dreamers. The official line of foreign policy which was rooted in that conception sounds painfully unconnected with the tough problems of today, and Count Sforza's efforts to softpedal the military aspect of western co-operation have a pathetic tone. The colonial issue with its wistful emphasis on Italy's right to a share in the civilising mission of the west also seems to belong to the world of dreams, and the Right Wing journalists who parade it smack of antiquity.

The Italian Communists are not particularly triumphant about the redeeming exploits of Mao. For a party of 2,500,000 members which has never let Asia bulk very large in its interests or imagination the whole Asian factor seems to have exceeded sane proportions. A month ago Communism in Italy was on the downward path and it is doubtful whether Mao is going to rescue it. At the same time the distaste for Asia is two-edged and there are hardly any who want to see Italy mixed up in any way with the western campaign in the east. It is a blessing, perhaps, that Italy is outside the United Nations.

Fascism, despite all police measures, is certainly winning young people away from both Christian Democracy and Communism. But this should not yet be taken too seriously. In recent elections for a representative committee of Rome University students the Christian Democrat representation compared with 1948 fell from 39 to 24 per cent of the seats allocated in the various faculties while that of the Fascists rose from 13 to 31. All smaller parties lost heavily. This shows how things are moving in the student world. The Fascists (MSI) seem this time to have captured most of the previous Monarchist vote. The superficial situation, then, displays a stagnant equilibrium, and the ferments are frothy and noisome.

Dismay in Indonesia

[FROM A CORRESPONDENT]

THE first anniversary of the transfer of power in Indonesia falls on the second day after Christmas. Its main significance is that, under last year's Hague Agreement, disposal of Western New Guinea was deferred for one year. The Indonesians have interpreted this as meaning that New Guinea—which they call Irian—should be handed over to them by December 27th of this year. It is now clear that nothing of the kind will happen ; an extended meeting has taken place this month between Dutch and Indonesian representatives at the Hague, without any decisive result. Opinion in the Netherlands is now hardening against any further concessions, and Indonesian suggestions, which amounted to a proposal that the Dutch should temporarily continue to administer New Guinea, while sovereignty itself should be transferred to Indonesia, has proved quite unacceptable.

There is a feeling of great dismay amongst the Dutch in Indonesia itself over the New Guinea question. They are threatened with a serious boycott—and this really applies to all Europeans—if the negotiations with the Netherlands do not go the way Indonesia wants.

Anti-Dutch and anti-white feeling has become inflamed. This has aggravated the existing atmosphere of uncertainty, since security in Indonesia as a whole has been steadily getting worse for some time. The authorities called on subversive elements to hand in their arms by December 4th, but without great success. Those that did so were to be embodied in the army—which is already the cause of much trouble ; if the soldiers do not actually steal cars, for instance, they receive them, and the same applies to estate produce and anything else of value.

Threats to Foreign Owners

The staff on European estates have had to hand in their weapons, and estate guards have also been disbanded by Government order. Many estate-owning companies have ordered their staffs to leave when the guards leave—in a recent week 21 estates closed down in the Sukabumi area of West Java, to mention one area alone. There is a strong suspicion that the idea underlying this order about arms is to enable the estates to be confiscated on the score that they have been deserted. Theft is rife ; rubber is the chief attraction, the world market price being so high. Rubber trees are being spoiled as the thieves are cutting off as much bark in a night as a well run estate would take off in a year. If for some reason the price of rubber were to drop much in the next few months, there might be chaos in Indonesia.

In the tobacco area of Besuki in East Java, 500 tobacco sheds were recently fired by subversive elements. This is not only causing a great loss to the European companies involved, but also to the country in foreign exchange, as the tobacco involved is an export cigar type. Further, the Indonesian farmers now find themselves in the middle of a harvest with no possibility of disposing of their whole crop.

Cabinet Ministers, in their speeches, stress the need for an influx of foreign capital, but they seem powerless against the elements demanding an end to foreign ownership of business in Java. Moreover, the Minister of Labour has only one answer in cases of labour disputes—which is that the employer has to give in even if he is in the right. Not only does the employer have to meet all demands but he has to pay a percentage of wages during strikes ; the last case was Phillips, the electrical concern, which had to pay 75 per cent of normal wages for the strike period. This is causing the local manufacturer to adopt an attitude of " accede to labour's demands and make it up on prices."

Arabs in Dire Need

A THIRD winter of misery has set in for the Arab refugees. This article is designed to record the international arrangements for keeping them alive, and the longer term plans for supplying them with work and homes. But even a case-hardened correspondent cannot do this without first describing their misery, which makes all carefully worked-out resolutions seem remote and unreal. In camp after camp—most of them tented, a few hutted, with ragged cloths serving as partitions between the families—men, women and a swarm of children expose their misery under the bleak sky. Most are shoeless. All are shivering. The summer clothes in which they fled two and a half years ago are all worn out, and this winter's UN purchase of garments can run only to one article of clothing for every two refugees, plus one blanket per family. The grown-ups implore succour at least for their children, but what help can a visitor improvise? He can only feel self-conscious about his own warm coat.

This year's Assembly has set on foot the plans for a further period of meagre international help. Last year, it will be remembered, a plan was adopted on the strength of the economic report of a mission headed by the American expert, Mr Gordon Clapp. By its terms, $54 million was to be collected to cover the eighteen months to June, 1951, and during the months in question, as many as possible of the refugees were to be switched from existence on mere relief to a life in which subsistence was earned because some local work was provided. From the report of the UN Director of this operation, this year's Assembly has learned firstly, that $54 million would not have been nearly sufficient to inaugurate work for all in the period in question, and, secondly, that not nearly all the promised dollars have been received. The organisation established in 1950 and known as the United Nations Relief and Works Agency (UNRWA) has been vastly handicapped because receipt of funds has been so spasmodic. All has hung on the charity of governments of good will. Therefore, at no time has UNRWA been able to see its financial position for more than a few weeks ahead. During the period between May 1, 1950, and August 31st receipts totalled $11.9 million to cover approved plans of expenditure from May 1st to September 30th amounting to $12.5 million. Therefore:

> Only the fact that works projects did not develop as quickly as had been anticipated permitted the transfer of funds earmarked for works to the provision of basic relief. Even then it was only with the receipt of the 4th Quarter instalment of the United States contribution on September 25th that the Agency could allocate funds for the purchase of October food requirements.

It is obviously quite impossible to plan adequate relief, let alone works, on this hand-to-mouth basis.

By the end of August, 1950, contributions in cash, kind and direct aid promised up to June, 1951, totalled $39,960,000 ; contributions received were $9,938,000 only, almost entirely from the American and the British governments. This year's Assembly, which is asking for a fresh credit of $50 million to cover the period July, 1951, to June, 1952 (of which $20 million is destined for relief and $30 million for " reintegration ") has decided to adopt a less haphazard method of collecting promises. Last year, a mere round-robin was circulated. This year, a " negotiating committee " will call on states seated round a table to say what each can do or give.

No Hope of Return

But even if the whole $55 million is contributed, and even if it is given in the regular, predictable instalments that are essential to proper planning, the problem of what it will buy remains. To give but one instance of the difficulties that are being encountered, the price of all tents, blankets and camp equipment is soaring on account of events in Korea.

The Director's report to the Assembly contains, with these financial details, a long tale of domestic difficulties. One of these is the problem of morale. It is difficult if not impossible to convince these victims of war that the vast majority can never go back to their former homes, which are now inside Israel. Most were filled with false hopes by last year's Assembly resolution which said that they ought to return ; those who are living within sight of the hills of home spend hours gazing at their native land ; they are unwilling to build themselves better shelters in case this should prejudice their claim to be repatriated. Days spent in idleness do not improve the mood either of children or grown-ups. Out of 408,000 children between the ages of 1 and 15 only 31 per cent of those of school age are in school owing to the shortage of money, and therefore of teachers and pencils, books and blackboards. The funds at present available for schooling 200,000 children of school age amount to about 7d. per month per child. Grown-up hands are similarly idle for lack of materials. They would like to weave, but are short of looms and yarn. A potter becomes a different man if he can get some clay. But there are not nearly enough materials to go round. As each month passes, the problem of stirring people, educated or uneducated, from the prevailing inertia swells to greater and greater dimensions.

Public Works Projects

Part of the UN funds is to be devoted to public works projects, but these are even more difficult to set on foot than had been anticipated. There are at present 470,000 refugees in Jordan, 120,000 in Lebanon, 200,000 in the resourceless

Gaza strip and some 82,000 in Syria. But except in Jordan (which constitutes a special case since it has taken over Palestinian territory) there is suspicion of the foreigner who wants to introduce works, and a profound fear that he may wish to dictate all arrangements. So far, only about 10,000 refugees have been employed on such projects. Moreover, when the works are sited far from the existing camps, they simply increase the problem of shelter; blankets and mattresses are too few in number to permit of divided homes.

A few facts are clear from the experience of the last few months. One is that mere relief is going to continue to be a big operation and that the local Arab governments—none of them are wealthy and few of them good at administration—cannot possibly take it over. Another is that the inauguration of works projects is going to be slower and more expensive than Mr Clapp had thought. A third is that any foreign supervision of such projects will call for endless tact. Conditions are such that a warm word of sympathy is due to the international staff which is at present coping with the refugees out of highly inadequate resources. Some of the best of these workers are representatives of voluntary organisations—people accustomed to the country, speaking good Arabic, able to exercise their endless talent for mixing with the people and saying the right word in dark circumstances. The United Nations staff, less experienced though some of its workers are, are no less devoted to the frustrating task that they have in hand. But they labour under one immense disadvantage. By UN staffing rules, they are paid salaries at the New York rate plus an allowance dependent on distance from their ordinary domicile. This rate exceeds by as much as twelve to twenty times the rate paid to qualified refugees for the same work. No man or woman who really feels for the plight of the Arabs can be comfortable about such inequalities. Yet against their fat salaries must be set long hours of overtime, endless frustration, and the hardship of seeing more suffering than they have time or power to alleviate as they would wish.

Afghanistan on the Frontier

[BY A CORRESPONDENT]

THE British withdrawal from India has disturbed the balance of power in Asia to the disadvantage of the Western allies. In the last war India had over two million men on a war footing; her armies played an outstanding part in Burma, Abyssinia, North Africa and Italy; an Indian army stood ready in Persia to hold up a German advance south of the Caspian. If the successor States, India and Pakistan had shown themselves ready and able to follow the example of the former regime their attitude might have influenced Soviet policy. They are at the moment incapable of doing anything of the kind. The military potential of the sub-continent since Indian independence has lost much of its vitality, partly because the Indian army has been split up between the two countries; partly from the loss of the British element, especially in the technical services. Moreover the forces of each are tied up at home in case war should result from the Kashmir dispute.

The loss of influence is particularly noticeable in relations with Afghanistan. Under the British regime in India the major responsibility of the Indian army was to hold the North West Frontier. In the last war there was practically no anxiety on that score since the only great power that might have threatened its safety was the Soviet Union which was then in alliance with Britain. At the moment the position is different. The century-old menace to the North West Frontier has re-appeared.

The outlook is depressing. "I am buying arms" the Prime Minister of Pakistan said in Ottawa a few months ago, "because I have to defend the Khyber Pass." The implication was that the heavy burden of holding the great international frontier of the Commonwealth had fallen on the shoulders of his country. India which should have been ready to give powerful aid was completely indifferent. The Government of India had indeed gone out of its way to cultivate friendship with Afghanistan and had early in the spring of this year concluded a treaty of commerce with that country, despite the openly expressed hostility of the Kabul government to Pakistan.

It is obvious that this attitude of Kabul towards Karachi is a disturbing element in the problem of frontier defence. The Afghan Government, as is well known, has since the British left India persistently stressed its untenable claim to get back what it describes as Afghanistan *irredenta*, the country from the Durand Line to the Indus, with its population of six or seven million Afghans. In fact, the Afghan ambassador at Delhi, only three or four months ago, asserted that his Government did not recognise the Durand Line.

Campaign Against Pakistan

Up to a month or so ago, Russia had not shown any particular interest in Afghan relations with Pakistan. It is now associating itself with Kabul in the campaign of calumny against the latter, accusing the Pakistan Government of brutal oppression of the border tribes and the Prime



Minister of being a satellite of the western powers. It is more than probable that this new venture on the part of the Kremlin is due to the fact that the Pakistan Government has aligned itself with the western democracies, especially over Korea, and is turning its back on Russia. Encouraged, doubtless by Russian support, the Afghans have recently carried out incursions into Pakistan territory, on more than one occasion with the support of Afghan regulars. It is not surprising that the patience of the Pakistan Government is strained to the breaking-point. There is apparently a good deal of unrest in Afghanistan, especially among tribes on the eastern border and the important Hazara tribes in the middle west. It is unquestionable that the setting up of a great Islamic state pledged to democracy across the eastern frontier of Afghanistan is exerting a subtle influence on Afghan psychology.

The trouble is mainly economic. Trade is in a state of collapse, especially in the *Karakul* (Persian lamb) market. The large dollar balances built up by the Afghans during the war have been dissipated on ill-considered schemes of road improvement and irrigation, entrusted to a firm of American engineers. A loan of $21 million recently given by the World Bank should help to get these schemes completed, especially the great irrigation schemes on the Helmand. But to bring in an era of prosperity, strong measures must be taken to redress the disequilibrium between agriculture and industry. The main difficulty here is that while the capital city and the bulk of the population are south of the mighty barrier of the Hindu Kush, the country's resources in coal, oil and mineral wealth, and the best agricultural land on which long-staple cotton and sugar-beet are grown, lie on the other side. The requirements of power could, however, be largely met by hydro-electric installations.

Dissensions have occurred in Government circles in Kabul, one consequence of which has been the dismissal of Abdul Majid, the able Minister of Economic Development. It will not be easy to replace him. There has been unrest in the army and plots against the ruling family. The *rapprochement* with the Soviet Union suggests that in an extremity the Afghan Government might look there for support. In taking such a step it would not carry the bulk of the people with it. But the danger is real: it can only be avoided by inducing the Kabul authorities to re-shape their policy. Their hostility to Pakistan is widely disapproved in the Muslim world; the Shah of Persia has offered mediation, an offer which Pakistan regards with favour. The United States Government is now urging the two countries to try to settle their differences round a conference table. The regime can only be placed on a firm basis by improving economic conditions. For this outside help is essential: it is not likely to be forthcoming from the western powers so long as the Afghans intrigue with Russia against Pakistan. With friendly relations established with the latter country, the way would be opened to progress.

Collectivisation in Poland

[BY A CORRESPONDENT]

THE Polish government is now concentrating its efforts on the tremendous task of settling the peasant problem. Yet it does not face the issue openly. In the Six-Year Plan (1950-1955), published by the Government and debated recently by the Party, detailed targets for industrial and even cultural development are given, but there is only very scanty information on the projected scope of collectivisation. Thus any speculation on the area which will be covered by collective farms in 1955 must be based in the first place on the targets for tractor production, since tractors in eastern Europe are the prelude to collectivisation. The Plan foresees that by 1955, 61,000 tractors will be supplied, of which 25,000 will go to state farms (*sovkhozy*). Almost all of the remaining 36,000 will go to tractor stations, and will be used chiefly on the collective farms (*kolkhozy*). State farms, at the end of the Plan, should cover an area of 2,000,000 hectares. If the 25,000 tractors are enough to work that area, then the remaining 36,000 would be sufficient for approximately 2,800,000 hectares of collective farms, thus giving a total area under state or collective farming of 4,800,000 hectares, or roughly 24 per cent of the total area under cultivation.

Thus as regards machinery the Polish Government evidently hopes to be better off than was the Soviet Government when it embarked on its collectivisation drive in 1928. But the peasants' hostility constrains the Government to go slowly for fear of jeopardising its food supplies during the period of industrialisation. Moreover, the peasants have a powerful ally in the Catholic church; in the Soviet Union the role played by the Orthodox Church was insignificant.

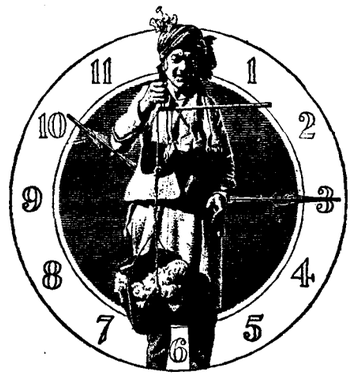
The one-day census, which took place on December 3rd, was symptomatic of the suspicious attitude of the peasants. The Government, fearing the peasants' unwillingness to supply true figures concerning their property, had to repeat time and again that the census has nothing to do with any new economic policy for the countryside. Reports on the inquiries in the countryside sounded like communiqués from a battlefield. Finally it was announced that the census had been carried out relatively quietly.

A recent article by Roman Zambrowski, member of the Politbureau of the Polish Workers' Party in charge of collectivisation, makes it clear that the rural population, which is still over 55 per cent of the total, is again, as in 1948, excited by rumours of a projected speeding up of collectivisation. There are mass attempts at hiding the grain and in some cases peasants have refused to take part in local administration. Even the poor peasant, on whom the Government relied as a potential ally in the struggle against the rich peasant, has been "disappointing."

In the last two years 2,000 collective farms have been set up and they employ just over 2 per cent of the agricultural manpower. Not all farms are on the Soviet model. There are still three categories, ranging from "Type I" in which labour and machines are common property, while land and cattle are privately owned, to the "Type 3" which is similar to the Soviet *kolkhozy*, and in which the peasant owns only a quarter of a hectare, a cow and poultry.

Zambrowski reports in a disillusioned tone that attempts to attract the poor peasant into the collective farms have not been successful. Less than 20 per cent of the present members of collective farms have been poor peasants who had owned less than 5 hectares of land, while 60 per cent had owned plots of 5 to 10 hectares. This failure to attract the poor peasant is the more striking when it is remembered that out of all Polish farms some 44 per cent are still held by poor peasants with plots of less than 3 and a half hectares.

Who should take the blame for this failure? On the Russian model the "right wing deviation," which "ignored" the poor peasant and did not struggle against the kulak. The ex-vice-premier and general secretary of the Party,



Time for Eastern trade

Ten-fifteen in England and the London, Manchester and Liverpool offices of The Chartered Bank of India, Australia and China have already opened to the public. At New York the day's work has not yet begun. In the East at Colombo it is tea-time and in Hong Kong business is finished for another day. But wherever business men engaged in the Eastern trade may be, they will find at the nearest branch of The Chartered Bank up-to-the-minute information, skilled assistance and efficient banking services.

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Wladyslaw Gomulka, now in complete disgrace, is again the scapegoat and may well end by meeting the fate of a Bukharine or Rykov. Hence the Party's task must be a merciless struggle against the right-wing deviation and an even more energetic fight against the kulak. The latter class must, in fact, still be strong if it accounts for 26 per cent of the total agricultural output and its grain supplies for the towns must be proportionately greater.

Thus the collective drive will first be aimed against the now existing 170,000 larger farms (approximately 5 per cent) covering 2,800,000 hectares (just under 16 per cent). Two years ago the farms of the wealthier peasants were still serviced by the state-owned tractor stations. Now they are no longer. They have been burdened with heavier taxes: while the poor peasant pays 2-5 per cent on the income from his output on one hectare, the kulak pays over 40 per cent. Up to this year the sale of grain was free. Now the rural communities fix the quotas of the richer peasants. Their ties with the town merchant are broken through state or co-operative trading and they are prevented from accumulating stocks, which they used to barter for labour with the poorer peasants.

The monetary reform, put into effect on October 28th, is also aimed at the wealthier peasants, who, though they did not have bank deposits, lent money to "medium" and small peasants before the harvest and were paid back in grain or labour. The debts of the small peasant have been reduced by two-thirds, the savings of the "kulak" have been reduced by the same amount, since he gets one zloty for every 100 while the worker gets 3 for 100.

The shortage of money, credit, machinery, and heavy taxation will, it is hoped, in the long run deal a fatal blow to the kulaks, while in the short run it will force them to throw their stocks of grain on the market. The reduction of debts, on the other hand, should help to intensify class conflicts in the countryside, dividing the peasantry into wealthy, "medium" and poor, the definition of a "medium" peasant depending not so much on the size of his plot as on his attitude towards collectivisation.

Over-Enthusiastic Activists

The approach to the medium and smaller peasants must be very carefully thought out. At the recent plenary session of the Party Council of the United Peasant Party (ZSL) the vice-chairman of the party executive, Stefan Ignar, enumerated some of the mistakes which political activists had made in their dealings with the smaller peasants. They had tried to force them into collectives through administrative and economic pressure; this was a "blatant deformation of the Party and State political line." They had carried out sudden one-day campaigns in villages which they had never visited before; these were of no value. Above all, they had tried to prevent the peasants from forming the less extreme Type I collectives; this resulted in the formation of fewer co-operatives than would otherwise have been possible.

> Where and when a higher type of co-operative was established against the opposition of the bulk of small and medium peasants, many of the original applicants withdrew. . . . In one village, for instance, 60 peasants volunteered for a Type 1 co-operative, and when the political activists foisted a Type 3 co-operative on them, only 16 peasants joined.

Ignar urged the activists to approach the peasants gradually, by helping them to iron out their local difficulties, by drawing them into the supervision of a Peasant Mutual Aid Organisation by setting up a welfare centre, or a people's sports team. In a word, the right atmosphere must first be created, and the peasants' confidence won.

For propaganda purposes scores of peasants are sent every month to the Soviet Union to visit modern collective farms. On their return they tour Polish villages with talks on the blessings of the collective system. Their propaganda is, however, often counteracted by the impressions of *many* Polish peasants, who during the war worked on Soviet collective farms.

Hitherto economic reconstruction and industrial development in Poland have on the whole been successful. But the new policy towards the countryside will be a much stiffer test, the peasantry, the largest class, being a much harder nut to crack, especially during a period of international tension. The Government must be aware that it will have to face the opposition not only of the wealthy, but also of the "medium" peasants. This awareness must have been increased in 1948, when at the first rumours of collectivisation, the peasants cut down their supplies of meat and grain, and corn had to be imported from the Soviet Union. The first stage of collectivisation has now been spread over six years. Whether the Government will be able to carry it out without tremendous upheavals will depend on its ability to manœuvre, to apply its own, more peaceful methods as well as on the international situation.

Political Deadlock in Finland

[FROM A CORRESPONDENT]

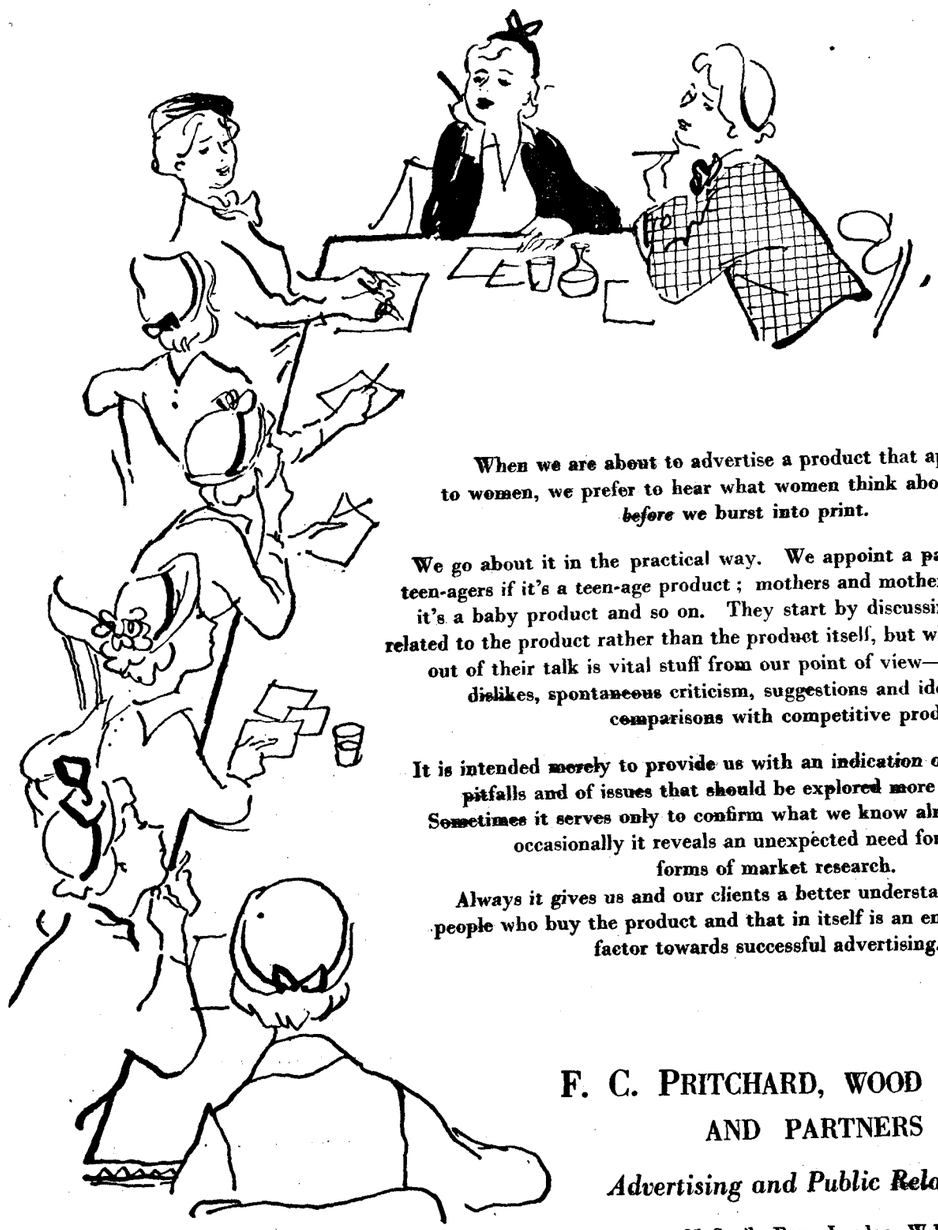
THE Communist Party of Finland, as of other countries, is led by loyal stooges of Moscow. Its spiritual father is the Comintern veteran, Otto Willi Kuusinen, the unsuccessful would-be liberator of 1939. Though rewarded for his past services with the decorative post of President of the Finno-Karelian Soviet Socialist Republic, he is believed to spend less time in Petrozavodsk than in Moscow. Whether he sends directives to the comrades at home, as did the late George Dimitrov during the interval between the "liberation" of Bulgaria and his triumphal homecoming, is one of the secrets of the Party. But though led by men who undoubtedly "appreciate the leading role of the Soviet Union in the struggle for peace and democracy," the Party can boast a legitimate Finnish ancestry. Its claim to represent the revolutionary traditions of the civil war of 1918, betrayed by the "right-wing socialist renegades," is accepted by a considerable part of the Finnish working-class, including many who have little admiration for Russia. With 38 seats in a parliament of 200, the Communists, with their *garniture* of approved fellow-travellers, are a force to be reckoned with. Though the Communist workers seek only economic and political advantages for their class within their country, party discipline enables Moscow's agents to use them as a weapon for their ends. The Finnish patriotism of the Communists, of which Finns will assure the foreign visitor with somewhat exaggerated complacency, is no guarantee against such use.

The fifth column is not Moscow's only weapon. Military power includes not only the armies across the eastern border but also the forces in the base at Pokkala, just outside Helsinki's suburbs. As an economic weapon, reparations, which will soon be paid off, are of diminishing importance. Their place is being taken by the trade treaty of June, 1950, which provides for a five-year exchange of goods whose yearly value is to rise from 13 million Finmarks in 1951 to 18 million in 1955. The share of the engineering and metal industry in Finnish exports under this treaty is to be 40 per cent in 1951 and is to rise to 70 per cent in 1955. By their interpretation of the phrase "world market prices"—for which the history of east European trade after 1945 provides some melancholy lessons—the Soviet leaders can put pressure on an industry which employs one-third of Finland's industrial workers. The trade treaty also gives them an excuse for maintaining in Helsinki a "trade delegation" whose numbers are certainly not justified by current business, and whose members presumably engage, under diplomatic cover, in other more interesting duties.

Holding so many strong points, the Soviet government can use its favour and displeasure to intervene in Finnish

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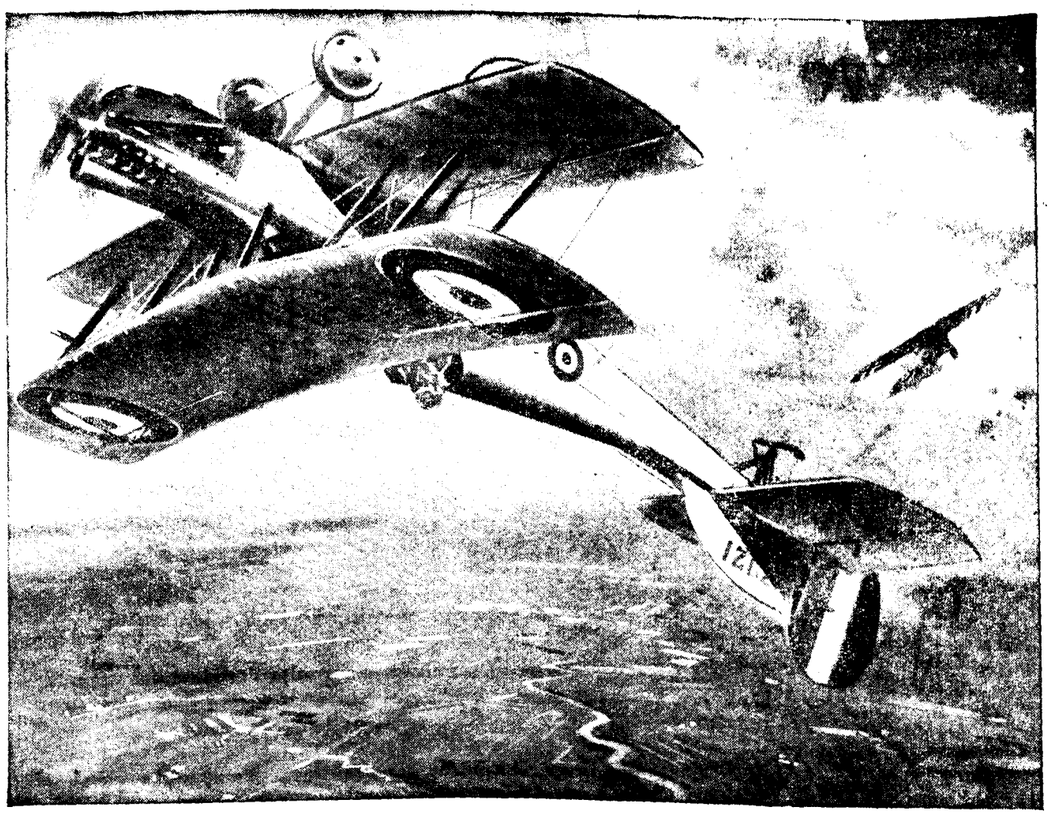
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politics. Moscow makes no secret of its hatred for the Social Democrats. The Fagerholm ministry of 1948-50 was treated with official coldness and unofficial abuse. The Kekkonen ministry which succeeded it in March has been greeted with smiles. The Prime Minister himself, a clever party organiser, and an expert in parliamentary manœuvre and intrigue, likes to feel a great and wise statesman. The role of the one man who can save Finland by winning the gratitude and friendship of the Soviet Union is attractive to the Prime Minister. It is one which Soviet blandishments encourage him to play. Kekkonen's personal feud with the Socialists intensifies the distrust between town and country, for which there are already economic motives. This, of course, suits Moscow. So does any intransigence among the industrial employers. Any indirect means that Moscow can find to encourage employers to antagonise workers will of course be used as thoroughly as any discontent among the workers themselves. To "sharpen" the class struggle at both ends is good Bolshevik policy. Kekkonen is no doubt as devoted to independence and democracy as the rest of his compatriots. But his policy can hardly be said to contribute to the national unity which is essential if both economic and political dangers are to be avoided.

In the last month there has been much talk of a government of national unity. In particular, it seems essential that the two largest parties, Agrarians (56 seats) and Social Democrats (55), should be included. On November 15th the Conservatives (32 seats), who till then had supported Kekkonen from outside his cabinet, proposed a vote of no confidence. The occasion was a minor dispute, but the purpose was to force a coalition. The government was only saved by the votes of the Communists. Against it were the Conservatives, Social Democrats and some Liberals, while some members of the Swedish Party (which is represented in it) abstained. On November 25th the Swedish Party announced its intention of withdrawing from the government unless it were "shortly" reorganised.

The coalition that the majority of the Finnish people would prefer is one of Agrarians, Socialists and Swedes, with the support in parliament of the Conservatives, and excluding the Communists. But this would be interpteted in Moscow as a "provocation against the great neighbour." When the United Nations troops were advancing victoriously to the Yalu river, the risk might have seemed worth taking; today it is more doubtful. Certainly Kekkonen is not the man to take it. He would prefer the solution which the Communists themselves suggest, a coalition of all parties except the Conservatives, including the Communists. Even the most complacent Finns, all of whom love to say "it can't happen here," know something about the results of this kind of coalition in Czechoslovakia and Hungary. The Social Democrats in particular are strongly opposed to such a combination. The remaining possibilities, a Socialist-Conservative or an Agrarian-Communist partnership, are improbable. A general election is likely some time in 1951, but it can hardly produce a parliament much different from the present. There is in fact a deadlock. For advocates of "Popdemocracy," or for the ingenious and inscrutable Kekkonen, the obstacle is the obstinacy of the Social Democrat leaders. For those who wish to save Finland from "Popdemocracy" the obstacle is the personality of Kekkonen.

So far the Finns have remained independent partly by their own efforts and partly by Moscow's tolerance. They have the advantages of a balanced social structure, a strong democratic tradition and complete imperviousness to any sort of cultural infiltration from Russia. To these must be added truly remarkable courage and calm. The Russians receive their reparations punctually, they do not need Finnish territory for further expansion, and they know how unpleasant Finnish forest guerrillas can be. So they have left the Finns alone. If one considers Finland in isolation, these things are all still true. But the future of Finland must depend on the time-table of Moscow's plans for Western Europe, and despite an outer armour of stolid complacency, most Finns realise how grave the situation is. As far as their fate depends on them, they can be trusted to act with realism and resolution.

Tito Gets His Bread

"While we are doing this thing," said Representative William M. Colmer, "let us do it graciously." And so, in record time, the authorisation of a further $38 million expenditure for the US Administration's famine relief programme to Jugoslavia has been passed by both Houses of Congress, practically in the form in which it was presented. The only major amendment, reluctantly accepted by the Administration spokesmen, is that the funds shall come from Marshall Aid appropriations, of which there will probably be a substantial surplus at the end of this fiscal year. (The actual authorisation was for $50 million to cover the $12 million already spent on wheat.) Otherwise Congress has imposed no ties which could in any way be described as ungracious. Marshal Tito is to distribute aid equitably under American supervision and with full publicity; this he is already doing with the emergency food shipments which began last month. He is to take note that the granting of aid does not imply condonation of his economic, political or religious practices; half the commodities shipped are to go in American vessels; and Mr Acheson is to report on the fulfilment of these conditions once every three months.

Scraping the Barrel

As long ago as last spring, the State Department realised that Jugoslavia would need further economic aid, and that, sooner or later, Congress would have to be asked to give it. But they feared that the temper of the Congressional camel was such that a request for Jugoslav aid might well break its back, and they tried to postpone it as long as possible. So they scraped all the other barrels first and found $31,400,000 for emergency shipments. In the United States the existing appropriations of the Federal Agencies were tapped; the residue of the Export-Import Bank loan was made available for purchases of food; and the President authorised food shipments amounting to $32 million under the Mutual Defence Aid Programme and ERP. Outside the United States, other western countries were asked to restrain their demands for outstanding payments from Jugoslavia and to extend as much credit as they could. The elections, and Senator Taft's determination to re-examine all foreign aid programmes augured even worse for the approach to Congress, and, until the last few weeks, it was expected that at best there would be a two months' struggle on the Capitol before any aid was passed. Now, the Senate has approved the authorisation by a majority of 60 to 21, and the House by 225 to 142.

The strongest factor in the Administration's favour was undoubtedly the importance of not losing Jugoslavia's thirty-two divisions. In his original message to Congressional leaders, the President made the following case: apart from his importance as a political symbol, Marshal Tito has the largest army in Europe bar only Soviet Russia; it is now clear that, so long as it is in his power, the West can count on this in an emergency, and, even without one, to immobilise at least an equal Russian force; but unless Jugoslavia is given immediate aid, Tito's ability to counter subversive elements within will be "seriously if not fatally" prejudiced. These and events in Korea are the arguments which conclusively won the day in Congress. If the President could recognise the importance of thirty-two Jugoslav divisions in November, events in the Far East have provided even more cogent reasons why Congress should recognise it in December.

THE BUSINESS WORLD

Monopoly under the Microscope

TWENTY-ONE months after receiving its first task from the Board of Trade, the Monopolies and Restrictive Practices Commission has issued its first report, on the supply of dental goods. This is not a large industry; the total cost of dental materials and equipment in 1949 was only £5,750,000—say five parts in ten thousand of the national income and one part in ten of the cost of dental services. This is a relatively small figure and it is larger than it would have been in the absence of the National Health Service. If it could be proved that the industry's prices are too high, or its trading methods inimical to the public interest, it would still be true that the industry has not thereby severely damaged the British economy. No substantial complaints have been laid before the Commission by users of dental goods; in the last resort, the biggest customer is the National Health Service, and the Ministry of Health has not looked into the prices charged for dental materials and equipment.

These are conditions in which it is all too easy to rely on the *minimum sensibile*—to use the old retort that the directors' fees would not provide a ham sandwich for the stockholders or, in this context, that a little extra on the cost of dentures is negligible per bite. But the questions that the Commission had to answer left no loophole for pleading of this kind. They were in substance two:

> (1) Does one person or group supply at least one-third of the British market for dental goods, or is one-third at least supplied by two or more persons who conduct their business in any way to prevent or restrict competition in production or supply?
>
> (2) Do these things if established operate against the public interest?

To answer these questions involves in the first place a careful examination of the structure and history of the dental goods industry, and this examination provides the grittier sections of the report. The industry is dominated by the Amalgamated Dental group and the Dental Manufacturing Company, which in 1948 were responsible for 68 per cent of home retail sales. The AD group is the larger of the two; it is the only manufacturer of burs ("drills" to the layman), but it does not make acrylic (that is, plastic) teeth and it sells as sole agent porcelain teeth made by an American associate company and by a British subsidiary. The AD group, the Commission concludes, supplies more than one-third of British supplies of dental goods (in 1948 the proportion is put at 46½ per cent).

In 1923 there was formed the Association of Dental Manufacturers and Traders of the United Kingdom. The ADMT came into being after a period of intense competition which had particularly involved the two firms of Claudius Ash and De Tray before their amalgamation. The Association has three main classes of members: dealers (of whom there are 17), manufacturers (33), and dealer-manufacturers (37). Manufacturer members are bound to supply dealer members only, and dealer members may buy only from manufacturer members. The election of any person to any class of membership is at the discretion of the Council; thus, refusal of membership deprives an applicant of the right to trade with members. In the management of the Association, the Council is in a position to wield great power; it can apply drastic sanctions, including expulsion and fines, to check any breach of the rules and indeed apply them against "unfair means in competition" or against business conduct "detrimental to the interests of the Association or the trade." All members are required to adhere to the retail prices fixed by manufacturers or by sole agents, and the ADMT holds that the exclusive dealing clauses, whereby manufacturers confine their sales to member dealers, are mainly intended to reinforce the resale price maintenance provisions. The Commission concludes:

> It is clear . . . that these two regulations, if used in conjunction with restrictions on admission to membership, can also serve to prevent the entry of competitors into the industry . . . the ADMT does restrict admission to membership and the exclusive dealing clauses cannot, therefore, be regarded merely as part of the resale price maintenance arrangements.

Competition by means other than reduction in prices of branded goods is covered by regulations defining "excessive services." Since 1935, and excluding the war period, of eighteen applications for dealer membership seven were eventually successful, and of the seven only one applicant was new to the trade. In the same period out of sixty-nine applications for manufacturer membership, thirty-eight were successful.

Several of the applications in recent years were from makers of acrylic teeth—an important new product. The development of acrylic dental materials and the attitude of the ADMT towards them provides an interesting slice of recent history. The Commission's report shows that the policy of the ADMT on this matter underwent considerable discussion. The Association sought to exclude the smaller manufacturers, and it was also apprehensive about "over-production" of acrylic teeth. In fact, no concern has been admitted to membership as a manufacturer of acrylic teeth; two applications by such manufacturers were rejected in 1948 though their output was in each case greater than the total output of dental goods of some manufacturer members of the ADMT. This new technique also involved the relations of Imperial Chemical Industries with the ADMT in an important way. The story is complicated, but the conclusions stand out. ICI developed the basic acrylic material (methyl methacrylate, in which they have a monopoly); this is used for denture bases and for teeth. The denture-base material had been developed with the assistance of Minerva Dental Laboratories (a concern outside the ADMT). In 1941, ICI (though not then members of the Association) agreed to confine their sales of two branded products to members of the ADMT,

except for Minerva, who were allowed to buy on the same terms as members for a period of three years. The Commission's findings on what followed are of importance:

> ICI felt obliged to join the ADMT and to submit to its rulings in order to get satisfactory distribution of their dental products. . . . The ADMT was so powerful as to be able, not only to ensure that its members obtained a share in the distribution of "Kallodent," but also to exclude from a share in its distribution the laboratories whose technical services had greatly assisted the development of the product. Throughout, the ADMT applied its rules inflexibly. In particular we note its action in refusing an extension of ICI's special arrangements with the Minerva Dental Laboratories, in discouraging ICI from selling to dental laboratories even at retail prices, and in refusing to allow ICI to give an increased discount to hospitals at the height of the war.

This is power, and its exercise has only been mitigated by the fact that ICI since 1948 has sold to all purchasers denture base material identical with its branded product and from the first has sold tooth making material to all purchasers ready to take the minimum quantities.

In thus outlining the reactions of an established organisation with its set procedures towards new materials and new producers, the report serves a valuable purpose. How do these and other matters affect the public interest? On this the report is fair but firm. It finds that the Amalgamated Dental group has a high professional reputation and that

> the group has used with moderation the great power which it has derived from its substantial hold on the market and the support afforded to it by the restrictive practices of the ADMT.

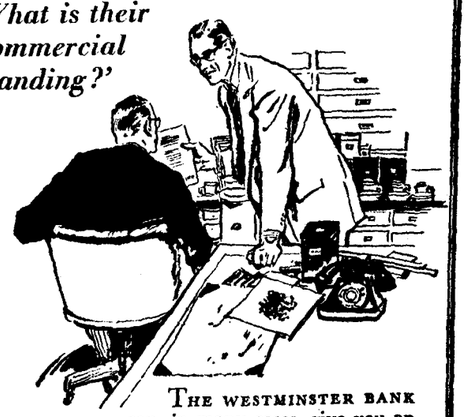
But there are other features less clearly in the public interest. Its monopoly of the manufacture of burs is reinforced by agreements with two of the largest dealers which limit the extent to which the latter can stock burs made by other concerns. The report recommends that these distribution arrangements should be reconsidered. It also concludes that the prices maintained in this country for porcelain teeth sold by Amalgamated Dental under sole agency arrangements are "too high" and that a "substantial reduction" is desirable in the public interest.

When it comes to report on the Association of Dental Manufacturers and Traders, the Commission finds that the Association is responsible for eight chief practices that restrict competition and obtain their force and effectiveness through exclusive dealing and the collective boycott. The broad effect of the provisions that make this so is thus summarised in the report:

> (*a*) Dealers covering nine-tenths of the trade may not buy from any manufacturer who does not wish or is not allowed to join the ADMT.
>
> (*b*) Manufacturers covering nearly nine-tenths of the whole trade may not sell to any dealer who does not wish or is not allowed to join the ADMT.
>
> (*c*) If they break any of the ADMT's rules, manufacturer or dealer members can be boycotted by an overwhelming majority of the trade.
>
> (*d*) A manufacturer or dealer cannot leave the ADMT through disagreement with its rules or method of government without losing most of his business and so risking his livelihood.

The rules and regulations of the ADMT could involve "an extreme interference with the freedom of the subject to carry on any lawful business"; the penalty of depriving a member of his substantial livelihood is out of proportion to a breach of a trade association rule;

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and an association covering so large a proportion of the industry and armed with such powers tends to become self-perpetuating. The Commission observes:

> These undesirable results are possible. . . . If we emphasise here that we have not found any very great abuse of the powers of the ADMT, we must also emphasise that, in our opinion, this is a tribute to the moderation of the men who control it, rather than to the nature of its rules and regulations.

Its final recommendation is in two parts. The Association is invited to revise its rules and policy in the light of the Commission's report. Secondly, it suggests statutory action not against detailed matters of practice that may conflict with the public interest, but against the two features that underpin the whole of these matters—exclusive dealing and the collective boycott. These features should be prohibited. But as the Lloyd Jacob report showed, they are not confined to the trade in dental goods ; the Commission leaves it to Parliament to say whether legislation against these features should be confined to the dental industry, but two of its members argue that general legislation is desirable and that "it would be wrong to enact *ad hoc* legislation against this industry."

It is difficult to quarrel with this view. It raises the fundamental question of the nature of the Monopolies Commission's tasks and powers. Its work is entirely *ad hoc* ; it is given jobs as the President of the Board of Trade may determine ; it has full powers of discovery of facts and no guidance whatsoever on principles. What is the intention ? Is it to allow monopolies to exist, but on pain of public examination (if the Board of Trade so orders) and on condition of tolerable behaviour ? Or is it to break down monopoly and trade restriction ? If the latter, there is really no way of securing these fundamental ends without legislation making such practices criminal, and allowing exceptions only with the positive consent of the Government. This is not how the Act is conceived ; it would be absurdly unreasonable for single industries—merely because their affairs have come under the microscope first—to be prevented by law from doing things that would still be lawful for others. There can be no unlawful exceptions to what is lawful without creating confusion and bitterness. And the prosecution of "the public interest" might be more easily secured if governmental attitudes towards restrictive practices had been consistent through the years, and were consistently applied now to all industry, whether publicly or privately owned, and also to the trade unions. The scholastic, detailed approach of the Commission's first report has its uses ; it has on this occasion described an industry of which too little was publicly known before. But this technique of looking at industry through the magnifying glass is not enough for dealing with monopoly. That calls for a macroscopic approach —some notion of the practices that ought to be forbidden to all industry. In short, it needs a policy. Perhaps one day there will be a government with courage enough to produce one.

Transformation in Shipping

SIX months ago few people in the shipping trade would have suggested that a serious physical shortage of merchant tonnage—at any rate in the Transatlantic trades—might arise by this winter. Steady progress in restoring war losses of merchant ships under most flags had continuously been improving the industry's capacity to meet trade demands, and freight rates, allowing for seasonal fluctuations, had been diminishing for more than two years to a level roughly 25 per cent below the 1948 average. Since then a transformation has taken place in the shipping market which, though it has not raised rates quite to the high levels of early 1948, has already caused speculation whether a return to wartime and early postwar controls may not be desirable or imminent. It is too simple to count this, like other shortages, as merely another result of Korean aggression. The campaign has, of course, created an abnormal demand ; but its requirements for sea transport do not approach the 1945 scale, and they have largely been satisfied by the recommissioning of vessels from the laid-up American reserve fleet.

What other factors have been at work ? The tramp freight market is an international market, free to find its own level in accordance with the laws of supply and demand, and the steep rise in rates has occurred particularly in the last few months. The best index of freight rates is that compiled by the Chamber of Shipping of the United Kingdom, based on fixtures in sterling made during each month, and related to the average for the year 1948 ; its fluctuations are shown in the accompanying table. It is normal for freight rates to reach their lowest level in the summer months ; the only immediate consequence of the outbreak of war in Korea was a slight recovery from the low May level. This upward trend continued fairly steadily throughout the summer months, but the curve has lately become much steeper. The American authorities decided that transport requirements for the Korean campaign should be met by withdrawing more than 100 vessels from the laid-up fleet, but while these ships were being made ready for service a considerable number of American ships had to be withdrawn from their commercial services under charter. This offered more employment to ships of other flags, and the first section of the market to respond was the North Pacific lumber trade, in which charterers were very soon taking tonnage at rates increased by some 30 per cent.

These attractive rates naturally began to draw tonnage from other routes, and a shortage of vessels occurred in Australian waters which forced grain rates up by some 10s. a ton. Meanwhile there was considerable activity in a trade which had been dormant since before the war, the carriage of soya beans from Manchuria to Europe. Despite its proximity to Korean waters, this trade continued, although the increased risks forced the general rates up from about 70s. to as much as 110s. On the North Atlantic, Cuban sugar charterers found themselves short of tonnage and were compelled to offer higher rates. At the same time the political and strategic situation was accelerating hoarding of vital raw materials, such as rubber, which involved sea transport of large quantities over long distances ; and the more recent accent on rearmament and defence programmes has increased these demands on tonnage. The general economic situation, too, helped to intensify the demand for dry-cargo tramp tonnage, for the liner companies found themselves unable to cope with the great expansion of British exports during the autumn without taking tramp ships on time charter ; rates for a round trip from the United Kingdom to Australia and back almost doubled between May and October. By November the resumption of chartering for Black Sea grain began to add to the pressure.

At this stage, freight rates in all markets had responded to the general trend, for the bulk of tramp shipping under all flags was engaged principally in distant waters on long voyages. A significant feature, reflecting the strange conditions which had developed, was the engagement of ships on such unusual tasks as carrying coal from South Africa to Sweden, and from Calcutta to Copenhagen. This was the state of affairs when British Government charterers suddenly chose to enter the market to obtain ships to carry coals to Newcastle.

★

With the North Atlantic practically denuded of tonnage, and other European coal importers competing for whatever is available, it is not surprising that the coal charterers have been having the greatest trouble in covering their requirements for the next two months, even at rates as much as 25s. above their own original ideas. Even at the best of times, from the charterers' point of view, coal imports call for higher rates than coal exports, for ships going outwards with coal are more assured of return cargoes and would otherwise have to travel in ballast. For coal imports from America the reverse is the case, and matters have been made worse for coal-burning steamers by the necessity of bunkering on the other side for both legs of the round voyage. This means that on the homeward voyage some 500 or 600 tons of cargo must be excluded by bunkers, while on the outward voyage a similar amount of deadweight which would reduce the rigours of a ballast trip in winter weather is missing. Again, the substitution of American for British coal at bunkering ports and depots over a wide area adds to the operating expenses of coal-burning ships in all trades.

Official failure to foresee months ago that coal imports would be needed—and to repair or accept this situation —has been followed by mishandling of coal charters. As soon as imports were inevitable, the authorities should have followed freight market trends very closely and quietly covered their commitments well in advance as best they could. If this policy had been adopted, the more serious disadvantages of the shortage of tonnage would have been more evenly spread among all charterers, while more ships would have been booked to remain in the Atlantic ; instead of which the coal importers have been left with the dirty end of the stick all to themselves. The best view of an international business such as shipping is, perhaps, not obtained from the office windows of a nationalised industry or of a Government department, and it is not therefore surprising that the authorities should expect British shipowners, rather than their competitors, to extricate them from a desperate position. A Government that still retains the powers of controlling voyages by licence is, of course, in a position to induce British shipowners to accept terms and rates which their competitors in a free market can refuse, but the necessity to exercise these powers has not arisen because the British shipping industry is accustomed to answering the call in a national emergency. In order to save the situation, not only have British tramp owners been advised to forgo more profitable alternative employment (thereby greatly strengthening the position of their competitors), but many of the liner companies have released vessels which they had already engaged on time charter. By doing so, their own problems are increased as well as those of exporters of motor cars and similar manufacturers that depend on liner service.

Profits, of course, are being made by tramp owners with the market in its present state, and these are probably sufficient to offset the lean months of the first part of the year. But they cannot be as great as many people would like to believe, for freight rates have only barely reached the 1948 level, while operating expenses have been rising steadily since then. The process has been hastened by the effects of devaluation, not only in respect of disbursements in hard-currency ports, but also of the consequent increases in prices of oil bunkers and other commodities. Quite recently the price of diesel oil rose by 15s. to 191s. 6d. a ton, representing an addition of some £2,000 per annum to the running costs of an average motorship, while the fuel oil which steamships use rose by 5s. to 134s. 6d. per ton, involving some £1,300 per annum extra on the fuel bill. Port charges everywhere are increasing, without any compensation in the way of speedier turnround in port. These rising costs affect shipowners under all flags, and liner companies in practically every trade have been compelled to notify shippers that freight rates must be increased, generally by 10 to 15 per cent. The margin between running at a loss and at a profit has been reduced so much that when tramp freight rates were at their lowest this year several ships were laid up and many other owners were contemplating this step.

WEIGHTED INDEX NUMBER OF TRAMP SHIPPING FREIGHTS
(1948=100)

	1948	1949	1950
January	111·3	87·1	72·8
February	104·5	100·5	75·5
March	105·5	95·0	75·8
April	102·7	94·6	74·4
May	104·6	99·7	71·4
June	99·8	86·7	74·3
July	99·4	73·3	78·8
August	100·7	70·6	86·6
September	97·2	71·6	89·0
October	98·8	69·8	95·8
November	88·8	66·5	97·6
December	86·8	72·8	...

Source : Chamber of Shipping.

Although it is a welcome change for shipowners to find themselves in a position to demand higher freights, the present tightness of tonnage has its disadvantages, and most shipowners would agree that a more even balance between supply and demand would be healthier. Too great an excess of demand brings in its train the danger of rationing, control, priorities and allocation. Furthermore, it brings back into the market all the least efficient tonnage and robs the owners who have invested in the most economical and efficient ships of the proper rewards of enterprise.

It is, however, significant that several orders for new tramp ships have been placed since freight rates showed definite signs of a sustained rise. This may indicate partly that owners consider that freight rates are likely to remain high for some time, and partly that there is little hope of shipbuilding prices ever becoming lower. The second consideration is probably the stronger, since shipyard costs have been rising at the rate of about one per cent per month since 1946, and the cost of raw

materials and labour is bound to be affected by the re-armament drive and current inflationary pressures. The higher shipbuilding prices become, however, the less chance tramp shipowners have of finding the necessary money to finance new tonnage, with taxation at its present level. To build a ship today costs three times as much as the original cost of the vessel which it is to replace. With income tax and profits tax at present rates, even with freights as profitable and the market as strong as it is today, shipowners are finding the greatest difficulty in accumulating replacement funds, and that difficulty will be accentuated as shipbuilding and operating costs continue to rise. The same problem affects all industries to a certain degree, but the life of ships is generally shorter than that of most industrial plant ashore and subject to greater wear and tear and the risk of loss by marine peril. On top of this there are the "balancing charges" introduced by the Income Tax Act, 1945. A clear example of the effect of these charges has been given by a tramp company which recently ordered three new ships. To help to pay for these the company sold two old vessels, at a price in excess of their written-down values; after paying tax on the difference, only two-thirds of the proceeds of the old ships' sale were available to pay for their replacement.

The problem of financing replacements for obsolescent ships is the major concern of the shipping industry today, and the firmness of the freight market does little to mitigate it, for rising costs are likely to be more prolonged than rising freights. Repeated warnings have been given about the deficiency in quantity and in quality of the present tramp section of the merchant fleet, but the Government has been adamant in its refusal to allow shipowners to set aside replacement reserves from profits before taxation. It is only when profits are being made that this reserve can be built up, and it would not avail to leave concessions until the freight market is in a depressed condition again.

Business Notes

Dividend Limitation in 1951

In recent months, the principle of dividend limitation, like that of wage-restraint, has been applied with perceptibly less rigidity than previously; and it is generally taken for granted now that, in the absence of an entirely new approach by the Government to the whole problem of personal incomes—and especially to the wages problem—the tendency towards flexibility will continue, though still within the bounds of "moderation and restraint." This prospect will not be altered by the advice that the Federation of British Industries, the Associated Chambers of Commerce, and the National Union of Manufacturers, have this week given to their members. The FBI reiterates its strong objection in principle to any rigid limitation, pointing out that this penalises precisely those companies that have exercised the greatest restraint in the past, and that the vital need for the attraction of savings into equity investments will not be served unless successful investment yields its due reward. It also reminds the Government that the pledge given by many companies twelve months ago that they would not increase their dividends was conditional upon stabilisation of wages and action to reduce Government expenditure. On both these counts, it is clear that the companies concerned have been freed from the letter of their bargain; but they have not taken any undue advantage of this freedom.

Despite these considerations, the FBI emphasises—as it clearly had a duty to do—that the inflationary dangers inherent in defence outlays plainly demand a continuance of restraint. The significance of dividend restraint, however, is regarded as political and psychological rather than economic, on the ground that the influence of dividends on inflation is trivial in comparison with that of wages and salaries—the levels of which were £710 million and £6,530 million respectively in 1949. In fact, however, even if the principle of dividend restraint were dropped altogether, the risk that any large increase in dividends would take place would be very slight. Though shareholders would become more importunate, most industrial concerns have long been acutely aware of the steadily growing strain upon their cash resources; they now face not only an aggravated problem of replacement of fixed capital at prices even further removed from the capital value allowed for income tax purposes, but also a menacing demand for more working capital.

Given the difficulty of its budgetary problem, it would be unrealistic to hope that the Government will be induced by these arguments (valid though they are) to relinquish its dividend policy at this stage. The FBI therefore does well to emphasise, in its "background" statement, the importance of retrenchment in public expenditure as a means of countering inflation. It would have done even better had it also stressed the vital need for policies of this kind as a means of minimising the reliance upon physical controls, which assuredly will otherwise be greatly extended as the defence pressure rises.

* * *

Britain's Surplus with Europe

The European Payments Union compensations once more reveal the United Kingdom as a substantial creditor in its transactions with other member countries. Complete results of the November compensations have not yet been published, but the figures relating to the United Kingdom show that it accumulated a sterling surplus of £35,086,071, equivalent to 98,241,000 EPU units, in its current transactions with other members. This shows some diminution on the surplus of £80 million accumulated in October, but it must still be accounted an extraordinarily high figure. To the extent of £567,143, this surplus was met by drafts on existing resources of other members. For the whole period, from July 1, 1950, up to the end of November, Britain's cumulative net surplus amounted to £149,383,214; this surplus has been financed as follows:

	£
U.K. net surplus	149,383,214
Of which existing resources have satisfied	11,078,928
Leaving	138,304,286
Deduct :—	
U.K. initial debit position	53,571,429
First 20% of quota	75,714,285
Balance of surplus	9,018,572
of which :—	
50% credit	4,509,286
50% gold	4,509,286

It will thus be seen that Britain has now reached the point at which its surplus is partially dischargeable in gold; the first gold receipt arose from the November compensations. It may be assumed that the bulk of the surplus earned in November was the work of the rest of the sterling area, whose raw materials sales to Europe have again reached an exceptional level. If, as may well be, EPU is to be the mechanism through which payments for defence materials are cleared, the figures in the months to come are likely to reflect such items to an increasing extent. In that event it may well be necessary to reconsider the allocation of quotas to member countries, especially now that a number of countries have reached gold point in their relations with EPU. It would be unthinkable that the co-ordinated defence programme for Western Europe should be halted in its tracks by the inability of one or other of the parties concerned to put up the gold required under existing EPU arrangements.

* * *

More Coal, but not Enough

The miners worked hard enough last week to cut more coal than at any time since Dunkirk—but shortage of wagons to receive it at the surface, through bad weather, came as a reminder that there are more factors in the winter coal equation than miners' hard work alone. Lack of transport at the pitheads, mainly in the East Midlands division, was responsible for a loss of 22,800 tons. The week's deep-mined output of 4,563,000 tons, although the highest this year, was 11,000 tons below the total of the corresponding "bull week" in 1949; opencast production was also lower, so that the week's total output was 4,758,000 tons, compared with 4,789,000 tons in the corresponding week last year. Saturday work produced 381,200 tons last week, the highest since the agreement on extension of hours was reached in 1947. On the other side of the account, consumption in the week ended December 9th rose sharply again to 4,827,000 tons, nearly 200,000 tons higher than the previous week and 283,000 tons higher than in the same week of 1949. Cumulative figures sum up the position clearly: for 49 weeks of the year, consumption was 7,483,000 tons higher than last year, while production for 50 weeks was only 1,270,500 tons higher.

In the next two weeks there will be one working day less than in the last two weeks of 1949, so that the miners can hardly be expected to turn out the 6,600,000 tons they produced in the last fortnight of 1949. Output from the mines may thus be somewhat below 204 million tons for the year, against the lowest target of 205 million tons; while opencast output, which is highly vulnerable to weather, is likely to be 500,000 tons or more below the 13 million tons aimed at.

Consumption, however, can be depended upon not to flag; there have been signs of a scramble for coal and coke and the depletion of stocks is unlikely to be any smaller than the 1,200,000 tons withdrawn in the last three weeks of 1949. Mr Noel-Baker's long-lost "safety level" of 16.5 million tons at the beginning of October would ordinarily have meant ending the year with about 14.5 million tons of distributed stocks; but on December 9th stocks were already down to 14.3 million tons, and by the year-end stocks may not much exceed 13 million tons. Even though deliveries of 1,200,000 tons from America should begin to arrive early in the New Year, and some of the exhorted miners may continue to work Saturday shifts, coal supplies will be tighter than during the last two mild winters—and it would be dangerous to hope that in the next month or two the weather will come to the country's assistance once more.

* * *

Allocation for Zinc—Quota for Copper

The base metal shortage has at last forced the British Government to restrict domestic consumption. A full allocation scheme for zinc will be introduced by the Ministry of Supply on January 1st, but details had not been announced when this issue went to press. Purchases of imported copper from the Ministry will also be restricted from January 1st; the maximum for any one month will be the average consumption in the first half of 1950. To blame these shortages on the Ministry of Supply alone, without acknowledging the capacity of the United States to suck in stocks from all over the world, would be unfair. But once again centralised purchasing has failed to procure an adequate supply of base metals. Until July, 1949, the system provided British manufacturers with dear non-ferrous metals: eighteen months ago, when the Ministry decided to base its selling prices on those ruling in the New York market, it tied its hands on prices but continued to gamble with stocks.

As has happened so frequently during the past five years, the Ministry's view of market trends has differed from that of the trade. Early this year, it seemed to believe that non-ferrous metal prices would fall and decided to liquidate rather than to build up its stocks. There were obvious signs at the beginning of the year that the resurgence of industrial activity in the United States would produce a rise in commodity prices and in base metal prices in particular. That evidence was apparently ignored. Even since hostilities began in Korea, the Minister of Supply more than once, and the Prime Minister on one occasion, assured Parliament that there was no fear of a shortage of raw materials. Britain now faces what could be its most serious production crisis since the war.

In a debate on raw material supplies in the House a week ago Mr John Freeman, the Parliamentary Secretary to the Ministry of Supply, repudiated the charges that the Ministry had failed in its job of securing adequate supplies of non-ferrous metals. He added:

> To the best of my knowledge, we have done everything which it has been possible to do to secure an adequate supply of materials which industry will need in the course of next year.

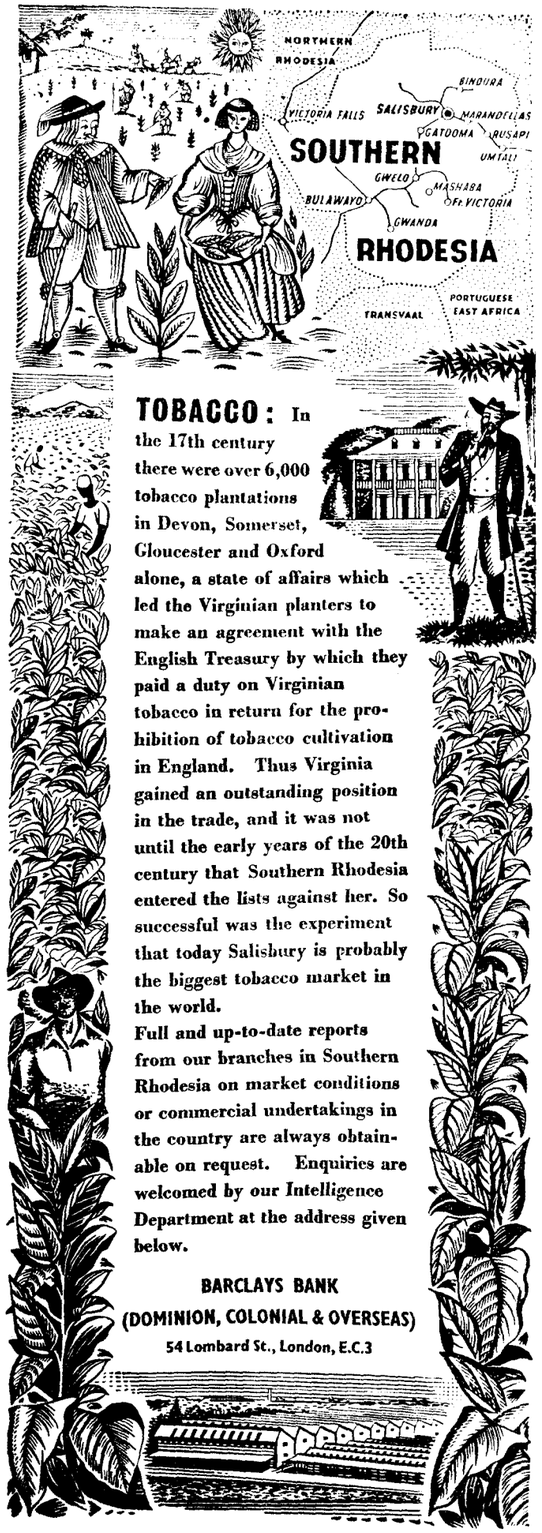
He said that the non-arrival of a large consignment of zinc from Belgium, which should have been delivered during the last three months of this year, was the main cause of the present zinc shortage. But Britain's stocks must be very low if the failure of one consignment could turn adequacy into shortage. Now, somewhat belatedly, the Ministry is willing to purchase zinc at almost any price. Its chances of buying any sizeable quantity are slim.

* * *

Prospects for Sulphur and Steel

On other raw materials Mr Freeman was less enlightening. No formal control of phthalic anhydride (used to make plasticisers for the paint and plastic industry) is at present being considered, though a system of priorities may eventually be established. Britain has been promised a shipment of 20,000 tons of sulphur from the United States for the manufacture of sulphuric acid and delivery is expected next month, while an emergency shipment of 7,500 tons for "regular" use has been arranged for delivery during December. But until the United States Government announces its export allocations for 1951, Britain must wait and see what sulphur it is likely to receive. It is extremely unlikely in any case that this country will receive anything approaching the 400,000 tons it purchased from USA this year.

The Government is apparently as confident about next year's level of steel production as the steel industry. Mr Freeman admitted that it was not known how much steel scrap could be imported next year, or indeed how much iron ore. But, assuming a middle course "between the most unfavourable and the most favourable assumptions," the output of general steel in 1951 should be "somewhere about the same level as in this year," that is 16¼ million tons. If industry could rely on this figure, the supply of steel will be adequate to meet Britain's "essential" needs—granted that "essential" is defined by the Government. But exports will most probably continue to be cut, at a time when the iron and steel industry is developing a valuable market in Canada.



TOBACCO: In the 17th century there were over 6,000 tobacco plantations in Devon, Somerset, Gloucester and Oxford alone, a state of affairs which led the Virginian planters to make an agreement with the English Treasury by which they paid a duty on Virginian tobacco in return for the prohibition of tobacco cultivation in England. Thus Virginia gained an outstanding position in the trade, and it was not until the early years of the 20th century that Southern Rhodesia entered the lists against her. So successful was the experiment that today Salisbury is probably the biggest tobacco market in the world.

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More serious, perhaps, is the fact that the long-term expansion in British steel production, which has been so impressive in recent years, may be checked.

* * *

Headache for Brassmakers

Manufacturers in the brass trade—which of all the industries affected directly by non-ferrous metals shortages is perhaps the most important supplier to industry as a whole—met the Ministry of Supply this week to discuss their metal allocations for 1951. It was not then clear what the quotas allowed for virgin copper (these may be about 10 per cent below consumption in recent months) would mean to brass firms; in any case, the adequacy of copper depends upon the 1951 quota allowed for zinc, which seems likely to be cut considerably more severely.

BRASS AND COPPER-BASE ALLOYS: MONTHLY OUTPUT OF MAIN PRODUCTS AND CONSUMPTION OF NON-FERROUS METALS, 1950

Product	Monthly Average: Jan.-June		October	
	Gross Output Tons	Copper Content Tons	Gross Output Tons	Copper Content Tons
Wire	1,541	985	1,607	1,175
Rods, Bars and Sections	10,955	6,625	12,756	7,715
Sheet, Strip and Plate	7,853	5,120	8,755	5,745
Tubes	1,400	989	1,499	1,057
Castings, etc.	3,916	3,133	3,514	2,811
TOTAL	25,465	16,850	28,131	18,499
of which Zinc Content		8,123		9,120

Even if scrap metal were to be left outside the allocation, those brass firms which have largely been supplementing their supplies with scrap would have little chance to continue to do so economically. Supplies from the Ministry have dried up, while commercial prices of scrap—in the very limited amounts which are now to be had—have shot up. In September brass scrap stood at what the trade considers a normal price—about £12 to £20 below its "mixture value" in terms of the virgin metals. By late October it equalled the mixture value, generally considered the upper economic limit; this week, through what the trade considers "false" but in fact entirely real economics, scrap is fetching nearly 40 per cent above its mixture value.

* * *

Scrap and Defence

Substitution of scrap, in any case, is an expedient much more practicable for one side of the sharply-divided brass trade than the other. The brassfoundries, which in number if not financial weight greatly outnumber other sections of the trade, can use very large proportions of scrap in their products, which include not only the finished items listed in the table but ingots of brass alloys for the remainder of the trade and other industries: some castings can be made from almost 100 per cent scrap. There are several hundred brassfoundries, scattered fairly widely throughout the country, though with concentrations in the Midlands and the North of England; and the typical productive unit is a very small one. Some firms employ up to 600 or 800 workers, and turn out a large proportion of the brassfoundries' total output (95,000 tons in the first nine months of the year). But the industry is one in which a skilled man and a boy with a ten-pound crucible, two hundred firebricks, and three bars of iron, can operate profitably; several successful firms began in that way, and even since the war some fine craftsmen have been starting out, with capital equipment costing perhaps £20 and five cwt. of scrap from a merchant on credit. These are wholly vulnerable to any shortage of supplies.

The other side of the industry turns out four main brass products—wire, rods, shapes and sections, sheet strip and plate, and tubes—and is far more concentrated economically and geographically. Many firms manufacture more than one of the main types of product, some all; and in some cases a brass firm will turn out similar copper products as well (though high-conductivity copper wire is a fairly specialised operation). There are about a hundred firms in the business, generally concentrated in the Black Country around Birmingham (wire producers less so), but there are important companies operating in London, Newcastle, Manchester, Southampton, Leeds, Glasgow and Edinburgh. Two or three of the largest companies employ several thousand workers, and on this side of the trade one firm accounts for about 22 per cent and another about 18 per cent of total output, though the average firm usually turns out about 5 per cent of the industry's output. Their production has grown since before the war by extension of existing factories rather than by new entrants, since a non-ferrous metals mill involves a large capital investment; but it has not attained the peak of the war years. These firms normally use only limited quantities of scrap.

Apart from its indispensability in marine engineering, motor manufacture, locomotive and other steam-raising equipment, and in much industrial machinery (plus large supplies of castings for building), the industry is vital for munitions. It is not yet fully informed of the demands that defence will make upon it or of whether special metal supplies for defence requirements may be forthcoming outside the quota. This factor, added to general fears of labour redundancy, may become the most serious of its future problems.

* * *

Long-term Contract for Aluminium

The immediate threat of an aluminium shortage in Britain has been averted by a new twenty-year contract signed by the Ministry of Supply with the Aluminium Company of Canada; but industry cannot expect any larger supplies, nor indeed a postponement of the cut in allocations from 17,000 to 15,000 tons a month announced by the Minister of Supply a fortnight ago. The contract gives Britain first call on 200,000 metric tons a year of virgin aluminium for the next twenty years; next year Britain will purchase 50,000 tons in addition to the 150,000 tons already under contract, and 220,000 tons in each of the two following years. In return the British Government has agreed to fund anew over a period of 20 years the loans made to the company during the war to extend its capacity, and it will lend the company a further $25 million to help to finance further expansion.

Next year, then, Britain should obtain 200,000 tons of aluminium from Canada and perhaps a further 30,000 tons from home output. If allocations are maintained at the reduced rate of 15,000 tons a month throughout the year, there will be a surplus of 50,000 tons in twelve months' time. Some 25,000 tons of this will be required to make good the sharp reduction in stocks during 1950, leaving only 25,000 tons to supply the rearmament programme and to help build a strategic reserve. Admittedly it will take time for armament contracts to be placed and for manufacturers to tool up, but if the Government has any sense of urgency, the new programme should be well under weigh by the second half of the year.

In 1952 and 1953 Britain will get an additional 20,000 tons a year. If monthly allocations in this country were then restored to 17,000 tons, supplies available for defence purposes would amount to only 45,000 tons a year, and this quantity would seem by any reasonable standard too small. The inference must surely be that allocations will have to be reduced not only next year but conceivably in both 1952 and 1953 as well.

Swedish and Norwegian Trade

This time last year the main preoccupation of those who negotiated Britain's bilateral trade pacts with European countries was to write into each agreement a high figure for total exports and a low figure for total imports—and then to urge British industry to aim at them; within the broad framework of these guesses at trade values, certain *sotto voce* understandings were arrived at about the quantities of each scarce commodity that the customer in question might possibly expect to receive. In drawing up trade agreements for 1951, the technique of negotiation seems to have entirely changed. The million pound sign has been swept out of prominence and the negotiators have had to get down to hard bargaining about stipulated quantities of scarce commodities. Under the Anglo-Swedish trade pact that was initialled in London last week, for example, Britain has provisionally offered Sweden 104,000 tons of iron and steel in 1951—more than double the quota of iron and steel exports to Sweden that was fixed for 1950. This, however, is but a poor sweetening of the bitter pill of reduced coal exports. Britain can allot only 500,000 tons of coal to Sweden next year—less than half the amount that was shipped in the first ten months of 1950 (though exports even then were below estimate). Britain has also promised Sweden that a "reasonable proportion" of any extra coal and coke that becomes available will be allotted to it; Sweden may also expect to receive some tinplate and textile yarns of which it is short. In return, Sweden's exports of timber to Britain in 1951 should reach 200,000 standards and its iron ore exports should be maintained at about the present rate (between 250,000 and 300,000 tons a month). Some British restrictions on the import of Swedish wooden and steel manufactures will also be withdrawn.

In its negotiations with Norway, Britain has followed the tactic of signing a general agreement first and discussing awkward details after. These latter discussions are now proceeding. Britain is asking Norway for more whale-oil, pulp, paper, ferro-alloys and aluminium. Norway's shopping list includes all the usual, and virtually unobtainable, items, such as coal, coke, steel and cotton yarns. One of the main preoccupations of the British delegation, however, is to persuade the Norwegians to ease some of their quantitative restrictions on imports—particularly those on imports of clothing and textile piece-goods. Since Norway is in acute difficulties on her balance of payments, it has restricted its intra-European liberalisation programme to a bare 60 per cent of total imports. The Board of Trade argues, with a certain air of discovery, that even a debtor country should sometimes be resolute enough to take a few risks.

* * *

Achievements at Torquay

The fifth session of the contracting parties of the General Agreement on Tariffs and Trade has been concluded at Torquay. The tariff negotiations, as distinct from the discussions on trade practices, will continue well into 1951. Among the subjects discussed in full session three deserve special mention. They are: first, the complaints made to certain governments, including that of the United Kingdom, on the discriminatory application of their import restrictions, secondly the protectionist effect of British purchase tax; and thirdly, the future of GATT and of the International Trade Organisation. The first of these subjects has unquestionably been the most controversial. Early in the discussions the representatives of Belgium, Cuba, Canada and the United States argued that the time had come for a progressive relaxation of restrictions imposed on hard currency imports by Australia, Ceylon, New Zealand, Southern Rhodesia and the United Kingdom. The International Monetary Fund was taken into consultation and expressed the opinion that such relaxations would be feasible, but

should be undertaken with due caution, having regard to present uncertainties. To these arguments, the representatives of the "impeached" governments answered that too much attention should not be paid to the recent marked increase in the sterling area's dollar reserves; they argued that the complainants had paid insufficient attention to the adverse factors operating in the present situation, the full force of which would not be felt until 1951. The discussion ended by the representatives of these sterling area countries "taking note" of the observations made to them and undertaking to convey them to their governments for their consideration. In other words, the deadlock on this issue was complete.

Britain appears to have been much more yielding on complaints against its purchase tax system. The Netherlands, supported by a number of other countries, had put forward the argument that exemptions from purchase tax for British made utility goods did not apply to goods of comparable quality and price imported from abroad. This was an infringement of the articles of GATT which recognise the principle that there shall be no discrimination against other member countries through the application of internal taxes. The United Kingdom representative had to admit the implacable logic of this argument. He pointed out that the utility system was not intended to act in a protectionist manner, that purchase tax had for some time been withheld from certain types of imported goods, and that there were good hopes of complete elimination of this particular type of discrimination.

The future of GATT had to be considered in the light of intimations from the United States delegation that the proposed charter of the International Trade Organisation would not be re-submitted to Congress. The United States Government does, however, intend to introduce legislation that would make American participation in the General Agreement on Tariffs and Trade more effective. This virtual abandonment of the ITO child by its parent has caused surprise and disappointment among certain delegations. It has also strengthened the need to give more permanent form to the sketchy organisation of the administrative machinery of GATT. That question has been submitted to a working party and will be further examined at the next and sixth session of the contracting parties, which is due to open at Geneva on September 17th, 1951.

* * *

Royal Commission on Taxation

The members and terms of reference of the Royal Commission on the taxation of profits and income were announced late last week. The chairman, Lord Justice Cohen, will be assisted by thirteen members including three members of the Tucker Committee (Mr Millard Tucker, K.C., Mr W. S. Carrington the chartered accountant, and Mr George Woodcock of the TUC); there are three industrialists (Mr J. E. Greenwood of Boots Pure Drug, Sir Geoffrey Heyworth, chairman of Unilever, and Mr W. J. Keswick); three economists (Dr Vera Anstey, Mr J. R. Hicks and Mr Kaldor); and the list is completed by Mr H. L. Bullock (TUC), Mr W. E. Crick (economic adviser to the Midland Bank), Sir Thomas Gill (CWS), and Miss Lucy Sutherland (principal of Lady Margaret Hall).

Their task will be long and difficult. The terms of reference are to inquire into the present system of taxing profits and income, including its incidence and effects, with particular reference to taxation of profits, salaries and wages. They are to consider whether "for the purposes of the national economy" the present system is the best way of raising the required revenue, holding the balance between the exchequer and the taxpayer. And finally they are asked to examine the present system of allowances, reliefs and tax rates and the equity of the individual tax burdens that result from them. All this is subject to the inevitable proviso—"to make recommendations consistent with maintaining the same total yield of the existing duties in relation to the national income."

It is unlikely that the Royal Commission will be able to get effectively to work until much of next year has passed. The first report of the Tucker Committee (on the definition of business profits) is not expected before February, and its second task on pensions schemes has yet to be undertaken. The work of the Royal Commission goes well beyond definitive exercises of this kind and raises fundamental issues about the incidence of taxation on economic activity and incentive. It is certainly time that these questions should be brought under authoritative examination.

* * *

Uranium from the Gold Mines

The announcement that uranium is to be produced by four South African gold mines (West Rand Consolidated, Daggafontein Mines, Blyvooruitzicht Mines and Western Reefs Exploration and Development) holds out the prospect of a considerable increase in the supply of uranium for Britain and America, for the gold mines are expected to become their third largest source of the metal. Discussions on the possibility of extracting uranium as well as gold from ores mined on the Rand have been going on for three years between the British, American and South African atomic energy authorities. The concentration of uranium is low in these ores compared with the uranium content of ores hitherto treated, but the urgent need for uranium justifies the speed with which the project is to go forward. It is customary to class as "uneconomic" deposits containing less than ten per cent of uranium and the present scarcity of uranium owes something to this rule of thumbb for few deposits contain as much. Yet there is, on average, 4 grams of uranium to every ton of the earth's crust and it is present in gold ores, shales, granites and several other minerals in proportions of up to one per cent. The ores to be treated in the four mines have concentrations of rather more than one per cent.

If atomic energy is to make a large contribution to world power supplies, the exploitation of these and similar low-grade ores will be inevitable. Sir John Cockcroft has said that an economic method of extracting uranium from them is the first major objective in an atomic power programme—without it the nuclear reactors will not have adequate fuel reserves. The South African project may in some respects prove the half-way house since the major cost of mining the ores will already have been undertaken to recover their gold content, leaving the uranium to be recovered as a relatively low cost by-product. One company alone expects to be able to handle 40,000 tons of ore a month by the time the uranium extraction plants are working; thus it is evident that the scheme should yield considerable tonnages of uranium metal. But the valuable part of that metal, the fissionable U 235 which is the starting point for all nuclear processes, is present only as one part in every 140 of natural uranium. The problem of uranium supplies depends very largely on the proportion of the non-fissile U 238 per ton of natural metal which can be converted into a fissionable, and hence a useful, form for the development of atomic energy.

* * *

More Bricks and Cement

The Ministry of Works has warned brick and cement manufacturers to expect increased home demands next year and in recent weeks both industries have been discussing with the Ministry the steps they can take to increase home deliveries. The cement industry is already working to full capacity; increased supplies therefore involve finding imports to supplement home production. Output this year will exceed 9,500,000 tons and more than 700,000 tons of new capacity will have been brought into operation by the beginning of next year: thus, output in 1951 should reach, and may possibly exceed, 10 million tons. But out of this total the industry has to meet its export commitments. Exports have had to be kept down to about 1,800,000 tons this year, and it may prove impolitic to cut them further since a large proportion goes to the colonies and a growing tonnage to the United States and Canada.

Foreign producers with surplus output are becoming difficult to find. Germany and Belgium are the only exporters left among continental producers and the Germans have had some difficulty in getting the bags for their cement. Imports also bring other problems. Cement was selling this summer in Brussels at 80s. 2d. a ton compared with 73s. a ton in in London, and the Belgian price has since been rising. Whenever the Cement Makers' Federation has imported cement (and 110,300 tons were brought in during the first ten months of the year) the Federation sold it at ruling British prices and made up the difference from its own funds. Funds for such price equalisation are presumably not inexhaustible and the Federation obviously could not be expected to finance an import programme on the scale planned for next year. Does this mean that imported cement will have to be sold at its cost price, which with transport and handling costs, would be nearer £6 10s. a ton? This is certainly one of the questions which have been under discussion with the Ministry.

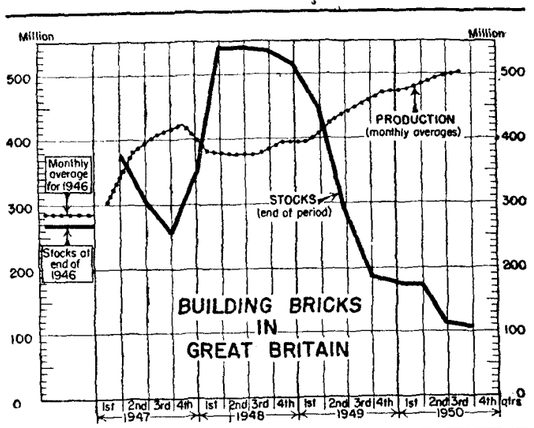
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Labour Shortage in the Brickyards

The brick industry is working to only 80 per cent of capacity. The Ministry has asked for an output next year of between 7,000 million and 8,000 million bricks, compared with an estimated output of less than 6,500 million this year, and has at the same time sent out a questionnaire to find what total productive capacity would be. It is certainly sufficient for the proposed rate of production, which would restore output to the 1938 level, but shortage of labour may prevent such a rate from being reached. After the restrictions on building were announced in the autumn of 1947, large stocks accumulated in the brickyards; production had to be cut and many yards closed. The industry foresaw that the men who were dismissed then would prove irreplaceable and appealed without success to local authorities to store bricks on building sites so that the brickyards could continue working.

When demand rose again, the industry could not re-recruit enough men for production to keep step, and deliveries have been maintained by running down stocks. The accompanying table shows that while production has been rising, stocks have fallen to a very low level.

Output can be increased next year only by employing more men, and past experience suggests that it may not be easy to find them or keep them. Brickmaking is unpopular and even the highly mechanised firms making fletton bricks have difficulty in finding labour; it is even harder for the small brickyards, where the work entails a good deal of heavy labouring. It is not clear how the Ministries of Works and Labour, or the industry propose to find the extra men. Perhaps something less than disaster will occur if they cannot be found and the Ministry's target is not reached, for there are grounds for suggesting that the Ministry's estimates of both brick and cement requirements are high and perhaps too high.



* * *

Railwaymen's Wages

The dispute between the Railway Executive and the three railway unions provides yet another example of the determination of the railwaymen to take what they can get without giving anything in return. The Minister of Labour has been trying to break the deadlock, but he has not succeeded in bringing the two parties any nearer towards an agreement, and he has been obliged to appoint a Commission of Inquiry into the matter.

The dispute arose out of the insistence of the Railway Executive that certain conditions should be attached to their offer of higher wages to the railwaymen. In particular, they asked that the continued practice of "knocking-up" (which assumes that the alarm clock was never invented) and of providing guards for certain vans which did not need them should be abandoned. The executive insisted also that the principle should be firmly established that there must be some concessions on the part of employees towards improving

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the efficiency of the railways before wages could be increased.

The unions, on the other hand, maintain that they have always been ready to discuss proposals for changing the conditions of employment, but they refuse to discuss such proposals conjointly with wage negotiations. They insist that the two sets of negotiations should be quite separate and that the one should not be contingent upon the other. There can be little doubt on grounds of principle and good sense that the Railway Executive's view is right. Higher wages without an improvement in efficiency must inevitably mean an increase in costs and neither the Transport Commission nor the country can tolerate that result. Nor is it acceptable that wages and conditions of work, which are intimately connected, should be kept in watertight compartments. The restrictive practices which the unions have gradually developed are as detrimental to the industry as low wages are to the employees. A *quid pro quo* agreement is the obvious and sensible solution from which both parties cannot fail to benefit.

* * *

Fall in Bank Advances

One of the most remarkable features of Britain's financial experience since the spring has been the way in which bank loans to industry have remained stable (and even declined) while bank lending to the Government has been forced continually upwards. The latest classification of bank advances by members of the British Bankers' Association shows that total advances outstanding in November were £8,000,000 lower than in August and £32 million lower than in May ; in the comparable periods of last year there were rises of £35 million and £45 million respectively.

It is true that the three months between end-August and end-November are months in which bank advances (other than those to the food, drink and tobacco group) are apt to show a reasonable fall ; the £35 million rise between August and November in 1949 was more than accounted for by a £15½ million rise in loans to the food, drink and tobacco group and an exceptional £21½ million increase in loans to public utilities. This year loans to "food, drink and tobacco" rose even more sharply, by over £19½ million, but loans to public utilities declined by £5,500,000 thanks to repayment of bank advances out of the proceeds of successive calls on the last May's Electricity loan. Repayments of bank advances out of the proceeds of the controversial ICI issue of loan stock also, no doubt, explained the £8,500,000 decline in loans to the chemical industry. The really surprising feature of the latest classification of advances, however, is that industries using wool, leather and rubber, non-ferrous metals and engineering supplies in general have this year maintained their seasonal habit of repaying bank advances in the autumn. The implication seems to be either that these industries were not willing to accumulate large stocks of raw materials at present prices or that their banks were not willing to grant new loans to enable them to do so. In either case it seems likely that the only firms that could have indulged in panic buying of raw materials, up to November at least, were those with ample liquid funds on hand.

* * *

Private Trading in Cocoa

The cocoa market has been given a further measure of freedom when export licences were discontinued this week. Cocoa may now be exported freely to any country without first obtaining government sanction. Private importation of cocoa beans was resumed in November and British manufacturers formed a buying panel to negotiate with the West African Marketing Board. Its first purchase of cocoa beans was announced a fortnight ago, when it bought 10,000 tons from the West African Board at 257s. 6d. a cwt. c.i.f. UK. The panel fixes only the total quantity and the price ; the individual members then make separate contracts. All manufacturers operating in the scheme must agree to buy at least 75 per cent of their annual requirements through the panel, excluding their allocations from the Ministry of Food stocks.

The total purchase made by the panel actually amounted to 13,000 tons, but 3,000 tons represented private purchases by members of the panel. The 10,000 tons was stated to be 21½ per cent of the panel's commitment for the present season, so that the total will be 46,500 tons, making British manufacturers' private imports this season some 62,000 tons. If total consumption for the season is taken as 102,000 tons, then allocations from the Ministry's stocks (which, incidentally, are sold at 220s. a cwt) should be 40,000 tons. Thus chocolate manufacturers in this country will continue to get a large part of their cocoa beans at a low price. Even the price of 257s. 6d. a cwt agreed last week with the marketing board was about 10s. a cwt below what was considered the ruling price.

The world cocoa crop this season is expected to be 10,000 tons larger than in 1949-50. According to estimates prepared by Messrs Gill and Duffus Ltd., world output should reach 752,300 tons, against 742,740 tons last season. As consumption in producing countries is expected to fall, the world exportable surplus is put at 703,300 tons, compared with 691,740 tons in 1949-50. West African production is again expanding and is expected to offset the smaller Brazilian crop. The swollen shoot disease is still rife in the Gold Coast, but scientists now believe that they have discovered a method of preventing it from spreading from the infected areas. It will no doubt take years to eradicate the disease, but at long last steps are being taken to contain it. The importance of controlling this disease can hardly be over-emphasised. Production in the area worst affected has declined from 105,400 tons before the war to 46,500 tons in 1949-50, while output in the rest of the Gold Coast increased in the same period from 166,000 tons to 203,500 tons.

WORLD COCOA CROP
('000 Tons)

	1949-50	1950-51 (provisional)
British West Africa	347·7	371·7
of which : Gold Coast	*218·0*	*270·0*
Nigeria	*98·0*	*100·0*
French West Africa	97·0	100·0
of which : Cameroons and Equat. Africa	*41·0*	*44·0*
Ivory Coast	*53·0*	*53·0*
Other Africa	26·3	25·0
Brazil	160·0	135·0
Other Latin America	93·5	101·5
British West Indies	11·9	13·0
Asia and Oceania	6·3	6·1
WORLD TOTAL	742·7	752·3
Estimated consumption in producing countries	51·0	49·0
World Exportable Surplus	691·7	703·3

Source : Messrs. Gill & Duffus Ltd.

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ARSENIC



ARSENIC is a steel-grey, brittle, crystalline substance that is never found free in nature. It exists combined with sulphur or oxygen as an impurity in the ores of lead, copper or gold, and is produced commercially as a by-product of winning these metals. By far the largest producer is a mine at Boliden in the North of Sweden, but arsenic is also recovered during mining operations in Australia, Brazil, Canada and the United States. Arsenic may suggest weed-killers—or even "Old Lace"—but, though a large amount of the world's output is used for killing weeds and insects, it is also employed in many other ways. It is used, for example, in glass making, and by the textile industries in connection with dyeing and calico printing. Arsenic is also an ingredient of some sheep dips, wood preservatives and medicinal preparations.

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Commodities Still Booming

The rise in commodity prices since June has been universal and sharp. The accompanying table shows world prices of a selected number of commodities in recent weeks and months compared with December, 1949. It shows that in the first half of this year the rise in prices was patchy. Two items (wheat and sugar) actually fell, while tin was only slightly dearer. In this period the largest increase occurred in zinc which rose by over 50 per cent.

WORLD COMMODITY PRICES

Commodity and Unit	1949	1950						
	Dec.	June	Sept.	Oct.	Nov.	December 5th	December 12th	December 19th
Wheat (cents per bushel)	216¾	215½	223½	225¾	227	227⅝	235	219½
Maize (cents per bushel)	131	143	144½	154⅜	160⅛	164½	167	171½
Sugar, Cuban (d. per lb.)	4·38	4·30	5·85	5·85	5·30	5·25	5·25	5·45
Cotton, US middling (cents per lb.)	31·43	51·64	42·0	41·03	43·76	42·10	42·63	44·10
Wool, 56's (d. per lb.)	71	81	148	150	163	168	170	...
Tin (£ per ton)	599½	600½	811½	981	1,117½	1,182½	1,130	1,302½
Copper, electrolytic (cents per lb.)	18·50	22·50	24·50	24·50	24·50	24·50	24·50	24·50
Zinc (cents per lb.)	9·875	15·0	17·5	17·5	17·5	17·5	17·5	17·5
Tungsten (s. per unit)	92·50	126·9	235·0	235·0	265·0	305·0	335·0	367·50
Rubber, R.S.S. spot (d. per lb.)	15	24	45½	49½	59½	51	50	52

Note: Monthly prices taken at last day of the month except those for wool which are monthly averages.

Since June, prices have soared. Tungsten, a representative of the alloy metals, has trebled in price, tin and rubber have more than doubled, while wool is about twice as dear. Cotton has risen by nearly 50 per cent, sugar by 25 per cent (despite the prospect of a surplus in 1951), maize by 20 per cent and wheat by 12½ per cent. Zinc and copper have a dubious air of stability; the official market prices do not reveal that the grey market price of zinc is 30-35 cents a lb and of copper 45-50 cents a lb; both double their June level.

Shorter Notes

In the article "Fears about Fertilisers" in *The Economist* of December 9th, imports of potassium compounds into this country, referred to on page 1018, should have read 7,000,000 *cwt* and 6,500,000 *cwt*, not *tons* as stated.

*

The second issue of coal compensation stock was duly made on December 15th, for an amount of about £27 million. As expected, it took the same form as the first issue, of just under £20 million, made on June 15th last—namely, 3½ per cent Treasury Stock, 1977-80. In accordance with the terms of the Coal Act, whereby the value of the stock as compensation has to accord with what, in the view of the Treasury, is its value in the market at the date of issue, the allotment price was fixed at 103, compared with par for the original issue. The total of the compensation award to the coal industry was just under £165 million, so that nearly £120 million of stock remains to be issued.

*

Tin reached a new record price in London on Tuesday. Spot was quoted at £1,302½ a ton and three months delivery at £1,120 a ton, making the largest backwardation (£182½ a ton) yet recorded in the London market. The previous peak for spot tin was £1,300 a ton reached on November 8th.

SECURITY PRICES AND YIELDS

A fuller list containing 346 securities appears weekly in the *Records and Statistics* Supplement.

Prices, Year 1950 Jan. 1 to Dec. 19 High	Low	Name of Security	Price, Dec. 13, 1950	Price, Dec. 19, 1950	Net Yield, Dec. 19, 1950 (*m*)	Gross Yield, Dec. 19, 1950
		British Funds			£ s. d.	£ s. d.
101⅜	100⅛	War Bonds 2½% Aug. 1, 1949-51	100⅜	100⅜	...	0 12 7†
100⅛	99⅛	Do. Assented	100⅛	100⅛	1 15 2	1 15 2
					3 0 10	3 0 9
100	100⅛	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	...	0 14 7
					0 19 3	2 0 1
102⅞	100⅜	War Bonds 2½% Mar. 1 1952-54	101⅞	101⅝	...	1 2 8
102⅛	100	Exch. Stk. 2½% Feb. 15, 1955	101⅛	101⅜	0 15 0	1 19 6
103⅞	100⅛	War Bds. 2½% Aug. 15, 1954-56	102⅛	103	0 14 9	1 16 6
					0 13 6	1 17 10
103⅜	101⅛	Funding 2½% June 15, 1952-57	102⅛	102⅛	0 18 4	2 1 11
					0 2 9	1 7 6
104⅛	102	Nat. Def. 3% July 15, 1954-58	102⅜	102⅝ xd	1 3 9	2 8 3
					0 15 0	2 2 1
104⅜	101⅜	War Loan 3% Oct. 15, 1955-59	104⅛	103⅛	0 14 9	2 11 0
					0 17 7	2 5 1
101⅛	96⅛	Sav. Bonds 3% Aug. 15, 1955-65	101⅛	101⅛	1 4 3	2 11 4
					1 10 6	2 19 7
100⅛	97⅛	Funding 2½% April 15, 1956-61	99⅞	99⅛	1 12 2	2 19 10
					1 9 3	2 12 8
100	95	Funding 3% April 15, 1959-69	99⅛	98⅜	1 8 5	2 11 5
					1 16 9	3 4 7
100⅛	99⅛	Funding 3% Aug. 1, 1966-68	100⅛	100⅛	1 14 10	3 2 5
					1 15 3	3 0 6
109⅛	104⅛	Funding 4% May 1 1960-90	107⅛	107	1 15 3	3 0 6
					1 8 8	3 0 0
99⅛	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	98⅜	98⅛	1 19 1	3 15 9
					1 17 7	3 5 10
96	91⅛	Sav. Bonds 2½% May 1, 1964-67	94⅜	94⅜	1 15 5	3 3 4
					1 17 1	3 0 7
110⅛	106⅜	Vict. Bonds 4% Sept. 1, 1920-76	109⅜	109	1 15 6	2 19 0
					1 10 11	3 5 10
98⅞	91⅜	Sav. Bonds 3% Aug. 15, 1965-75	96⅛	96⅛	1 19 1	3 7 7
					1 16 11	3 5 2
105⅛	100	Consols 4% (after Feb. 1, 1957)	104	104¼	1 12 8	3 10 6
99⅛	91⅛	Conv. 3½% (after Apr. 1, 1961)	96⅜	96⅜	2 0 2	3 13 0
71⅛	66⅛	Treas.Stk.2½%(afterApr.1,1975)	71⅛	70⅛ xd	1 18 11	3 5 10
87⅞	79⅜	Treas.Stk.3%(afterApr.5,1966)	84⅜	84	1 19 5†	3 12 0
106¼	99	Treas.Stk.3½% June15,1977-80	103⅛ xd	102⅛	1 15 10	3 6 10
					1 16 1	3 7 1
94⅛	86⅜	Redemp. Stk. 3% Oct. 1986-96	91⅜	91¼	2 0 2	3 9 3
					1 19 1	3 8 2
97⅛	90	War Ln. 3½% (after Dec. 1, 1952)	94⅛	94⅛	2 0 11	3 14 5
74⅜	68⅛	Consols 2½%	71⅛	70⅛ xd	1 18 9	3 10 5
98⅜	92⅛	Brit. El. 3% Gtd. Apr. 1, 1968-73	97⅛	96⅞	1 17 11	3 6 0
					1 17 0	3 5 0
98⅛	91⅝	Brit. El. 3% Gtd. Mar. 15, 1974-77	96⅝	96¼	1 17 6	3 5 6
					1 17 1	3 5 2
105⅛	99	Brit.El 3½%Gtd.Nov.15,1976-79	103⅛	102⅞	1 15 11	3 7 1
					1 16 1	3 7 3
95⅛	83⅜	Brit. Tpt. 3% Gtd. July 1, 1978-88	91⅛ xd	91⅜	2 1 3	3 9 9
					1 19 6	3 8 1
98⅛	92⅛	Brit. Tpt. 3% Gtd. Apr. 1, 1968-73	97	96⅜	1 18 1	3 6 2
					1 17 1	3 5 2
94⅛	85⅜	Brit. Gas Gtd. 3% May 1, 1990-95	91⅜	91⅛	1 19 8	3 8 7
					1 19 2	3 8 1

(*e*) To earliest date. (*f*) Flat yield. (*g*) Assuming redemption in 1957. (*h*) Flat yield given above. If redeemed, in 1952 net redemption yield £5 2 7, gross £6 16 3. (*l*) To latest date. (*m*) Net yields are calculated after allowing for tax at 9s. in £. * Assumed average life 13 years 9 months.

Prices, Year 1950 Jan. 1-Dec.19 High	Low	Last Two Dividends (*a*)	(*b*)	(*c*)	Name of Security	Price, Dec. 13, 1950	Price, Dec. 19, 1950	Yield, Dec. 19, 1950
		%		%	**Other Securities**			£ s. d.
101⅜	95½	(*d*)		(*d*)	Australia 3½% 1965-69	100½	100¼	3 4 0†
102½	99⅜	(*d*)		(*d*)	Birmingham 2½% 1955-57	100½	100¼	2 13 6†
8⅛	6⅛	60	*c*	20 *a*	Anglo-American Corp., 10/-	6⅛	6⅜	5 10 6
7⅜	5⅜	25	*b*	5 *a*	Anglo-Iranian Oil, £1	6	6	5 0 0
85/-	67/9	10	*b*	5 *a*	Assoc. Electrical, Ord. £1	81/3	82/6	3 12 9
87/-	71/6	15	*b*	7½ *a*	Assoc. Port. Cem., Ord. Stk. £1	79/-	79/-	5 13 11
29/10½	17/0½	40	*c*	35 *c*	Austin Motor, Ord. Stk. 5/-	28/1½	28/1½	6 4 5
74/-	66/-	7	*b*	7 *a*	Barclays Bank, Ord. 'B' £1	69/6	69/6	4 0 7
147/6	129/-	15	*a*	120 *b*	Bass Ratcliff, Ord. £1	146/10½	147/6	3 7 8†
51/3	44/6	40	*c*	10 *a*	Boots Pure Drug, Ord. 5/-	48/6	48/6	4 2 6
45/7½	37/6	6	*b*	4 *a*	British Aluminium, Stk. £1	38/6	39/3	5 1 11
25/7½	18/-	8	*c*	10 *c*	British Celanese, Ord. 10/-	23/9xd	24/6xd	4 1 8
98/-	85/3	12	*b*	8 *a*	British Oxygen, Ord. £1	86/6	88/6	4 10 5
60/14½	50/7½	5	*a*	7½ *b*	Coats, J. & P., Ord. Stk. £1	55/-	54/6	4 11 0
41/3	32/14½	5	*b*	2½ *a*	Courtaulds, Ord. £1	38/6	39/-	3 16 11
19/11½	16/6	20	*c*	6½ *a*	Distillers Co., Ord. 4/-	19.5	19/6	4 2 1
32/9½	28/9	8	*c*	8 *c*	Dorman Long, Ord. £1	31/-	31/9	5 0 9
67/-	50/7½	15	*c*	15 *c*	Dunlop Rubber, Ord. £1	55/7½	55/-	5 9 1
47/6	37/9	10	*c*	10 *c*	Ford Motor, Ord. Stk. £1	45/-	45/9	4 7 5
86/-	72/-	17½	*c*	17½ *c*	General Elect., Ord. Stk. £1	81/3	81/3	4 6 2
136/-	124/-	11	*a*	21 *b*	Guinness, Ord. Stk. £1	130/-	130/-	4 18 6
31/7½	24/6	17½	*b*	15 *a*	Hawker Siddeley, Ord. 5/-	30/7½	31/6	5 3 2
44/3	39/6	7	*b*	3 *a*	Imp Chem. Ind., Ord. Stk. £1	42/6	42/6	4 14 1
111/3	95/-	18½	*b*	13½ *a*	Imperial Tobacco, £1	106/10½	105/7½	6 1 2
44/6	38/1½	10	*c*	7½ *b*	Lancs. Cotton, Ord. Stk. £1	40/6	41/3	6 1 3
63/-	51/9	15	*c*	10 *c*	Lever & Unilever, Ord. £1	41/3	41/10½	4 15 7
83/6	69/6	15	*c*	15 *c*	London Brick, Ord. Stk. £1	55/-	56/3	5 11 6
44/-	33/3	45	*b*	15 *a*	Marks & Spencer ("A"), 5/-	80/9	81/9	3 13 5
54/3	41/-	17½	*b*	7½ *a*	P'chin J'nson, Ord. Stk. 10/-	39/-	39/6	6 6 7
	33⅛	4	*b*	8 *a*	P. & O., Def. Stk. £1	53/6	53/6	4 9 9
33⅛	27½	†77½	*c*	17½† *c*	Prudential, 'A' £1	31½xd	32xd	2 8 0†
19/4½	17/4½	18	*c*	15 *a*	Ranks, Ord. Stk. 5/-	18/3	18/3	4 18 8
71/3	59/3	12½	*a*	15 *b*	"Shell" Transpt., Ord. Stk. £1	66/10½	66/3	2 5 4†
56/7½	50/-	12½	*c*	12½ *c*	Stewarts & Lloyds, Def. £1	54/9	55/6	4 10 1
130/-	108/9	12½	*a*	12½ *b*	Tube Invst., Ord. Stk. £1	125/-	126/3	3 19 1
88 6	73/3	3½	*a*	16½ *b*	Turner & Newall, Ord. Stk. £1	83/1½	86/3	4 12 9
36/-	27/-	8	*c*	8 *c*	Union Castle, Ord. Stk. £1	35/6	36/-	4 8 11
66/3	34/4½	12½	*c*	17½ *c*	United Sta Betong, £1	52/6	52/6	6 13 4
35/1½	24/10½	4½	*b*	2½ *a*	Vickers, Ord. Stk. £1	34/3	34/6	3 18 3
18/4½	41/6	27½	*b*	15 *a*	Woolworth (F. W.), Ord. 5/-	43/9	43/9	4 0 0*m*

(*a*) Interim. (*b*) Final. (*c*) Whole year. (*d*) Int. paid half-yearly. (*e*) Special dividends. Yield basis 77½%. (*l*) To latest redemption date. † Free of tax. (*m*) Yield basis 35%.

COMPANY MEETINGS

SOUTH DURHAM STEEL AND IRON COMPANY LIMITED

RECORD GROUP PROFIT

FURTHER INCREASE IN INGOT OUTPUT

MR B. CHETWYND TALBOT ON NATIONALISATION

The fifty-second ordinary general meeting of South Durham Steel and Iron Company Limited was held on December 20th at Cargo Fleet Ironworks, Middlesbrough.

Mr B. Chetwynd Talbot, chairman and managing director, who presided said: Gentlemen, it is with the greatest regret that your boards record the death of your late chairman, Mr J. H. B. Forster, on November 28th last. Mr Forster had been a director of the South Durham and Cargo Fleet Companies for 20 years and chairman since 1947. By his death your boards have lost a valued friend, whose experience in industry was of the highest order and whose advice has been of the greatest assistance throughout the many years he has been actively associated with our companies. I ask you to rise and pay tribute to the memory of your former chairman.

The meeting having stood in silence,

The chairman said:—As you know, it is the intention of the Government to acquire the debenture and share capital of all scheduled firms as from February 15, 1951. In accordance with the provisions of the Iron and Steel Act it was incumbent on the scheduled firms to appoint a stockholders' representative in order to safeguard their interests on any question of values of securities which might arise with the Government. At a special meeting of the holders of all our classes of securities held on November 1st last, it was unanimously agreed to appoint Mr C. U. Peat, a partner in Peat, Marwick, Mitchell and Company, as stockholders' representative.

COMPENSATION BASIS

Since each class of South Durham security has a Stock Exchange quotation, I am afraid the valuation of our assets on a more equitable basis will not arise. Your directors have not yet been advised of the details of the issue of British Iron and Steel stock which will form the method of compensation for all classes of securities acquired. Under the relevant clause of the Act, compensation shall be satisfied by the issue by the Iron and Steel Corporation of Great Britain of such amount of British Iron and Steel Stock as in the opinion of the Treasury is at the date of issue of the value equal to the agreed compensation of the securities, regard being had "in estimating the value of the stock so issued" to the market value of Government securities at or about that date.

Until the date of transfer to the Iron and Steel Corporation of Great Britain—fixed for February 15, 1951—payments on a pro-rata yearly basis from the last date such interest or dividends were due or were paid on all debenture stock, preference and ordinary shares, will be made. On the aspect of nationalisation, or as the name which is commonly adopted of "Publicly Controlled Companies," I intend to refer later in my speech, after I have outlined the year's results and experiences of the South Durham Group of Companies.

RESULT OF YEAR'S OPERATIONS

The gross profit of the group for the year amounted to £1,550,665, to which the South Durham Company contributed, together with dividends received, a sum exceeding £1,000,000. This profit of the South Durham Company is a record amount during the 52 years this company has been in existence. The total profit of the group also comprises the highest level ever attained. It is not possible to accord to shareholders any increased share from these profits by way of a larger dividend, as under the Iron and Steel Act dividends are limited to certain defined amounts which have been paid for the last two years.

Out of the sum of £1,470,000 which has been set aside out of profits for the last three years for the purpose of development and to increase the efficiency of their properties, debenture holders and shareholders of this company and its subsidiary Cargo Fleet Iron Company Limited, on the basis of the terms of transfer enforced upon them, are destined to receive no share. In fact, by subtracting the gross amount of compensation in Government stock amounting to approximately £3,063,000 which will be receivable by debenture holders and shareholders on the basis of Stock Exchange quotations, now two years old or more, from the excess of current liquid assets over current liabilities, there is a surplus of nearly £400,000 in liquid assets over the capital sum at which the State will acquire your properties.

In other words, *without* including any amount for the fixed assets, which last year earned over £1,500,000 in profits, and also excluding compensation receivable in due course for our colliery fixed assets, you are being compelled in addition to hand over to the State the sum of nearly £400,000 in the form of liquid assets. Strenuously opposed as your board has been all along both to principle of nationalisation of the industry and to the unfair method of acquisition, I regret it is not possible to alter these terms which were incorporated in the Act when first published in October, 1948.

GROWTH OF OUTPUT

In his speech to you twelve months ago, the chairman referred to the high level of production which had been obtained at both West Hartlepool and Cargo Fleet. I am glad to be able to record that, comparing our financial year ended September 30, 1950, with the preceding year ingot output showed a further increase of 7 per cent., which is slightly in excess of the anticipated national increase for 1950. From our two plate mills at West Hartlepool a record output of 253,220 tons of plates has been achieved, which represents an increase of 11,900 tons as compared with our previous year's output. At Cargo Fleet considerable strides have been made in the production of broad flange beams.

During the year important orders have been obtained for export, in particular from Canada, and our product is now in great demand in our Commonwealth countries to meet imports hitherto supplied by United States and continental manufacturers. Our steel pipe production at Stockton continues to expand to meet the increased demand for all classes of medium and large diameter pipes for purposes of conveying water, oil and gas. During the year we have completed the fabrication at the Stockton Works and the erection in Ceylon and Portugal of the two largest hydro-electric pipe lines installed in those countries.

Our activities in structural steel work, steel storage tanks and welded fabrication work for shipbuilding and engineering uses in general, have been maintained at a high level of output. Your chairman informed you twelve months ago that our proposal to "hive off" these activities which are not related to the direct production of steel in its rolled form had been declined by the Minister of Supply.

BOARD'S POLICY JUSTIFIED

From these results, our policy of improving the efficiency and thereby increasing production at works which exist today has been justified, and has avoided capital expenditure on a considerably larger scale for purposes of replacement only of existing plants. Taking into account the mounting costs of capital construction, together with the existing high level of taxation, except in instances in which a new method of production is essential to ensure a high level of output and quality, it would seem to me that this country cannot afford the abandonment of existing plants which it is possible to develop to a high level of efficiency.

In order to maintain the existing level of ingot production, it is evident that increased outputs of iron must be produced in this country to offset the reduction of imports of scrap with which we are faced and which it is apparent will not be available in the quantities received during the last three years. In order to maintain a high level of production and thereby ensure continuation of employment, at the West Hartlepool works a new blast furnace of modern design was put into commission at the beginning of December, and an existing furnace will be enlarged to secure a further increased output of pig iron. Sanction has been received from the Ministry of Supply to proceed straight away with the construction of a further battery of coke ovens to ensure continuity of our requirements of coke. In addition, the work of extending the steel plant and the installation of two additional steel furnaces is going ahead.

During the year all steel furnaces at West Hartlepool have been converted to oil firing, with satisfactory results. Work has also proceeded with further modernisation of the slabbing and plate mills, and has been executed to avoid interruption of production. At Cargo Fleet, construction of the new 20 feet hearth blast furnace is proceeding, with the intention of bringing this furnace into production by the end of 1951. The installation of the additional steel furnace has commenced, and it is anticipated completion will be effected to coincide with the blowing-in of the new blast furnace.

CAPITAL COMMITMENTS

The estimated amount of capital commitments authorised by your directors for the development and improvement at the West Hartlepool, Stockton and Cargo Fleet works amounted at September 30, 1950, to £2,733,774. Since that date approval has been obtained for the building of the new battery of coke ovens at West Hartlepool, which increases this figure to approximately £3,000,000. This expenditure will be spread over the next three years, and provided there is no decline in the amounts available for putting aside to the development account, which now approaches £1,500,000, together with the income tax allowances on capital expenditure, and the amount of compensation we are entitled to receive for our colliery properties, except for periods of heavy

expenditure when loans of a temporary nature from our bankers may be required, it should prove feasible for the modernisation of West Hartlepool and Cargo Fleet works to be completed without recourse to a permanent increase in our capital structure.

I trust it will be the policy of the prospective proprietors of this industry—namely, the Iron and Steel Corporation of Great Britain—to pursue the policy adopted by your board and to plough back similar proportions out of earned profits to ensure that the schemes of modernisation and further development to secure technical efficiency on which the industry has already embarked will in no way be jeopardised.

FUTURE OF INDUSTRY

The attitude of your directors to the decision of the present Government to enforce the Act which the late Government, with its large parliamentary majority, drove through Parliament has been clearly defined on previous occasions. Without departing in any way from their convictions, your directors are aware of the great responsibilities which will continue to rest on their shoulders to ensure there is the minimum of disruption in effort on the change of ownership in this industry becoming an accomplished fact.

It has been our hope during the last two years, since the intention to nationalise became a political issue, that some means of an increased measure of control of the industry as it exists today could have been brought about by other means such as extending the powers of the now defunct Iron and Steel Board, without undue interference with the rights of the proprietors of the industry. In our case the number of debenture holders and shareholders amounts to 6,400, and all attempts which have been made to maintain that the industry was owned and operated by a few for their own benefit has already been disproved. It must not be accepted that, after February 15, 1951, the compulsory transfer of your holdings to the State finally disposes of the issue of public control through a corporation nominated by and responsible to the Government of the day, as compared with control by debenture holders and shareholders in their capacities as proprietors of the industry through the boards of directors elected by them.

Finality on this issue, which has been clearly recorded in a recent Parliamentary debate, still rests with the decision of the electorate, and I should remind you both the Conservative and Liberal parties have pledged themselves to return this industry to private enterprise. Should the trend of future events enable this industry to be returned to private enterprise, I consider it is our responsibility to our existing debenture holders and shareholders to ensure that priority is given to them to exercise their will in this matter.

52 YEARS' RETROSPECT

The South Durham Company became a public company controlled by a board of directors elected by shareholders in 1898. During the 52 years of its existence, your directors have pursued a policy of expansion in the range of output of finished steel which commenced originally with the manufacture of iron and steel plates. From this beginning the West Hartlepool works have been built up to become the largest producers of sheared plates on the north east coast. Within the last 25 years at our Stockton works important new industries have been established, which consume a considerable proportion of our steel output. These great strides in the increase of output of steel products and the achievements in engineering and fabricating activities are a clear indication that this company has contributed its share to the high level of efficiency which the iron and steel industry under private enterprise has reached.

This annual meeting is the fifty-second meeting which has been held, and though it seems improbable that the break in ownership on February 15, 1951, can be avoided, I cannot see by the proposed method of State control any advantages will accrue to those employed within the industry or that outputs of manufactured steel at a cheaper price or in greater quantities than the industry has already set itself out to produce will be available to the consumers of steel products.

Before closing my remarks, I wish to extend on behalf of the board and of myself my congratulations to our managers, our officials, our clerical and other staffs, and to our workpeople, for the excellent results of the past year of our operations and for the record level of output which by their exertions and team spirit has been obtained.

The report and accounts were adopted.

THE STRAND HOTEL LIMITED

The forty-third annual general meeting of the Strand Hotel Limited, was held on December 19th at the Trocadero Restaurant, London, Mr S. I. Salmon presiding. The chairman said:

I cannot let this occasion pass without paying tribute to the distinguished chairmanship of my predecessor, Major Gluckstein. He is an elder statesman of our industry and a man whose wise counsel has been sought through long years in this company. We gratefully acknowledge his leadership and we count ourselves fortunate that he continues with us on the board.

This is, perhaps, an appropriate time to make some comment on the tourist trade which is now so vital to our country, particularly with the suspension of Marshall aid. Publicity has made everybody aware of this although the important part that hotels play may not be so readily appreciated. A few of the irksome restrictions on our industry have been removed but some still remain, and those that affect food are a particular source of dissatisfaction to visitors from abroad and damaging to the Government's desire to maintain our reputation as hosts. The Festival year could prove the best advertisement this country has ever had. It should be the forerunner of an era of increasing traffic to this island, but are we to be deprived of the benefits this would bring by our present cheese-paring policy? It must be remembered that it is by our hotels—the visitors' homes while they are with us—that we are primarily judged. We desire to welcome overseas visitors; let us do it wholeheartedly.

For our own part, the three hotels in our group have contributed no small share in adding to the country's dollar resources. A large proportion of our accommodation during the past summer has been continuously occupied by overseas visitors, and the fact that our bookings were made from individual applications from all parts of the world is a tribute to our popularity and demonstrates the goodwill we enjoy. We heartily welcome our overseas guests, but I make no apology for stressing the needs of our own people on whose patronage also our business necessarily depends. The allocation of rooms during the summer season is no easy problem, and some disappointment could be avoided if some of the conferences that take place in London during this period could be held at other times of the year, and so even up the pressure on accommodation.

The report and accounts were adopted.

KOLOK MANUFACTURING COMPANY, LIMITED

RECORD SALES AND NET PROFIT

MR E. S. DUMONT'S STATEMENT

The forty-second annual general meeting of the Kolok Manufacturing Company, Limited was held on December 15th at Rochester Works, Tariff Road, Tottenham, London, N., Mr E. S. Dumont, chairman and managing director, presiding.

The following is his speech, which had been circulated with the report and accounts for the year ended August 31, 1950:

Ladies and gentlemen,—It gives me great pleasure to report that the sales output and net profit for the year have established new records. The net profit of the company is £84,162 as compared with £75,812 for the preceding year, and of the group £92,717 as compared with £82,632. This year's figure of net profit is shown after charging the cost of the premium for the pension scheme which was inaugurated during the year. Also I am glad to report that the new subsidiary to which I referred last year has made satisfactory progress.

ENCOURAGING PROSPECTS

The prospects for the current year, subject to the rearmament programme and its effect on the supply and cost of raw materials, are encouraging. The demand for carbon papers and inked ribbons, for which your company enjoys the highest reputation, has continued at a high level and the volume of business in hand remains satisfactory.

In order to meet this demand, additional machinery has been installed, and to sustain it we have constantly endeavoured to improve our manufacturing processes and the quality of our products. We have, however, reached the limit of our resources in terms of space, and it has become essential to extend the factory, the cost of which, including necessary alterations, is estimated at £45,000. The financial strength of the group has been well maintained, as shown by the consolidated balance-sheet, in which current assets, less current liabilities, stand at £233,114, as compared with £210,106 for the preceding year.

POINTS IN THE ACCOUNTS

The accounts submitted are generally self-explanatory, but I draw attention to the following points. Firstly to the increase of £14,427 in the parent company's balance-sheet in respect of investments. This represents the amount received by a subsidiary for settlement of a war damage claim which has, in turn, been paid to the former shareholders of the subsidiary by the parent company. Secondly, a further appropriation of £5,000 has been made to the superannuation reserve.

Your directors recommend the same dividends as were paid for the preceding year—that is, a final dividend of 110 per cent. (less tax) on the Deferred Ordinary shares, making a total of 150 per cent. for the year, and a final dividend of 6¼ per cent. (less tax) on the Preferred Ordinary shares, making a total of 30 per cent. for the year. These dividends will absorb £8,801 and leave a balance of £60,496 to carry forward, as compared with £44,978 last year.

In conclusion, I express my thanks for the exceptionally good work done by all our executives, staff and employees during the year and to the members of the Board for their valued help and co-operation.

The report and accounts were adopted.

CRITTALL MANUFACTURING

INCREASED COSTS AFFECT PROFITS

LORD BRAINTREE'S SPEECH

The twenty-sixth annual general meeting of the Crittall Manufacturing Company, Limited, was held on December 13th in London, Lord Braintree, chairman and joint managing director, presiding.

The chairman in the course of his speech said:

The trading profits of the group for the year under review at £458,555 show a decrease of £56,281 against the previous year. For the first time the results of Fenestra-Crittall A.G. are included, with a consequent alteration in the comparative figures for 1949. In the preliminary announcement to the press the chairman is quoted as saying that the reduction in trading profits is more than accounted for by increased raw material costs and other charges not passed on to the customer. I propose to enlarge on this statement because it reveals interesting developments in the company's working and epitomises the company's selling policy.

RISE IN ZINC AND BRASS PRICES

The most important material increases were in zinc and brass. The former, of which the wartime controlled price was £26 10s. per ton, rose from £63 10s. at the commencement of the period to £127 10s. at the end. It is now £151. The corresponding figures for brass were an average wartime price of just over 7d. per pound and rose from 10½d. at the commencement of the period to 1s. 6½d. at the end. The current price is 2s. 0½d.

The extra cost to the company as a result of the increases in these metals was in excess of £60,000. To this should be added:—For fuel, freight, petrol, additional pensions and incentive bonus to staff £62,000, making £122,000. By deducting the reduced profit of £56,000 from this figure we are left with £66,000, which can fairly be taken as some indication of our increased efficiency. During the year, by a regrouping of processes and the consequent introduction of a more direct incentive scheme, the productivity of our workpeople has increased by more than twenty per cent. As a result of this we have introduced an incentive scheme for the staff, which evidence to date leads us to hope will bear similar fruit.

In my view the policy of absorbing price increases, rather than passing them on to the customer, is the best possible incentive to efficiency, just as the automatic passing on of increases tends to achieve the opposite result. There must, of course, be a limit to the amount of increased costs which can be absorbed without putting up prices but, apart from the fact that the policy we have followed is a direct inducement to efficiency, there are undoubtedly directions in which an increase in price would have an opposite effect to that intended and would, in fact, result in a decrease in profit. For instance, if there are two prices for an article dependent on its quality, and the more expensive involves the use of material subject to an upward trend in price, to follow this trend would undoubtedly switch orders to the lower priced article and reduce the output of the higher priced, which must inevitably still further increase its cost and might conceivably result in the abandonment of this more expensive finish.

THE FUTURE

I referred last year to the very large volume of building work which lies ahead of us. War damage has hardly been tackled and there is still a huge volume to bring our power plants and industrial equipment up to date. The need for houses, schools and hospitals will be with us for many years to come, and we have hardly tackled the question of slum clearance. In my view, our attitude towards this future should be to do everything possible to keep down cost and to avoid putting up prices.

If we take the view that, because of the amount of work in sight, prices will stand an unjustifiable margin of profit, it must inevitably react against building in the long run, and already most building now going forward cannot be justified on economic grounds, but is simply going forward from sheer necessity. In speaking of future prospects we, of course, have the extremely grave international situation to take into account Just where we as a company shall be placed as a result of rearmament is difficult to say. In the past we have played a not inconsiderable part. Our present volume of trade is much in excess of a year ago, and, subject to the international cloud, we should undoubtedly produce a better result in the current period.

TRADE INVESTMENTS

The income from trade investments is virtually the same as last year, when I mentioned the reduction in the dividend from Crittall-Hope Metal Windows (South Africa), Limited, brought about by the recession in building which had taken place in the Union of South Africa. I may say that there has been no improvement during the past year. It has been possible to retain the same dividend in spite of a reduction in profit, but conditions continue difficult and have been increased by the shortage of steel in the Union.

It is hoped that the supply of South African steel will improve in the near future. Our Johannesburg factory is definitely geared to South African steel production. Our Port Elizabeth factory, on the other hand, was built with the idea of using British steel, and it is inconceivable that this will not eventually be forthcoming.

It is a matter of record that Darlington and Simpson Rolling Mills, of which we own half the equity, which together with our small preference shareholding was acquired at a cost of some £271,000, comes under the scheme for the nationalisation of steel.

Darlington has not yet reached the limit of its development, and I hope I shall be allowed to continue as its chairman and that its policy on which the metal window industry has been built will remain unaltered.

APPROPRIATIONS

The net profits of the company, after taxation at £232,194, show a decrease of £9,179. Adding thereto the amount brought forward from last year and the amount brought in from the Scottish company, there is available a sum of £411,797.

Apart from the transfer to future taxation referred to above, a further £50,000 has been transferred to general reserve, making it £500,000, and £50,000 to plant replacement reserve, making it £125,000. The justification for this latter is greater than ever in view of the continual rise in cost of replacement of plant.

After providing for the preference dividends and the interim ordinary dividend, there is a balance available of £210,484. Your directors are recommending the payment of a final ordinary dividend of 10 per cent. actual, less income tax which will leave a balance forward of £176,109—an increase of £15,588.

I told you last year that our hopes of a considerable increase in export as against the previous year had not been realised. I am pleased to tell you that the period in question shows a substantial increase and that our dollar exports now play a much more important part. In this connection we have concluded in the period an arrangement to establish stocks in the United States, and hope through this channel to materially increase our proportion of dollar exports.

The report was adopted.

LAKE VIEW AND STAR, LIMITED

DAMAGING EFFECT OF CRIPPLING TAXATION

SIR JOSEPH BALL'S SPEECH

The fortieth annual general meeting of Lake View and Star, Limited, was held on December 15, 1950, at The Chartered Insurance Institute, London, E.C.

Sir Joseph Ball, K.B.E. (chairman of the company), presided.

The chairman in the course of his speech said: The revenue from mining and retreatment operations was £1,508,101, as compared with £1,163,586 for the previous year.

An amount of £321,500 has been appropriated for U.K. taxation, the increase of £151,000 over last year's figure being accounted for by the increased mining profits earned, and to an increase in the profits tax due to the higher rate in force and to the larger dividend proposed.

Your directors recommend the payment of a final dividend of 1s. 6d. per share, making a total dividend for the year of 2s. 6d. per share, as against 2s. for the previous year.

The estimated ore reserves at July 1, 1950, total 4,292,400 tons, averaging 4.77 dwts per ton, an increase of 196,000 tons.

I regret to say that labour remains in short supply in Western Australia, despite the fact that the group migration scheme, which was started in 1949, is still in full operation.

BURDEN OF TAXATION

I cannot conclude my remarks without referring to the very damaging effect of the present crippling burden of U.K. taxation on mining companies registered in this country. The sources of British capital for new mining enterprises are being rapidly dried up by these heavy inroads on savings; and, mining companies are being deprived of the opportunity of setting aside the funds necessary to provide for unavoidable new capital expenditure.

For many years past, London has been the financial centre of the overseas mining industry, but today, what do we find? The growing scarcity of "risk" capital in the United Kingdom is driving mining companies to look for it elsewhere; and, there is an increasing tendency for companies to seek Treasury permission to transfer the seat of management to countries where, at the present time, the burden of taxation is both much lower and more reasonably applied.

We have received suggestions that we should transfer the control of the company to Australia but after careful consideration the board have come to the unanimous conclusion that the disadvantages arising from any such change are so great as to outweigh the financial gain to be derived from it.

The report and accounts were adopted.

COMBINED EGYPTIAN MILLS

VAST DEVELOPMENT PLANS

SIR JOHN REYNOLDS ON FACTORS AFFECTING EXPORT TRADE

The twenty-first ordinary annual general meeting of Combined Egyptian Mills, Limited was held on December 20th in Manchester, Lieutenant-Colonel Sir John Reynolds, Bt., M.B.E., J.P. (the chairman), presiding.

The following is an extract from his circulated statement:—

The trading profit at £1,252,242 compares favourably with 1949 at £1,244,750. It must be remembered that the "fine trade" experienced hesitation in its markets during the opening months of the year but subsequent trading fully made good the slow opening period. The profit constitutes a record for your company.

Your directors have considered it prudent to place a further £100,000 to stock contingencies reserve, which will now stand at £200,000. The operation of the "Cover" Scheme in theory protects us against fluctuations but there are eventualities which must be provided for in view of the abnormally high price of our raw material.

The burden of these prices and the wide fluctuations with which we have had to contend will be clearly illustrated to you when I tell you that the two sharp rises which took place in October alone will absorb an extra £400,000 of our resources. Your best quality of Egyptian cotton today is ruling at about 60d. per lb. over prewar, or a rise of some 800 per cent.

A further £150,000 has been placed to general reserve, bringing this reserve in our balance sheet to £500,000. We recognise that this ploughing back of profits is at the shareholders' expense. This increase in reserves should and does improve the value of his property, but is cold comfort to the man who reasonably wants income.

I desire to call attention to the very large amount required for taxation, for, out of the profits of the year no less than £485,710 has to be provided. Taxation demands, including in particular the tax on undistributed profits, have now reached a scale of pure expropriation and are such a burden on the resources of all companies as to be a profound brake on progress. The demands of Government must of necessity be heavy but the maintenance of taxation in peacetime at a pitch which allows no slack for emergency is profoundly disturbing. As a result of this taxation, satisfactory though the profits of your company are, they do no more than suffice to provide the new money which the steady modernisation of your mills demands.

Production figures continue to improve due to an increased labour force now standing at 8,085 as against 7,689 last year and to a steady tightening up of production methods and the elimination of bottlenecks.

As regards sales, our order book is now highly satisfactory and all mills are sold well forward.

OVERSEA MARKETS

During the year most of our former markets have been supplied with our yarns, and regular visits by representatives from our sales department have been made to many oversea markets. We believe in the closest personal contact with our customers. We have been happy to have many of these customers and agents from oversea to visit us at our mills, and the year, from an exporting point of view, has been one of promise.

Unfortunately, restrictions due to monetary controls and licensing difficulties have affected very seriously many of our markets: under this heading is included the current quota allowed for Western Germany. This is far too small for normal usage between our two countries. In many trade arrangements made on a governmental base we feel that cotton yarn should be classed as a vital product for export. It must be wondered sometimes whether our authorities dealing with these questions realise the full value of cotton yarn as an export.

It is interesting to recall that at the end of the last century the exports of cotton yarn from Lancashire were around 250,000,000 lb. per annum. In 1936-37 the average was approximately 160,000,000 lb. while last year (1949) yarn exported was 82,000,000 lb. only. In this calendar year (1950), unless there is a sharp upward trend during the remaining part of the year, the figures will show a further sharp contraction.

The production of spun rayons and fibres from other synthetics shows a progressive increase with a considerable improvement on our prewar figures. Further developments in this field are contemplated.

POSITION OF SHAREHOLDERS

It is regrettably fashionable at present in certain quarters to regard the shareholder as something of a parasite. His profits are largely appropriated by the revenue and any desire he may show for a share in increased prosperity is castigated as profiteering. That your board has been unable this year to improve the shareholders' position by larger distribution is not due to failure by them to understand his problems but to a desire to conserve the company's resources so as to assure so far as possible that the shareholders' property is in first-class order and so equipped that when the trade cycle turns, the less favourable conditions can be faced with confidence.

During the year we have expended £283,659 on capital additions and some £310,000 on repairs and renewals. We are further committed, as our balance sheet shows, to modernisation schemes which will cost £405,000 over the next two years and we have also continued to employ a firm of redeployment consultants.

I deprecate the measuring of improvement by the publication of larger and larger sums spent, as if spending alone would achieve its ends. Most spinning improvements must be geared to weaving requirements and all modernisation geared to the labour force available and to the acceptance by trade unions of redeployment without which modernisation may prove ineffective. Your board has planned its expenditure with these factors in mind fully aware that high-priced new machinery standing idle or underemployed due to shortage of labour or whatever cause, is even more disastrous than idle old machinery.

THE FUTURE

Our shareholders will wish to have some expression of opinion from the board about the future. No chairman would be so unwise as to prognosticate what the future holds, but it may suffice to say that the weeks since closing these accounts are satisfactory and that our sales forward, which cover some months of delivery, give us grounds for sober optimism.

The bitter lessons of the past have not gone unlearnt and we hope that the spirit of co-operation in the industry will not be destroyed by a return of the excessive individualism which marred the 1930s.

The price of long stapled cotton at approximately 800 per cent. over prewar is, of course, a danger to the trade. It would be a much greater danger but that competitive fibres are either relatively as high, as in the case of wool, or in very short supply, as in the case of synthetic fibres.

Some fears have been expressed on the availability of the types of cotton we require. Certainly the drastic reduction in the exportable surplus of American cotton, and the Brazilian cotton crop disaster, have created for the cotton consuming countries the most difficult situation experienced for many years past. I think I can safely say, however, that as far as our raw cotton supplies are concerned your board has every confidence that no insurmountable difficulties will arise during the coming year and that the necessary cotton will be forthcoming to meet our needs and any hoped-for increase in production.

Looking ahead, Japan is a clear and obvious problem, but your group of mills, being as it is in the quality range of goods, is not as vulnerable as some to the first flush of this competition. No reasonable man, however, can see a solution in the enforced restriction of Japanese effort; that way in the end lies war. We should not have to fear fair competition and can but hope that the rise in the standard of living in Japan will continue and thereby reduce the disparity between our two economies.

The earning capacity of your company is steadily increasing; we are well sold ahead and hope that our present improvement will not only hold but increase to the benefit of all those who share in the life of the company.

The report and accounts were adopted.

THE INDUSTRIAL CREDIT COMPANY, LIMITED

The seventeenth ordinary general meeting of The Industrial Credit Company, Limited, was held recently at 9, Leinster Street, Dublin, Mr J. P. Colbert, the chairman, in the course of his speech, said: The year has been one of increasing activity in the company's business both rom the point of view of the variety of proposals submitted and the total demand for industrial financing.

Since the commencement of business in 1933 the company has, apart from its general industrial financing by way of loans, guarantees, etc., carried through 43 public flotations of capital. Some 25,000 persons in the 26 Counties have invested in these Irish industrials sponsored by The Industrial Credit Company, and I think we may fairly claim that, largely due to the operations of your company, Irish industrial securities now rank, in the opinion of the genuine investor, equally with first-class industrials quoted on the London Stock Exchange.

As regards the general finances of the company, we are constantly receiving projects for the establishment of entirely new industries involving large amounts of capital. In this regard one has all the time to bear in mind that, as compared with the prewar period, estimates for buildings, plant and machinery and also allowance for working capital are trebled.

If an investor had put an equal amount into each individual security publicly sponsored by The Industrial Credit Company his yield in the latest year would be just under 7 per cent. The total profit available for allocation amounts to £112,990.

The report was adopted.

HEENAN AND FROUDE

ALL RECORDS BROKEN

MR ALAN P. GOOD'S REVIEW

The forty-eighth annual general meeting of Heenan and Froude, Limited, was held on December 18th at Worcester, Mr Charles L. Hill presiding in the absence of the chairman, Mr Alan P. Good.

The following is an extract from the chairman's circulated statement:—

It is once again my pleasant task to review a year's trading which has surpassed all previous records, both by the parent company and by the group as a whole. The demand for your company's products in the home markets has again expanded and, despite the many difficulties in world markets, overseas orders have been well maintained with the overall result that orders received during the year were well in excess of deliveries, even though the value of the output from the works was the highest achieved in the company's long history of trading, and the order book stands at an all-time record. The taxed profits of the parent company, before crediting subsidiaries' profits, are sufficient to meet the net dividends on the whole of the issued capital, and the total net profits of the subsidiaries show a very satisfactory return.

The foundations of the business have been well laid in the past and the building has continued unabated every year, developing new products, improving the old and opening up fresh markets either direct by the parent company or by the acquisition of other businesses. In 1936, when the first public issue of the company's shares was made, the net profits of the parent company and its one subsidiary at that time were less than £23,000, and we have come a long way in a relatively short time from that modest figure to the group net profit of nine companies of £327,358 for the year under review. In the same period issued share capital has grown from £94,558 to £824,288, and group sales, spread over a wide range of plant and equipment for diverse industries throughout the world, have increased from less than £250,000 to well over £3,500,000.

COMPETITIVE PRICES ESSENTIAL

To maintain production at maximum capacity there must necessarily be a full order book and this can only be achieved by keeping the prices of the company's products at a competitive level; it follows that we must continually progress in production technique and keep our capital equipment up to the highest standards of efficiency; we must be able to replace existing machinery if and when more efficient machines are marketed. But with this there is linked the question of company taxation which places a severe strain on available cash resources and it is inevitable that a full order book, with much contract work of up to five years' duration, brings with it a high level of work in progress tying up working capital.

Every rise in the price of materials, in wages and in overhead expenses lessens the power of working capital to finance a given volume of production. The company must keep its liquid resources at a workable level by ploughing back a substantial part of taxed profits, and dividend limitation becomes a policy, in the particular circumstances as they affect your company, which we must apply of our own free will as being in the best interests of the company. Your directors recognise, however, that there is a wide disparity between the issued share capital and the value of the net assets of the company and its subsidiaries and accordingly, recommend a small bonus issue to the Ordinary shareholders on a one-for-ten basis. It is hoped to maintain the dividend on the increased capital.

The report was adopted.

WALMSLEYS (BURY) LIMITED

(Manufacturers of Pulp and Papermaking Machinery and Equipment)

GRATIFYING INCREASE OF PROFITS

The eighteenth annual general meeting of Walmsleys (Bury) Limited was held on December 15th at Bury.

Mr J. Wolstenholme, chairman, in the course of his speech said:

The annual accounts show that the Walmsley group has emerged from the first five postwar years in a healthy condition.

The group profit for the year to June 30, 1950, before charging taxation, is £424,498, as compared with £293,590 for the previous year.

After charging taxation and deducting the proportion of subsidiary company's profits attributable to minority shareholders the group profits become £196,222, as compared with £116,577 last year.

The sum of £20,000 has been set aside for reserves for pensions, debtors and stocks. The recommended dividends absorb £33,550, and there remains £142,672 to be added to the balance brought forward. This means that after providing for a final dividend of 10 per cent. on the ordinary share capital there remains an amount of £476,868 to be carried forward in the profit and loss account.

MANUFACTURING ACTIVITIES

The associated companies are Walmsleys (Bury) Limited, Bentley and Jackson Limited, Ashworth and Parker Limited—all in Bury—together with Walker Brothers (Wigan) Limited, and John Wood and Sons Limited, both at Wigan.

Paper and pulpmaking machinery represents by far the largest field in which we operate, and within this sphere come the major activities of Walmsleys (Bury) Limited, and Bentley and Jackson Limited. During the period under review Walker Brothers (Wigan) Limited have also made a very valuable contribution to the overall output of this specialised type of machinery.

Over the 12 months we have supplied single and double drum and endless rope haulage mechanisms and also sinking winders to collieries at home and abroad.

Inquiries and orders actually on hand indicate continuity of this nationally important work, and we intend to develop and, if possible, extend this phase of our activities.

During the 12 months under review Walker Brothers' railcar programme has been maintained. Delivery includes four complete railcars to Peru, all of which are giving satisfactory service.

Our refuse collecting and vehicle programme is perhaps our most difficult section.

The general engineering activities of the group have been more than maintained. I should like to refer to the valuable contribution made by Ashworth and Parker Limited.

With taxation carrying off such a large share of profits the board would be failing in its duty towards you and the employees of the company if ample provision were not made for the funds needed to sustain and where possible improve both the volume and quality of the work done. It is, after all, only out of profits after tax that business can renew its vitality, a point which appears to be frequently overlooked in some circles.

We feel justified in taking a conservative view of our resources in these unsettled times. We hope that the conservation and building up of strength which has gone on inside this company will, for many years to come, enable the provision of stable rewards to the three partners in the enterprise—namely, to the shareholders, to those who work in it, and to those who buy its products.

The report and accounts were adopted.

IND COOPE AND ALLSOPP

DEMAND FOR BOTTLED BEERS

The thirty-eighth annual general meeting of Ind Coope and Allsopp Limited was held on December 15th in London, Col. the Rt. Hon. Lord Courthope, P.C., M.C., the chairman, presiding.

The following is an extract from his circulated statement.

The National Government, followed by the Labour Government, have launched what has been described as the Welfare State, and our industry has been called upon to play a not insubstantial part in aiding collection of the revenue that has been required. Not only has beer become relatively much more expensive, but the very improved society that the duty on beer helps to finance is designed, through better education and increasing facilities for use of leisure time, to decrease excessive consumption.

With the continuation of this policy, to which all parties are wed, the trend over the years has been, and must continue to be, towards decline in the purchase of beer per head of the consuming population. That demand which is maintained will inevitably become more selective, and it has been with this in mind that increasing amounts have been and must continue to be spent in improvement of both the article for sale and the environment in which it is sold.

Increases in both group and parent trading profits have been due to growing demands for bottled beer, in particular Double Diamond, and to economies in production.

The directors recommend a final dividend of 20 per cent., less tax, on the ordinary stock, making 30 per cent. for the year.

The report was adopted.

SECOND INDUSTRIAL TRUST

RECORD GROSS INCOME

The thirty-ninth annual general meeting of Second Industrial Trust Limited was held on December 14th in London.

Mr Lionel A. Stride (the chairman), in the course of his speech, said:—Once more I have to tell you that the gross income of the Trust for the year under review constitutes a fresh record. At £113,216 it is nearly £8,000 higher. We have increased the transfer to general reserve from £10,000 to £15,000 this year, making a total for this reserve of £115,000. We recommend that a final dividend of 6½ per cent. should be paid, making 9 per cent. for the year, which will leave £61,831 to be carried forward, against £58,892 brought in from last year.

The revenue of the Trust has remained so buoyant, earnings this year on the ordinary stock being over 17 per cent., that we have been able not only to increase our reserves substantially, but also to recommend a small but no doubt welcome increase of 1 per cent. on the ordinary dividend. The increase is admittedly a modest one, but it is one we hope to be able to maintain provided conditions deteriorate no further.

The valuation of our investments at September 30th last, which stand in our books at £1,478,195, reveals this year an appreciation over cost of £485,027, or approximately 33 per cent.

It would be foolish for me even to attempt to forecast the future of the Trust over the next twelve months. However, stockholders may rest assured that the board is fully alive to the difficulties which may be ahead.

The report was unanimously adopted.

BIRMID INDUSTRIES

ANOTHER SUCCESSFUL YEAR

The annual general meeting of Birmid Industries Limited was held on December 15th at Birmingham, Mr Cyril C. Maudsley (the chairman) presiding.

The following is an extract from his circulated address: Your directors are very pleased to report another year's successful triding. During the year the capitals of three subsidiaries were increased, one by subscription in cash, one by issue of bonus shares and the third by purchase of the remaining outside holding. As a result of the latter transaction, your company now have 100 per cent. holding in all but one of the subsidiaries.

Capital and reserves amount to no less than £3,515,481, or almost 367 per cent. of the capital subscribed. The total capital employed is almost £4,500,000. There is a new item appearing under the heading of Revenue Reserves, namely: Stock Reserves —£75,000. Following the revaluation of the £ sterling, the price of virgin aluminium was raised by £22 per ton, namely: from £90 to £112, and since the close of our financial year the price has again been advanced by £8, making a total of £120. In the case of re-melt aluminium, the advances have been even greater, whilst the costs of zinc, copper, silicon and magnesium have also risen. Undoubtedly, one of the reasons for the increased costs is due to the unsettled state of world politics in general.

The profit and loss account shows a net profit for the year of £462,314, after charging a greater sum, namely £546,176, in respect of taxation. The net profit shows an increase of £179,381.

REVIEW OF ACTIVITIES

All the iron foundries have been very fully occupied throughout the year. The impressive expansion of the automobile industry has made heavier demands than ever before on our iron foundries. All have achieved record output, and have made considerable additions to production capacity in new and more modern equipment. Order books are satisfactorily full. Whilst pressure on aluminium foundries has not been so great as on iron, they have been working throughout the year at a satisfactory level of output. In particular, pressure die section has made notable advances in total output and in size and complexity of castings produced, and has spread production over a wider range.

Gravity die foundries have done well in every way. The sand foundries have not the same mass production opportunities as some of the other sections, and must rely more on the special demands of aircraft and heavy vehicle industries, which are subject to fluctuations. Excellent technical developments have been achieved herein.

Magnesium foundries have continued busy throughout the year, and the newer high strength alloys recently developed have proved their worth wherever high strength and low weight are needed at high and low temperatures. There is certainly a promising future for these. Orders books here also are reasonably full for some time ahead.

Our products do not lend themselves to direct export, with the exception of wrought light alloys, of which 16 per cent. of total output was exported during the year. However, about 70 per cent. of all the products of foundries and rolling mills form essential parts of export goods of high value.

Technical development and plant improvement have been actively maintained. Order books are well filled, but the effect of defence demands and metal rationing cannot be foreseen. You may be assured, however, that events will find competent and courageous management ready to cope with them.

The report was adopted.

KRAMAT PULAI LIMITED

MR H. ASHWORTH HOPE'S STATEMENT

The forty-second annual general meeting of Kramat Pulai Limited was held on December 14th at the offices, 73, Cheapside, London, E.C.

Mr H. Ashworth Hope, chairman of the company, presided.

The following is an extract from the statement of the chairman, circulated to members:—

In Malaya practically no prospecting has been carried out during the past twelve years and a number of the existing proved areas are nearing exhaustion. Prospecting is now a very costly undertaking owing to the increased cost of labour and the greater depth of the areas which frequently have to be examined. The Malayan Government compelled the company to bear the cost of providing 35 armed special constables to protect our large field party.

Even if prospecting started now it would be many years before sufficient payable areas were found.

TAXATION

No economy can support for long a rate of taxation which extracts over 40 per cent. of the national income.

We pay 9s. in the £ income tax and 30 per cent. on distributed profit or a total tax on profits used for dividends of 61.5 per cent.—more than 12s. in the £.

TERRORISM IN MALAYA

The public need to be roused to the pitch of indignation against the supine and hesitant policy of the British Government and particularly those British Far Eastern officials who advise the Foreign Office that recognition of the new Government at Peking by the British would help to counter the Communist terrorism in Malaya.

An assurance from the Government that the troops would remain in Malaya until the trouble was cleared up should have been given years ago. Counter propaganda alone is entirely futile.

His Majesty's Government announced in March its intention of contributing substantially towards the cost of the emergency. I was very sceptical of this promise and felt sure the Treasury would devise some scheme that would enable the contribution to derive its source from Malaya.

My doubts were justified when, on the instructions of the British Government, the Malayan Government announced its pernicious rubber tax amounting to eight times the existing duty, basing taxation on the false principle of uncertain future prices.

The public indignation aroused in Malaya compelled the Government to adopt a basis of taxation more consistent with equity and common sense.

In view of Sir Harold Briggs' public statement that there had been a notable rise in major guerrilla incidents during October, it is difficult to appreciate why he should give prominence to the intention of replacing units of the British Army by special police.

The Malayan Government is constantly appealing to the public, and in particular to the Chinese, to come forward with information which may lead to the rounding up of terrorist bands. Almost in the same breath we are told that the troops may be withdrawn at any time. How can this inspire confidence in the ability of the Government to protect those willing and anxious to give information. Any suggestion of a withdrawal of military strength must have the effect of stimulating Communist morale.

The report and accounts were adopted.

KLINGER MANUFACTURING

LARGER NET PROFIT

The thirty-seventh annual general meeting of The Klinger Manufacturing Company, Limited, was held on December 19th in London, Mr J. L. Callow, the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year ended September 30th: The net profit for the year is £201,399, compared with £111,887 for the previous year.

An interim dividend of 10 per cent. free of income tax was paid on May 31, 1950, and your board recommend the payment of a final dividend of 20 per cent. free of income tax on the ordinary stock.

The increase in the company's profits is closely related to the programme of expansion, development and plant modernisation, which continues to be carried out in all departments. During the year under review, £200,641 has been expended on plant and machinery, and you will recall that £152,930 was spent in the previous year. As a result of the increase in plant, the quantities produced during the year were considerably greater than those of the previous year. Correspondingly, the value of our sales is larger than that of the previous year, and it is pleasing to report a substantial increase in our export sales.

MARGATE FACTORY

The Margate factory and training centre has also contributed to the progress reported. What was, in 1949, principally a training centre is now predominantly a production unit, and some 250 operatives are at work. Building has commenced on the new main factory which is being built for us by the Margate Corporation.

The expansion of our business has naturally involved some increase in the amount of stock and work in progress, but the company's stock position remains sound.

The issued capital of the company at September 30, 1950, was £164,750, but as you will have noted, our fixed and current assets at that date exceeded the million mark, amounting to £1,091,690. I have referred on earlier occasions to the large difference between the issued capital and the amount of capital and reserves. These you will note from the balance sheet amount to £754,295. Stockholders have already been informed of the board's proposals regarding capital issues which will provide further funds for development and working capital.

The satisfactory results now placed before you have been achieved in the face of ever-increasing difficulties arising from erratic movements in raw material prices and the innumerable restrictions which manufacturers have to contend with.

The report was adopted; resolutions were passed increasing the capital from £400,000 to £600,000 by the creation of 800,000 new ordinary shares of 5s. each; the capitalisation of certain sums and their distribution as a bonus issue of stock.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

The Reporting Manager,
The Economist,
22 Ryder Street, S.W.1

ASSOCIATED BRITISH MALTSTERS

RESULTS EXCEED EXPECTATION

The twenty-ninth annual general meeting of Associated British Maltsters, Limited, will be held on January 8th.

The following is an extract from the circulated statement of the chairman, Mr H. Sutcombe Hume, C.B.E., M.C.:—

The results we are able to lay before you are better than we had hoped, and the profits for the year ended on August 31, 1950, show, after providing for taxation, a moderate increase over those of the two previous years.

The brewing trade in this country is, and always will be, our mainstay, in spite of the fact that we sell a substantial proportion of our output to the food trades, we do an appreciable amount of export to breweries all over the world, and we have a number of subsidiary activities in the animal food and other trades.

We are independent maltsters for sale, and when consumption is high we benefit greatly, but when it falls we are liable to suffer a disproportionate reduction in malt purchases from those brewers who make some of their own malt. We are proud to believe that we give such service and quality as convinces our brewer and other friends that it pays them to continue to patronise the independent maltsters who, like ourselves, have kept ahead of the times.

The introduction of the combine harvester, and the new basis upon which the relations with malting labour have been established, have meant heavy expenditure on buildings and equipment. In the old days maltings were nearly always small units dependent to a large extent on manual operation—a method which often produced excellent malt. But nowadays labour demands a high degree of mechanisation, and the farmer delivers from his combine in a few weeks a volume of material which formerly reached the maltster over half the year.

These two major changes have involved your group of companies so far in capital expenditure of about £1,000,000, and, as shown in the balance sheet, we have further commitments of about £500,000. Thus, while facing the prospect of falling trade and profits, we have had to provide for this heavy capital expenditure. With careful management we hope to be able to finance ourselves without resorting to further capital issues, and to maintain our dividend.

BARLEY PRICE AGREEMENT

The malting season of 1949-50 had few outstanding features. Thanks to the fact that it was the driest harvest for many years, we were able to handle the storage problem without undue difficulty. But the 1950-51 season we are now operating is a very different matter. From seed time to harvest the weather was very much less favourable than in the previous year, so that farmers not only had a very expensive harvest, but much of their grain crops was ruined.

So soon as the position was generally realised prices of barley rose rapidly until there was devised an agreement between the National Farmers' Union, the Brewers' Society, Maltsters' Association, and others, limiting the maximum price of barley to 140s. per quarter of 448 lb. on the growers' farm, plus the maximum merchant's commission of 5s. and the cartage, screening, and handling charges incurred. The otherwise wholly desirable step of removing price control was unfortunately badly mistimed and taken against the advice of people who were in a position to foresee the danger. The result has been to bring practically all grades of barley to the maximum price regardless of quality, and thus to encourage farmers to aim at securing the highest possible yield per acre instead of growing the finest quality for which their land is suited, as used to be the case when good quality commanded a worth-while premium.

The contingency reserve we have now built up to £550,000 is, in the opinion of your board, all needed both to adjust the value of our fixed assets and to finance the construction of the buildings and plant we are now installing to meet the changed conditions in our trade.

BROWN BAYLEY'S STEEL WORKS

HIVING-OFF OF NON-STEEL ASSETS AGREED

RECORD PRODUCTION AND SALES

MR J. W. GARTON'S STATEMENT

The thirty-second annual general meeting of Brown Bayley's Steel Works, Limited, was held on December 20th in Sheffield.

Mr J. W. Garton (the chairman) presided, and the following is his statement circulated with the report and accounts:—

You will have seen from the circular letter calling a meeting for the appointment of a stockholders' representative, that our application for hiving-off of certain non-steel assets, which was mentioned in my statement last year, has been agreed in principle. I had hoped that in sending out the accounts together with my statement I should have been able to put before you particulars of the hiving-off arrangements. This is unfortunately not yet possible, and I very much regret the delay, but as no doubt you will appreciate the work is very involved.

I would now refer to the year under review. I appreciate that your interest in these figures may be somewhat academic, but I would like to point out some of the interesting points.

THE ACCOUNTS

The net profit brought into the profit and loss appropriation account of the holding company is £348,998, as against £233,571 for the previous year. This is after allowing for the amounts of subsidiary companies' profits attributable to outside shareholders and the amounts retained by those subsidiaries.

During the course of the year certain of our outstanding taxation liabilities have been clarified, and we have been able to settle the amount due on an outstanding foreign royalty. The result of this is that we have been able to bring back as surplus £50,000 in respect of the provisions which we made to cover these possible liabilities. At the same time our taxation advisers have investigated our future tax liability, especially in regard to deferred repairs executed, and it has resulted in a transfer of £200,000 from the future taxation reserve to general reserve.

As last year we are obliged by the Iron and Steel Act, 1949, to retain our dividend at the same rate as in previous years. No special appropriations are recommended this year, and thus the whole of the surplus, after paying the dividends, is left in the profit and loss account, resulting in an increase in that balance of approximately £338,000.

IMPROVED LIQUID POSITION

You will observe that the company have continued to expend sums well in excess of the depreciation provision on additions and replacements to buildings, plant and machinery. The liquid position has improved considerably, and there is now a surplus of current assets over current liabilities of £1,549,656, as against £1,199,317 last year.

The fall in value of the quoted investments, as you see from the consolidated balance sheet, continued. The resultant loss is well covered by an investment reserve. Since the date of the accounts, the value of the underlying investments has improved.

SUBSIDIARY COMPANIES

The consolidated balance sheet of the Hoffmann Manufacturing Company, Limited, is produced as part of the year's report, and as you will see that company has had a very successful year ending on December 31, 1949. The position of this company in the ball bearing industry allows us reasonable hope for the future.

The South African Company had a very satisfactory year and further improved its trading position.

Our stainless steel fabrication works in Leeds had a good year, continuing the steady expansion to which I referred in my statement last year. The confidence then expressed has been amply rewarded, and we look forward to further expansion by this undertaking.

NEW PROJECTS

Of the various schemes mentioned last year, the forge and mill departments are now practically complete. Other projects are going on at an increasing rate, but there is still much to do.

OUTPUT

Once again your company has to report an increase in the ingot production, thus improving on last year's record. Consequent upon this our overall sales have been the highest yet attained.

Future output is dependent on the adequate supply of raw materials. The position is showing signs of becoming difficult. Steps to improve the position in respect of these matters are, the company understands, receiving attention at the very highest level.

In co-operation with our customers, we are continuing to develop types of special steels to meet particularly arduous requirements in service.

The recent decision regarding engineers' wages must of necessity materially increase our wages bill and consequently our costs of production.

Your company continues to provide much help to those employed here through its benevolent and welfare funds, particularly those who have grown old in our service. The canteen and sports facilities are much used, and despite the fact that they need heavy subsidies, this sphere of our activities might usefully be extended when time and materials permit. We have recently acquired 20 acres of land to be used as a new sports ground.

I would like, on behalf of yourselves and of your directors, to thank the whole of the employees, both present and past, who have, during the life of the company, loyally served it. It is no mere formality to say that our thanks are due to them for their continued co-operation and hard work, and we have no doubt that this excellent spirit will continue in the future.

The report and accounts were adopted.

HARRISONS AND CROSFIELD, LIMITED

FURTHER STRENGTHENING OF RESERVES

At the annual general meeting on December 19th, Mr H. Eric Miller, the chairman, stated that the group profit amounted to £1,157,263 before deduction of taxation; the net profit being £451,668. Group reserves and undistributed profits now total £2,129,000, an amount almost equal to the issued share capital.

The heavy additional rubber export duty recently imposed by the Malayan Government had rightly come in for castigation in the public press from so many angles that he could on this occasion content himself with voicing appreciation of the part played by the Rubber Growers' Association and the Rubber Trade Association in defence of the industry. From the political angle nothing could have been more inept than the administration's failure to take their Legislative Council into prior consultation before proceeding with an impost which was bound to be resented and could not have been more ill-timed. Along with others who were deeply interested in the course of events in Malaya, he regretted having to make that protest at a time when the Malayan Government had so many preoccupations on its hands. Was it even now too late for them to reverse their ill-judged policy in this matter?

The recent rioting in Singapore was a reminder of how much inflammable human material there was at hand for any spark to set alight. That applied with equal emphasis to Indonesia where the Japanese occupation had also left sinister legacies.

By contrast, North Borneo is like a peaceful oasis in a troubled world, and our advices indicate that in an unpretentious way rapid strides have been made in rehabilitating the working economy of the territory, where devastation during the Japanese occupation had been particularly harsh.

Business in China is only possible on a much reduced scale, but in Formosa, under the able guidance of Mr N. F. Myers, who has just returned after a short furlough, our offices there are doing a lot of useful work and making their contribution to the general pool.

Reviewing the tea industry he said that world production and consumption are now more nearly in equilibrium, but, until U.K. stocks are built up, he expects to see high prices continue, with inevitable fluctuations at Eastern auctions. The outlook for the tea trade here when the London auctions are resumed in April, 1951, is in no sense clear. The proposed auctions will be very different from our prewar free market. They are however one step towards re-establishing London as a centre of the trade.

Speaking of rubber he described the recent market fever which produced price fluctuations of up to 9d. a pound in as many hours as paralysingly harmful. There is a healthier demand for natural rubber at the lower level now current. The demand for this commodity is world wide and nobody is carrying stocks adequate for present-day conditions. Rubber has been outstandingly valuable in strengthening the dollar resources of the sterling area and now that Marshall aid is to be suspended, it is more than ever important that stockpile buying should be continued in an orderly manner.

The report was adopted, and a final dividend of 20 per cent. (making 25 per cent.) on the deferred ordinary stock was approved. At the ensuing extraordinary meeting a special resolution was passed adopting revised articles of association.

WRIGHT SADDLE COMPANY, LIMITED

SUBSTANTIAL INCREASE IN TURNOVER

The fourteenth annual general meeting of the Wright Saddle Company, Limited, was held on December 19th at Birmingham, Mr Arthur Colegate, M.P. (the chairman) presiding.

After he had dealt with the accounts, the chairman said: The turnover for the year ending August 31st exceeded very substantially that of the previous year. This resulted in an increased trading profit of £93,698 as compared with a profit of £66,861 for 1949. Out of this no less a sum than £46,000 has to be reserved for taxation.

Included in this amount is the sum of £6,500 which we are putting to a Taxation Equalisation Reserve Account to meet the deferred liability arising from the increase in the rate of Initial Allowance for Plant provided by the Finance Act of 1949.

INFLATED DEMANDS FOR TAXATION

In this connection I must point out what a tremendous drain on the liquid resources of the company these inflated demands for taxation are. At no time was it more essential than it is to-day that British industry should seek out every possible avenue by which its plant and equipment may be made the most efficient in the world. Unless we do this we cannot hope to hold our own in the world situation which is developing, when many of the markets to which we export are taking steps to become independent of British imports. It is in this respect that the taxation policy of the present Government is such a harmful one. There is little elbow room for experiments in new methods of production which may or may not succeed, yet such experiments are essential if we are to develop to the full the labour-saving possibilities that modern technology holds out.

We have had to face a year of unprecedented price increases in our most important commodities, namely leather, wool and cotton. These increases have forced us to raise very considerably our own selling prices, and even at these prices suppliers are often not prepared to enter into firm contracts for delivery. Unfortunately the full effects of these raw material price increases have not yet made themselves felt, as it is our policy to pass on to our customers the benefit of stock bought at lower prices, but as we work at comparatively small margins of profit it is inevitable that in the near future our selling prices will again have to be raised. I would point out that although profits have shown a good recovery this year they do not fully reflect the advantages anticipated from the fact that the past year's production was by far the highest in the history of the company. This fact was due to the sudden and rapid rise in the cost of leather towards the end of our financial year which more than absorbed the margin of profit which we should normally expect to make.

THE OUTLOOK

In spite, therefore, of a very full order book, the task of forecasting the future is almost impossible. We shall continue to do our best to meet our customers' requirements in quality, quantity and price. The internal efficiency of the company has never reached a higher standard than is the case at present. Many improvements in our equipment have been introduced and we shall continue our policy of endeavouring to improve the quality of our products.

The report was adopted.

JOSHUA HOYLE AND SONS

HIGHER OUTPUT AND PROFITS

The annual general meeting of Joshua Hoyle and Sons, Limited, was held at India Mill, Bacup, on Wednesday, December 20th.

Mr H. A. Enright, chairman and managing director, who presided, said:

Our turnover has expanded, the record figures for last year having been considerably exceeded. Our improved profits are largely due to increased production, reflecting the advantages gained by the costly schemes of modernisation and plant improvement and the various methods adopted to increase productivity

Our reputation stands very high, the demand for our goods is well maintained and our order books are healthy. Business is well divided between export, home trade and industrial users. In most sections we have been unable to satisfy the demands of our customers. We realise the importance of the utility programme and have continued to make a valuable contribution to it.

The trading profits of the group amount to £1,774,300, and I give below a summary of the manner in which the profits have been appropriated:

	£	Percentage of total profits
Taxation	921,050	51.91
Dividends—Net ...	215,926	12.17
Retained Profits ...	637,324	35.92
	£1,774,300	100.00

The total capital employed in the group is now £5,467,267, which is, of course, based on the depreciated value of the fixed assets.

The report was adopted and the dividend and bonus recommendations approved.

TENNAMARAM PALM OIL

INCREASED PRODUCTION AND OUTPUT

The twenty-seventh annual general meeting of Tennamaram Palm Oil Company, Limited, was held on December 20th, in London, Mr J. Bligh Orr (the chairman) presiding.

The following is an extract from his circulated statement:—

Final results for the year show trading profits almost identical with those of 1948-49. 1,084 tons of palm oil were produced, against 1,035 tons, while the output of kernels amounted to 238 tons, against 205 tons. The net price realised for palm oil was £76 1s. and for kernels £46 13s. 8d. For the calendar year 1951 the Ministry of Food have agreed to buy the whole palm oil output for £104 10s. per ton f.o.b. The market price of kernels has risen appreciably and of the new season's crop 79½ tons have already been sold at a net figure of £55 18s. per ton.

The figures are not unsatisfactory; I wish the same could be said of production costs. Our yield of palm oil is a low one, being only about half a ton an acre. Our overhead charges would be no greater on a 40 per cent. higher crop, which we used to obtain prewar. But the real trouble is the rise in labour wages and in the cost of materials.

All field works have been kept up to date. The acreage statement discloses the addition of 484 acres to our replanted and interplanted area. 134½ acres of our reserve jungle on Hopeful have been planted. The balance of 97 acres is now in hand.

Your directors now recommend payment of a final dividend of 8 per cent., making 12 per cent. for the year on both classes of shares.

The report was adopted.

LIVERPOOL WAREHOUSING COMPANY LIMITED

MR W. MILLIGAN'S STATEMENT

At the fifty-fifth annual general meeting in Liverpool on Tuesday (December 19th) the chairman presided and addressed the shareholders as follows:—

Once more it is my very great pleasure to submit for your approval a favourable report and statement of accounts on the last year's work. To me the result is all the more gratifying as for the last few years the cry has always been "full to capacity"—or very nearly so—and it was not easy to see where further improvement was to come from and yet—the record does still grow and we hope may continue to do so

You will, of course, recognise that owing to the seasonal movement of commodities and raw materials the total quantity of goods stored with us seldom remains static and that crop failures, international happenings and the peculiar purchasing procedures of the times tend to accentuate irregularity. Under these conditions large tonnages have at times to be housed or delivered within short periods, all of which make heavy demands upon warehouse facilities and labour; fortunately, owing to the spread afforded by our numerous warehouses, we are in a position to effect speedy intake and delivery and thus make a useful contribution to the clearance of the dock quays and to the rapid turnround of ships. These bulk movements, however, especially when made at short notice, tend to reduce rather than increase earnings, and you will accordingly appreciate that we have to keep a close eye on this problem, since our rental charges, which are our principal source of revenue, have been increased by only 25 per cent. over prewar. It is questionable whether any other branch of industry can equal this record and one could wish that charges for services throughout the country were kept correspondingly low.

In the course of the year four additional warehouses have been added to our available capacity and we expect to have some more in commission this next year.

Our subsidiary, the Sandon Motor and Engineering Company, Limited, continues to do good work and we expect will do better still when some new machines now on order, become available; we also hope to extend their premises in the near future. Their accounts are subjoined to our own and it is pleasing to see they show a gross trading surplus of £22,824, of which amount £10,000 has been placed to their general reserve. When comparing our own figures therefore with those of last year, this reserve of £10,000 must not be disregarded.

Here may I be allowed to remark that from the fact of no fresh communications being forthcoming you would doubtless conclude that the Capital Issues Committee had refused our application to capitalise part of our reserves. As you know, this proposal was made with a view to bringing our issued capital somewhat more into line with the amount actually employed in the business; we can only regret the attitude of the committee, which has recently refused us for the second time, but should any change take place in the situation you shall be promptly informed. Incidentally, you will perhaps have been interested to note from our balance sheet that the total of our stockholders' funds now stands at approximately £2,500,000—and you will appreciate that it is upon this capital sum, after deduction of the proportion attributable to our preference shareholders, that our ordinary dividends should be calculated.

You will remember that at our last meeting I announced the retirement of Mr Harry Gaunt but, following his withdrawal, your directors felt it desirable to strengthen the board and were unanimous in inviting Mr Harold B. Mack to fill the vacancy. Mr Mack is probably already known to most of you. He is a qualified accountant, is a director of the shipping firm, J. J. Mack and Sons, Limited, and of several other commercial firms, so that his wide and varied business experience should prove of much value to the company. In accordance with our articles Mr Mack retires at this meeting, but is eligible and offers himself for re-election.

I do not propose to take up time in going over all the details of the accounts submitted. Those details are very clearly set out. You have had some time to study them and I think you will agree they present a very clear picture of the company's financial position and there is little to be added in their connection. If there should be any questions I shall with pleasure endeavour to reply but first, I am sure you would wish me to thank one and all of our staff for their keen and devoted work throughout the year. Promptness and efficiency in all directions is the keynote to our success and I am proud to say that we continue to enjoy those attributes in the fullest degree.

The report and accounts were adopted.

The annual general meeting was preceded by an extraordinary general meeting of the company at which new articles of association (designed to bring the existing articles into line with the Companies Act, 1948, and with modern practice) were adopted.

NEW ZEALAND LOAN AND MERCANTILE AGENCY COMPANY, LIMITED

MR W. H. TATHAM'S REVIEW

The fifty-sixth annual general meeting of the New Zealand Loan and Mercantile Agency Company, Limited, was held on December 15th at Winchester House, Old Broad Street, London, E.C., Mr. W. H. Tatham, O.B.E., T.D., the chairman, presiding.

The following is an extract from the chairman's review circulated with the report and accounts for the year to June 30, 1950:

The company has had a good year and increased profits have been made in all branches of the company's business, especially in Australia but also in New Zealand.

AUSTRALIA

Increased turnover, both in quantity and value, in the wool and livestock departments were mainly responsible for the improved profits, though all departments had a good year.

Seasonal conditions were on the whole favourable, though some areas in Queensland and New South Wales had too much rain in June and July. Not only were large areas of land flooded and many sheep drowned, but also, owing to the difficulties of proper supervision, losses due to blow-fly were severe. The lamb casualties have been heavy in these areas during September due to diseases arising from the wet conditions.

We have continued to extend our interests by establishing sub-branches in favourable areas and we have also purchased some small country Stock and Station Agent businesses. The market for these businesses has become very competitive.

The results so far in this current year have been satisfactory in Australia and weather conditions are favourable. Generally speaking, Australia has now enjoyed, consecutively, a number of good seasons. It is as well to recollect that seasons in Australia can also be as consistently unfavourable.

NEW ZEALAND

The farming community in this Dominion has had a prosperous year which has reflected itself in increased turnover in all our departments. Unfortunately our costs have also increased, due mainly to higher wages and salaries. During my visit this year I found the outlook in the country noticeably more optimistic than when I was there in 1947 and generally keener and more confident. If this improved feeling can be maintained and lead to greater output per head, many of the difficulties being experienced by this remarkable country will disappear.

Business continues to be good and the outlook for the current year is satisfactory in both North and South Islands.

THE FUTURE

Generally speaking, weather conditions continue to be favourable in both Australia and New Zealand and not only is the condition of stock good but the numbers of both sheep and cattle are rising.

Stockholders will not need to be reminded that wool prices have increased sharply. It would appear that the demands for defence purposes, added to the fact that the demand by all consuming countries is still greater than available supplies, plus the fact that there is virtually no longer any reserve in the shape of the "J.O." stocks, are likely to result in a continuation of prices at levels much higher than hitherto.

Even at present-day prices wool has not risen proportionately as much as some of the other main commodities. Stockholders, however, will recollect the hazards of our business and that commodity prices can fall as fast as they can rise. It should also be remembered that these higher prices bring in their train increased costs of running the business.

The indications are that, subject to exceptional circumstances, the company will continue to make satisfactory progress during the ensuing year.

The report and accounts were unanimously adopted.

S. SMITH AND SONS (ENGLAND)

RECORD SALES AND PROFITS

The annual general meeting of S. Smith and Sons (England) Limited was held on December 19th in London, Sir Allan Bordon-Smith, K.B.E., D.L., the chairman, presiding.

He drew attention to the consolidated balance sheet showing that the total net assets were now £5,285,000 (£4,592,000 last year), and to the consolidated profit and loss account, which showed before taxation £1,101,000 (£850,000 last year) and the net figure of £420,000 (£346,000 last year). The balance carried forward to the S. Smith and Sons (England) Limited profit and loss appropriation account was £325,000, of which it was proposed to allocate £150,000 general reserve and £50,000 reserve for pensions.

He explained that in deciding to recommend the same ordinary dividend as last year the directors were adhering to their conservative policy which had served the company so well in the past, and that in the opinion of the board this policy should be maintained in respect of the year under consideration because of the need for conserving resources of the company in view of its capital commitments for extensions of the business.

Referring to progress made, the chairman noted that the policy of divisional segregation of the company's business had proved successful.

Smiths Motor Accessories Limited, the oldest member of the group, had made more progress than any other division. Striking development had been made in carheaters and controlled ventilation, which had become a very important section of the company's business. The new Witney factory for these manufacturers was now in production.

Smiths English Clocks, Limited, also reported an increased demand. Manufacturing facilities have been further developed, and it must now be considered as one of the largest clock and watch manufacturing organisations in the world and probably the largest exporter of clocks.

Continuing the policy of specialised factories, these were spread over a wide area including England, Scotland and Wales, and had aided the Government's Development Area Programme.

Smiths Aircraft Instruments, Limited, had maintained its already established pre-eminence in the instrumentation of the present-day aeroplane, record sales having been achieved.

Smiths Industrial Instruments, Limited, had progressed steadily during the year, specialising in industrial instruments of all descriptions.

Kelvin and Hughes Limited had continued to develop their range. The most noticeable development had been in their ship's radar equipment now being supplied all over the world in large quantities.

PROFIT SHARING SCHEME

The chairman stated that the board had for some time been considering the question of putting into operation some form of profit sharing scheme for employees of Smiths' own companies. This question was receiving a great deal of consideration and he was hopeful that in the near future some satisfactory scheme might be evolved.

During a long period of years an extremely valuable goodwill has been built up all over the world for all Smiths products and in order to meet the resultant demand further expansion of factories and sales and service facilities are imperative. The main capital requirements were for the development of the Witney factory for car heaters, a new sales and service establishment to make room for increased production in the Cricklewood Instrument Works, extensive extensions to the Cheltenham factories for the aircraft division, the equipping of the new alarm clock factory in Scotland and the general finance of a steadily increasing business. It was for the purpose of financing these projects that it was proposed to make a further issue of capital on terms attractive to shareholders.

Finally, in pointing out that it had been a record year, both as regards sales and profits, in the history of the company, the chairman thanked the managing director of the group, Mr Ralph Gordon-Smith, the general manager and all the executives and employees for the way they had worked together as a team to achieve these excellent results.

In seconding the adoption of the report and accounts the managing director, Mr Ralph Gordon-Smith, stressed how much the expansion of the business was due to increased exports (now over 50 per cent.) and how much this record year was attributable to the hard work and great efforts of all employees and executives.

The report and accounts were unanimously adopted.

At subsequent separate class meetings of the holders of 7½ per cent. cumulative preference shares, 7 per cent. non-cumulative preferred ordinary shares and deferred ordinary shares and at an extraordinary general meeting of the company, resolutions were passed approving the re-organisation of the capital of the company, including the issue of 3,167,514 ordinary shares of 4s. each to the ordinary shareholders on bonus terms.

THE ROVER COMPANY, LIMITED

CONSIDERABLE INCREASE IN TURNOVER

The fifty-fifth annual general meeting of The Rover Company, Limited, was held on December 20th at Birmingham, Mr E. Ransom Harrison, F.S.A.A. (the chairman) presiding.

The following are extracts from the chairman's circulated statement:—

The very satisfactory figures shown in the accounts are the result of a considerable increase in turnover; our output was over 20,000 vehicles, an increase of over 50 per cent. on the previous year.

Since my last report prices of our principal raw materials have risen steadily but, despite the consequent increase in our costs of production, we have, as a result of the expansion of our output, been able to avoid increasing the home market prices of our vehicles. As a result of this, however, our net profit when related to turnover is appreciably less than last year.

Raw material prices and wages continue to rise and while we shall endeavour to avoid increases in the prices of our vehicles, sooner or later this will be inevitable if the present upward trend in costs continues.

As our output has expanded, so has the volume of our export sales. Particular attention has been given to the expansion of sales to dollar countries and as a result our exports to hard currency markets have shown a very satisfactory increase.

The new Rover "75" model car has now been in production for over a year and the directors are confident that it will more than uphold the company's reputation for producing a medium-priced quality car. The Land-Rover continues to enjoy world-wide popularity and orders for this vehicle and for our cars will absorb our maximum output for many months to come.

Government restrictions on the sale of vehicles in the home market still continue, and we look forward to the time when we shall be able to give reasonable delivery to the many customers at home who wish to buy our products.

In March, 1950, the company had the honour to demonstrate the first car to be driven by a gas turbine engine, and the tremendous interest which was shown throughout the world has not only enhanced our reputation but that of the British Car Industry as a whole. This gas turbine car was exhibited in New York at the British Motor Manufacturers' Show where it again aroused very considerable interest.

The net profit has risen from £158,098 last year to £195,201 and it is proposed to transfer £76,000 to general reserve making this £650,000 and to pay a dividend of 20 per cent. and a bonus of 5 per cent. both less income tax.

The report was adopted.

NOTICES

UNIVERSITY OF SYDNEY, NEW SOUTH WALES, AUSTRALIA

(Senior Lecturer or Lecturer in Economics, Senior Lecturer in Statistical Methods (Faculty of Agriculture), Lecturer in Botany and Senior Lecturer in Agricultural Chemistry. Closing dates in each case December 31, 1950.)

Prospective candidates for the above-mentioned appointments which have recently been advertised are asked to note that new salary scales are now in operation as under:

Senior Lecturers ..... £A1,050—£A1,300
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The conditions previously published regarding negotiations for increased salaries and amount of cost of living adjustments are therefore withdrawn. Further particulars concerning the posts may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

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TODAY'S difficulties in factory administration are a challenge to be met by the energy, drive, and experience of a successful Production Executive age 30 who is seeking alternative employment with an organisation employing 100 to 1,000 employees. Commencing salary £1,500.—Box 553.

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MALE CLERICAL ASSISTANT required by Major Oil Company in its Statistical Branch in London. Applicants aged 20-25 must have completed National Service and be in possession of School Certificate. Liking for figure work and numerical accuracy essential. Write, stating age, qualifications and experience quoting Department M.1452 to Box 6023 at 191, Gresham House E.C.2.

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Further particulars and information as to the method of application, may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

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Administrative Assistant (Woman) required, age about 35, qualified to act as Committee Secretary and to undertake administrative responsibilities; knowledge of law or economics an advantage. Apply in writing to General Secretary, Royal College of Nursing, Henrietta Place, Cavendish Square, London, W.1.

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ASSISTANT SECRETARY-ACCOUNTANT. — Major Company invited to consider appointment of person now concluding full-time study for qualification with comprehensive supporting experience. Age 33 years.—Box 542.

Statistical Summary

EXCHEQUER RETURNS

For the week ended December 16, 1950, total ordinary revenue was £50,388,000, against ordinary expenditure of £65,000,000 and issues to sinking funds £230,000. Thus, including sinking fund allocations of £11,791,000 the surplus accrued since April 1st is £61,638,000 compared with a deficit of £76,665,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	Receipts into the Exchequer (£ thousand) April 1, 1940 to Dec. 17, 1949	April 1, 1950 to Dec. 16, 1950	Week Ended Dec. 17, 1949	Week Ended Dec. 16, 1950
	£'000				
ORD. REVENUE					
Income Tax	1588000	511,900	500,848	14,005	13,907
Sur-tax	120,000	45,600	48,000	1,500	1,800
Estate, etc., Duties	195,000	137,200	130,350	3,500	3,200
Stamps	50,000	36,900	37,460	1,100	1,600
Profits Tax / E.P.T.	270,000	192,560 / 30,200	194,920 / 9,150	5,200 / 400	5,500 / ...
Other Inland Rev.	500	80	70	...	10
Special Contributn.	4,500	16,700	3,830	400	100
Total Inland Rev.	2028000	971,140	924,628	26,105	26,117
Customs	870,650	585,124	639,956	14,992	17,512
Excise	713,150	502,200	505,800	4,900	5,100
Total Customs and Excise	1583800	1087324	1145756	19,892	22,612
Motor Duties	56,000	12,735	13,842	122	213
Surplus War Stores	35,000	65,899	26,811	340	513
Surpl's from Tradg.	85,000	35,945	41,905	20,000	...
P.O. (Net Receipts)	...	...	6,100	...	...
Wireless Licences	13,000	7,190	7,300	...	...
Sundry Receipts	27,000	12,351	19,330	46	39
Miscell. Receipts (in. Crown Lands)	70,000	61,629	60,737	1,712	894
Total Ord. Rev.	3897800	2254212	2246409	68,217	50,388
SELF-BALANCING					
Post Office	172,150	114,200	116,500	2,900	5,200
Income Tax on E.P.T. Refunds	5,700	9,072	6,516	349	76
Total	4075650	2377484	2369425	71,466	53,664

Expenditure	Estimate, 1950-51	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1949 to Dec. 17, 1949	April 1, 1950 to Dec. 16, 1950	Week Ended Dec. 17, 1949	Week Ended Dec. 16, 1950
	£'000				
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	490,000	345,496	348,394	5,000	...
Payments to N. Ireland	36,000	24,228	24,141	...	...
Other Cons. Funds	11,000	6,479	5,287	302	...
Total	537,000	376,204	377,822	5,302	...
Supply Services	2918069	1942587	1795158	95,900	65,000
Total Ord. Expd.	3455069	2318791	2172980	101202	65,000
Sinking Funds	...	12,087	11,791	...	230
Total (excl. Self-Bal. Expd.)	3455069	2330878	2184771	101202	65,230
Total (incl. Self-Bal. Expd.)	3632919	2454150	2307787	104451	68,506

After decreasing Exchequer balances by £45,121 to £3,053,477, the other operations for the week increased the gross National Debt by £33,813,141 to £26,747 million.

NET RECEIPTS (£ thousand)	
Receipts to National Debt	2,861
Cotton (Centralized Buying) Act, 1947	2,000
	4,861
NET ISSUES (£ thousand)	
P.O. and Telegraph (Money) Act, 1948	975
E.P.T. Refunds	93
Export Guarantees Act, 1949, s. 3(2)	25
Local Authorities Loans Act, 1945, s. 3(1)	18,277
New Towns Act, 1946, s. 12(3)	550
Overseas Resources Development Act, 1948, s. 17(1): Overseas Food	150
Miscellaneous Financial Provisions Act, 1946:— s. 2(1) War Damage: Board of Trade	500
War Damage Commission	3,000
Finance Acts, 1946 and 1947: Post-war Credits	308
	23,878

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	8,237	Nat. Savings Certs.	960
Ways & Means Advances	47,215	2½% Def. Bonds	140
		3% Def. Bonds	370
		3% Ter. Annuities	2,907
		3½% Ter. Annuities	481
		Tax Reserve Certs.	1,041
		Other Debt:— Internal	793
		External	7
		Treasury Deposits	15,000
	55,452		21,639

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1949 Dec. 17	2970·0	2005·9	379·6	11·5	859·5	6226·4
1950 Sept. 16	3120·0	1889·8	408·2	...	505·0	5923·0
„ 23	3130·0	1869·6	401·3	...	505·0	5905·9
„ 30	4,975·9		451·0	...	505·0	5931·9
Oct. 7	3130·0	1820·0	467·6	2·7	530·0	5950·3
„ 14	3140·0	1789·4	469·9	...	555·0	5954·3
„ 21	3160·0	2077·8	490·2	...	574·0	6302·0
„ 28	3170·0	2041·1	471·3	...	585·5	6268·0
Nov. 4	3180·0	1885·7	353·3	...	573·0	5992·0
„ 11	3180·0	1897·3	374·3	0·5	543·0	5995·1
„ 18	3190·0	1968·7	372·5	...	555·5	6086·7
„ 25	3200·0	1950·0	390·9	...	564·0	6104·9
Dec. 2	3230·0	1956·3	369·1	...	525·0	6080·4
„ 9	3240·0	1951·6	375·1	...	545·0	6111·7
„ 16	3260·0	1939·8	410·8	11·5	530·0	6152·1

TREASURY BILLS

(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Avg. Rate of Allotment %	Allotted at Min. Rate %
				s. d.	
1949 Dec. 16	230·0	282·7	230·0	10 4·52	75
1950 Sept. 15	250·0	294·4	250·0	10 3·45	81
„ 22	240·0	310·2	240·0	10 5·21	34
„ 29	240·0	307·0	240·0	10 3·23	72
Oct. 6	250·0	312·3	250·0	10 3·23	74
„ 13	260·0	319·4	260·0	10 3·25	76
„ 20	250·0	332·3	250·0	10 2·94	66
„ 27	250·0	335·8	250·0	10 2·98	65
Nov. 3	250·0	347·7	250·0	10 2·70	60
„ 10	250·0	318·4	250·0	10 3·17	72
„ 17	250·0	325·6	250·0	10 3·13	69
„ 24	260·0	310·6	260·0	10 3·36	79
Dec. 1	250·0	347·5	250·0	10 2·74	60
„ 8	260·0	328·8	260·0	10 3·09	72
„ 15	260·0	314·6	260·0	10 4·55	49

On December 15th applications for 91 day bills to be paid from December 18th to December 23rd were accepted dated Monday to Thursday and Saturday at £99 17s. 5d. and above in full. Applications dated Friday were accepted as to about 49 per cent at £99 17s. 6d. and at higher prices in full. Treasury Bills to a maximum of £230 million are being offered for December 22nd. For the week ending December 23rd the banks will be asked for Treasury deposits to a maximum of £25 million at 154 days.

NATIONAL SAVINGS

(£ thousand)

	Week Ended Dec. 10, 1949	Week Ended Dec. 9, 1950	Total, Apr. 1 to Dec. 9, 1950
Savings Certificates:— Receipts	1,900	1,800	61,900
Repayments	2,600	2,800	92,600
Net Savings	*Dr 700*	*Dr1,000*	*Dr30,700*
Defence Bonds:— Receipts	405	345	11,965
Repayments	839	850	35,099
Net Savings	*Dr 434*	*Dr 505*	*Dr23,134*
P.O. and Trustee Savings Banks:— Receipts	14,010	14,458	452,047
Repayments	17,185	17,166	481,231
Net Savings	*Dr3,175*	*Dr2,708*	*Dr29,184*
Total Net Savings	*Dr4,909*	*Dr4,213*	*Dr83,018*
Interest on certificates repaid	541	644	20,453
Interest accrued	2,379	2,435	86,900
Change in total invested	*– 2,471*	*– 2,422*	*– 16,571*

BANK OF ENGLAND RETURNS

ISSUE DEPARTMENT

December 13, 1950

	£		£
Notes Issued:— In Circulation	1339,318,407	Govt. Debt	11,015,100
In Bankg. Department	36,038,416	Other Govt. Securities	1359,216,147
		Other Secs.	755,692
		Coin (other than gold)	4,013,061
		Amt. of Fid. Issue	1375,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1375,356,823		1375,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	589,451,441
Rest	3,489,204	Other Secs.:—	62,762,414
Public Deps.:—	287,788,340	*Discounts and*	
*Public Accts.**	*21,374,218*	*Advances*	*37,650,119*
H.M. Treas.		*Securities*	*25,112,295*
Special Acct.	*266,414,122*		
Other Deps.:—	383,825,480		
Bankers	*300,563,403*	Notes	36,038,416
Other Accts.	*83,262,075*	Coin	1,403,753
	689,656,024		689,656,024

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1949 Dec. 14	1950 Nov. 29	1950 Dec. 6	1950 Dec. 13
Issue Dept.:—				
Notes in circulation	1312·1	1286·0	1308·0	1339·3
Notes in banking department	38·3	64·3	42·4	36·0
Government debt and securities*	1349·3	1345·3	1345·2	1370·2
Other securities	0·7	0·7	0·8	0·8
Gold and Coin	0·4	4·4	4·4	4·4
	248/0	*248/0*	*248/0*	*248/0*
Valued at s. per fine oz.				
Banking Depat.:—				
Deposits:—				
Public Accounts	9·2	18·4	14·2	21·4
Treasury Special Account	81·0	266·4	266·4	266·4
Bankers	295·4	305·0	302·7	300·6
Others	111·7	82·2	85·4	83·3
Total	497·7	672·0	668·7	671·7
Securities:—				
Government	430·5	550·5	581·9	589·5
Discounts, etc.	16·2	37·8	35·9	37·7
Other	24·9	35·4	25·0	25·1
Total	471·6	623·7	642·8	652·3
Banking dept. res.	43·7	66·2	43·9	37·4
	%	%	%	%
"Proportion"	8·7	9·8	6·5	5·5

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,350 million to £1,375 million on December 12, 1950.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Dec. 14	70	80	183 12	107 10
„ 15	70	80	Market	Closed
„ 16	Market	Closed	Market	Closed
„ 18	70	80	Market	Closed
„ 19	70	80	185 3	108 3



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OTHER NOTICES APPEAR ON PAGE 1178

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Established 1843

December 30, 1950 — One Shilling

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THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. *Telephone:* Whitehall 1511.
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Mutual Confidence

THE resurgence of isolationism in the United States, touched off by Mr Herbert Hoover's speech last week (and commented on by our American staff in an article on a later page), has to be taken seriously. That does not mean that it has to be taken tragically. To judge by all the available indications, there are still large majorities in the American electorate and in Congress for the policy of collaboration with the other free nations of the world. There is no reason to be frightened of the outcome of the nation-wide debate that is now beginning. Indeed, when the American people give themselves time to reflect, they can hardly help seeing that the arguments both of interest and of honour are compelling. On the score of interest, it is obvious that they must try to avoid being left alone in the world with a tyrant who dominates Europe, Asia and Africa. The obligations of honour seem, for the moment, to have been forgotten; it is curious that, in the 51 extracts from newspaper editorials on Mr Hoover's speech printed in the *New York Times*, there is only one mention of the North Atlantic Treaty and none at all of the Charter of the United Nations, although the Hoover policy clearly implies the dishonouring of both these duly ratified American signatures. But this can only be momentary forgetfulness; there is no reason to suppose that the American people do not intend to stand by their pledged word.

Nevertheless, the Hoover speech has to be taken seriously. That Mr Hoover thinks as he does is not surprising, for he was an isolationist right up to Pearl Harbour. But the reason why this particular expression of familiar views has roused an echo is that it corresponds—although in a form so extreme as to be a caricature—to thoughts that are passing through minds that are wholly innocent of any form of isolationism. The American people have just had a demonstration of the fact that it serves no useful purpose whatever to send an army to a place where it can be cut off by superior forces. It is only natural that this demonstration should lead to the question—which the British people may well ask themselves too—whether the policy of reinforcing the troops in Germany is not running the same risk, unless and until there are really large European forces in reserve. The continental peoples have explained often enough the dangers that they run by rearming, unless the Americans and the British will stand in front of them while they do so. They cannot complain if the Americans (or the British, for in this our position is substantially the same) now mention the risks that they also run by standing in the front line without reserves.

Yet the only chance of peace is for both these sets of doubts to be removed, for all the members of the alliance both to play their own parts loyally and to have full confidence that others will play theirs. There is, obviously, a dangerous corner in the months ahead; but with mutual confidence it can be turned. It is not wrong to state these plain facts; what is criminal is to act or speak in such a way as

to destroy confidence whether it be the Hoovers on the other side of the Atlantic with their policy of desertion, or those on this side who miss no opportunity of derision.

The more technical aspects of General Eisenhower's task are discussed in the succeeding article. The basic condition for his success is the restoration, where it has been weakened, and the building up of this mutual confidence among the nations. The American part of this task can safely be left to the Americans; let no one suppose that Mr Hoover will not be, and has not been, answered. But the confidence must be mutual, and the Americans will not be able to make the answer to Mr Hoover fully effective without help from Europe. This is the essential point for people on this side of the Atlantic to grasp. They will not be able to have full trust in America unless they give America reason to have full trust in them. This is by far and away the most urgent task for statesmanship in the next few weeks. It is enough by itself to justify a national government in Britain, if only to allow Mr Churchill to speak across the Atlantic, as only he can do, with the authority of His Majesty's Government.

The imperfect confidence of the American people in the European defence effort is in part the result of a failure of public relations, at least so far as Britain is concerned. They do not know how much is being done. Until very recently the United Kingdom was devoting a considerably higher proportion of its total resources to defence than was the United States. It has certainly a higher proportion of its young men under arms, and has been suffering casualties in fighting Communists in Asia for much longer than the Americans. These things are true; but who in America knows them? Nor is this due to a breakdown in the public relations machinery; it has not been accidental. Mr Attlee and his Ministers, with their ears turned too much to the mutterings of the back benches and too little to the loud cries of Britain's friends abroad, have had the courage to act sensibly in secret conferences but not to speak their mind to the world. It is not that British Ministers remain unconvinced of the paramountcy of defence needs, but that they still think it not quite nice to talk about. Until yesterday the path of political safety at home was, or seemed to be, to apologise for the defence programme and to promise to keep it small. But in seeking this safety a much greater danger has arisen abroad. It is urgently necessary now to prove that the British defence effort is, and will be, big enough. The change of tone should be sharp and immediate.

Not all of the American distrust, however, is due to misapprehension. There is a basis of fact in the belief that America's partners are not doing enough. And though we in this country can honestly say that the charge lies far more seriously against the Continental countries, we cannot honestly deny that some of it sticks here. The spirit of the British defence programme is still, at least outwardly, that of last summer. It is to work out, somewhat esoterically, what proportion of the national resources Britain can afford to devote to defence without interfering with "economic recovery" and on the assumption of an undefined amount of American aid. This approach may have been reasonable as long as it could be assumed that the war in Korea would itself be on a small scale and, by its result, would contribute to preventing war elsewhere. But it is quite inadequate now. In practice it has already been modified. If only because of the rise of prices since July, the total of £3,600 million over the next three years has already gone by the board.

But the approach needs to be not merely modified; it should be reversed. The appointment of General Eisenhower should make it possible to fix the necessary British contribution in tolerably exact terms: *a* divisions, of which *b* should be armoured, a tactical air force of *c* squadrons, a Fighter Command of *d*, a Coastal Command of *e*, escort carriers and other anti-submarine craft to the total of *f* vessels. Let these figures be publicly proclaimed (the publicity will give no secrets to the Russians); let a solemn promise be given that they will be provided by such and such a date; and let the resolution be taken that nothing in the civilian economy shall be allowed to stand in the way.

Nothing less than this will now discharge the duty of the British Government. There is no need to be alarmist about the firmness of the Atlantic partnership. But no risks can be run with it, for if it were weakened there would be little hope (as there now still is in good measure) either of preserving peace or of surviving war. Above and beyond party politics, it is time for the British public to beseech Mr Attlee to act.

The Tasks for Eisenhower

IN the next few weeks General Eisenhower will take up his appointment as the Supreme Commander of the Allied Armies in Europe, returning to a position so similar in title to that which he vacated in 1945, yet so different in reality. In the last years of the war he was the commander of a powerful military weapon, backed by the entire economic resources of the United States and the British Commonwealth, and designed to deliver a knock-out blow to an enemy whose reserves of men and material were already diminishing. His task now is to create and deploy not an offensive but a defensive force over as large an area but with one third of the forces which he possessed in 1945. His political direction will be in the hands of not two, but twelve nations whose policies and economies are geared not to the single-minded end of military victory, but to the far more complex task of preserving peace by a show of strength. Napoleon returning from Elba had a simple task compared to that which faces General Eisenhower returning from Columbia.

The fact is that no military leader in modern history has been asked to undertake the kind of task at which General Eisenhower has now consented to try his hand. There are no precedents to guide him, there is no established practice to follow, no military or political manual has ever been written on the subject. But for this very reason, it is necessary at the outset to be clear about the different kinds of problem which will confront General Eisenhower and his headquarters of SHAPE (Supreme Headquarters Atlantic Powers, Europe). Deeply as the layman must feel himself at a disadvantage in discussing the actual techniques, it is important to establish certain yardsticks by which the success of General Eisenhower's mission can be judged. In the early days of the American Civil War a leading article in this journal said that "That amateur generalship which excels in anticipation has never been permitted in *The Economist*"; and while that rule holds true today, it is nonetheless valuable to attempt some rudimentary analysis of this particular, and supremely difficult, task of generalship.

Last week's meeting of the Atlantic Council which formally requested the services of General Eisenhower settled one other point of major importance, a rough definition of his area of command; this is to include the whole of continental Western Europe while leaving the existing North Atlantic Treaty organisation to cover both Scandinavia (in whose defensive preparedness he will, however, hold a watching brief) and the Mediterranean area (whose defences may be pulled together by a tightening of Anglo-American co-operation in conjunction with the defence of the Middle East). He will be responsible on military matters to the Standing Group in Washington, consisting of Lord Tedder, General Bradley, and General Elie, and through them to the twelve Defence Ministers of the Atlantic Treaty Organisation, although he is also armed with permission to deal direct with heads of governments in consultation with their Defence Ministers.

At the earliest date which he deems practical he will assume operational direction of three French divisions and, at a later date, of another two. The three American divisions in Germany will come under his command, to be followed by an unspecified number of new divisions in the spring. In addition, two British divisions in Germany and later another two will come under his command as soon as certain legal and constitutional difficulties (which were settled without any fuss in the last war) have been ironed out. To these will presumably be added rather less than a division of Belgian troops in Germany and a Dutch force of about the same size. The problem of German rearmament has been handled in such a way as to deny to General Eisenhower the use of trained German formations for at least another eighteen months. He will have a small and motley, but competent tactical air force—though many of its present machines are obsolescent—and such naval units as he requires. He will have the services of the "Uniforce" planning staff which has been serving the Brussels Treaty Organisation at Fontainebleau. Finally, he will be backed by the recent or forthcoming decisions of the various Nato powers to increase their output of men and weapons. This is the fragmentary material from which the most illustrious of modern soldier-diplomats is to be asked to build in a very short time a defensive system for Europe west of the Elbe so strong and so united that Soviet Russia will be permanently deterred from contemplating military aggression in the West.

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General Eisenhower's problems would seem to sort themselves into four categories, none of which can be said to be less important than another, and none of which can be given a priority because all are equally urgent. First, there is the question of political direction. The present arrangements face General Eisenhower with two unsatisfactory alternatives. On the one hand, he can centralise his dealings with governments through the Standing Group in Washington, and run the risk of having very remote relations with all the governments participating in western defence except that of the United States. On the other, he can use his special powers and unusual prestige to deal direct with the Defence Ministers and Prime Ministers, and run the risk of spending his time in an aeroplane peregrinating round the capitals of Europe. It has already been announced that shortly after his arrival he will return to the United States to discuss the American contribution to European defence with President Truman; in view of the potential size of the American contribution this is not unreasonable, but the practice could not be indefinitely extended without jeopardising General Eisenhower's effectiveness as a commander. Somehow or other, possibly by creating political representation at SHAPE on the analogy of the positions occupied by Mr Murphy or Mr Macmillan at Algiers during the last war, or possibly by building the committee of deputies under Mr Spofford into a stronger body, General Eisenhower's lines of political communication must be simplified.

The second problem is the creation of a strong headquarters. At the present moment General Eisenhower has only the roof and the foundations. He has appointed an excellent Chief of Staff in Lieut-General Gruenther, and he has the Fontainebleau organisation which has done good work in codifying and standardising inter-allied service practice and procedure at the ground level. What is now needed is a strong team of American, British and French senior staff officers whose requests and judgments will command immediate respect in the various defence ministries. SHAPE will have to be the forcing house of theory on Western defence, and because the creation of a common plan and the growth of a body of common doctrine will inevitably involve modifications of national plans in training, organisation and in production, the quality of its planning must be of the very highest. A good headquarters cannot win a battle, but a bad headquarters can very easily lose one.

Closely connected with the question of staff is that of commanders. There is talk of appointing a Deputy Supreme Commander, either an air officer (on the analogy of Lord Tedder at Shaef) to watch the problems of tactical air operations and organisations, or a French general to command the ground troops, or even both. The idea of appointing a very senior officer to command British troops has also been put forward. But whatever pattern of organisation is eventually arrived at, whether contingents remain national or whether some are integrated into a European army, it is to be hoped that SHAPE will not go the way of other organisations and start building a large top hamper of command while the troops available are of the scantiest. The British troops in Germany will not add up to more than the strength of one corps for many months, and the whole tactical air effort at present available is little larger than that handled by an Air Vice-Marshal in 1944-45. At a time when it has been recognised as essential to prune the "tail" of the military machine, it would be nothing short of tragic if SHAPE were to begin by providing more employment for field officers than for private soldiers.

The third task, which ideally should wait upon the welding of SHAPE into a smoothly running headquarters but for which no such delay can be permitted, is the evolution of a master plan for the defence

of Western Europe. This is something much more precise than "the strategic concept" which the Atlantic Council agreed upon earlier in the year. First and foremost it involves an estimate of the minimum number of air and military formations necessary to do the job. It involves an appreciation of where and how, if war comes, the main battle will be fought, the areas of demolitions and minefields, the vital roads and bridges and a host of other problems, including the special problem of internal security against local sabotage. Fortunately, a great deal of the spade work for such a plan has already been done by the Fontainebleau organisation. But SHAPE will fail in its task if it is merely content to make do with the separate and unrelated contributions of the United States and the European nations. It must from the outset impose its own conception of its needs upon its supporting governments. It is because in mechanised war strategic decisions take so long to translate into terms of changes into quantity or design of guns, tanks or aircraft, that General Eisenhower must make his basic military appreciation with the utmost speed.

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Finally, General Eisenhower has the task of eliciting from his supporting governments a steadily increasing build-up of the forces available for the defence of Western Europe. The present ten active divisions in Europe are wholly inadequate to perform anything more than a respectable delaying action. The twenty divisions which in present plans should be available by next autumn could present a more determined front. But, on the assumption that Russia would never launch an attack on the West with less than a hundred divisions, a force of twenty divisions would have little hope of administering that knock-out blow between the Rhine and the Elbe which most military observers believe is the only way to prevent the overrunning of Western Europe. Whatever may be the minimum figure which is necessary to create a permanent deterrent to the Russians, it can hardly be less than fifty divisions, at least a third of them armoured and all of them with an armoured component, supported by a tactical airforce of between five and ten thousand aircraft.

In theory the fixing of each nation's contribution towards the minimum figure of military and air formations should follow naturally upon the agreement of the central plan. But, in fact, every government can advance admirable arguments why it would not be possible to fulfil its quota. Moreover, the three most important countries have heavy and inescapable commitments outside Europe. Not only do their commitments elsewhere make it physically more difficult to put troops into Europe, but the fact that such troops will not be under their direct control will create a psychological reluctance to commit everything to General Eisenhower. He will have to be prepared to cajole, bully and threaten his several political masters if he is to get the forces he requires.

It has often been said of late that General Eisenhower's arrival in Europe will do a great deal to support the morale of public opinion in Western Europe. It is true that General Eisenhower's personal qualities can do a great deal to mitigate the friction between governments, and, indeed, one of his most valuable functions will be to persuade the members of the alliance to have confidence in one another. But the main task of persuading public opinion in Europe and in the United States that Europe not only can but will be defended can be accomplished only by overt proof that a steadily increasing number of military units are converging upon the frontiers of the West.

Back to Diplomacy

THERE is some occasion for cheerfulness in the fact that 1951 will open with a not unfriendly Note from the Americans, British and French lying on Stalin's desk. It is a sign that the three western governments are not so obsessed with cold war and conflicting creeds as to have lost all faith in the principle and method of negotiation. And if this turn of the year and the half-century should bring in return an unmistakable gesture of good will from Moscow, then the free world will feel some pride at having taken the initiative, whatever doubts it may have about the practical outcome of the conference that has been proposed. There is certainly a widespread feeling, natural to peoples who manage their affairs by free discussion, that the statesmen of the rival camps should meet and look one another in the eye before they decide that their policies are irreconcilable in any measureable time ahead—a feeling quite different from that bitter and ignorant pseudo-pacifism which is fanned by Communist propaganda. And it is this feeling that there should be one last attempt to return to diplomacy that lies behind the invitation to consider—in the words of the Notes:

> the principal problems whose solution would make possible a real and lasting improvement in the relations between the Soviet Union, and the United States, Great Britain and France and the elimination of the causes of present international tension throughout the world.

There must be no illusions about the motives behind this diplomatic gesture. It is not based on any concrete evidence that the Russians are prepared to discuss fundamentals or that they are ready to shift from positions taken up in previous negotiations. It is based rather on the need that the western governments feel to reassert their genuine and vital interest in peace and to convince a bewildered public opinion that its cause is just and reasonable. To make this gesture at this time of war in Asia was not easy, especially for Mr Acheson. But it was a sound instinct that led him and his colleagues to remind the world of what has been, throughout, the steady purpose of their policy. It is to place the free world in a position of political, economic and military strength from which it can negotiate with the Soviet Union on equal terms. A genuine peace settlement has been and always will be the object: but until such a position of strength had been reached there could be no settlement in the key places—Germany, Austria and Japan. For it was the anarchy and weakness of the Europe of 1946 and the Asia of 1949 that have offered to the Russians the openings for their policy of expansion. And it is their cheap and swift success in this policy which tempts them to continue it and keep the postwar world unsettled. It is evident, on the face of it, that the position of equal military strength has not yet been reached; but the method by which it is to be reached has been agreed in the latest consultations of the Atlantic Pact governments. To ask for talks now is to use the intense effort of the last two years for two purposes: first, to confront Moscow with the political and economic strength that has been built up; second, to show the free nations the nature of the relationship with the Communist world that they may reasonably expect in this second half of the twentieth century.

Clearly, this conference could be historic; but it will not be easy. Even the tête-a-tête talks of heads of state and government at Yalta did not induce complete frankness about national aims and policies; but they ended with a fairly general understanding of what these were. Past meetings of the Foreign Ministers, on the other hand, have generally broken down on matters of detail behind which those aims and purposes were masked. It is true that each side has voiced its demands and suspicions of the other in general terms; but always in a manner too patently rhetorical, too blatantly demagogic to provide bases for negotiation. In fact, it is time to consider whether the manner—just as much as the matter—of previous conferences has not contributed to their failure. In other words, it is worth asking whether public diplomacy has not now come to the end of its tether.

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In the first place it is worth noticing that all fruitful negotiations in which the Russians have taken part since the war have been secret. The most recent and striking example was the exchange of views that took place at Lake Success between Mr Malik and Dr Jessup (from February 15 to May 4, 1949). It led to the lifting of the Berlin blockade and to the meeting of the Council of Foreign Ministers in May—at which there were fruitless talks on Germany. Likewise, the most speedy and effective negotiations that have taken place between the partners of the Atlantic Pact have been held in secret; their communiques have mostly been of almost Edwardian discretion. Indeed, it is not too much to say that the diplomatic results have been good in cases where the purpose of negotiation has been clear, the policy firmly laid down and approved by public opinion, the press held at arm's length, and security enforced on delegates and officials. By contrast, the method of open diplomacy by conference now hallowed at Lake Success has had almost uniformly bad results. The real successes of negotiation under Uno auspices have all been achieved outside the conference roof, sometimes outside Lake Success. Democratic supervision of foreign policy—with all its dangers and vices—has reached its extreme form with the publicity given to both Security Council and Assembly. The knowledge that the public is watching and listening—if not in the flesh then through its television and radio sets—has a deplorable effect on the manners and tactics of the diplomatists. Indeed, the stage has now been reached where the quality of representation in Uno is judged by its personal and dramatic appeal for television listeners.

It was clear to many people twenty-five years ago that diplomacy by conference, even between reasonably trusting allies, raised more problems than it solved. By bringing politicians into the seats of diplomatists it encouraged haste, posturing and wrangling; it promoted unrealistic ideas of equality between states of vastly different strengths; it appealed for public support in complicated and difficult issues which it had neither the knowledge nor the balance nor the patience to grasp. It produced compromises that depreciated the currency of international contract, and often made principle give place to expediency. If this was true of the first postwar settlement of this century, in which 23 separate major conferences were held between January, 1920, and December, 1922, how much truer is it today, when hardly a month passes without foreign ministers travelling to one exhausting public or semi-public meeting after another. Mr Byrnes recorded inside the cover of his book, *Speaking Frankly*, that between January, 1945, and October, 1946, he travelled 77,000 miles and spent over 250 days in international conference. What Mr Harold Nicolson said of the era of Lord Curzon is also true of the era of Mr Bevin; conferences are held in "circumstances of great publicity, of intense public expectancy and acute personal exhaustion." Nowadays he might add that hardly a speech is made without an eye to its propaganda use; and hardly a Note or a memorandum is exchanged without the half-suspicion that it will find its way to the world either through the American press or through Moscow Radio. Indeed, to score propaganda victories, to seize what is called the diplomatic initiative, has become one of the main activities of diplomacy—the sole purpose of which should be to clarify and improve relations between states.

If the conference that is now proposed is to be nothing more than another demonstration of public diplomacy then it is doomed in advance. It will profit only the men who can score the best propaganda points during its course. It will not produce results, for the simple reason that in such a meeting the Soviet representatives would arrive with rigid instructions and have no policy-

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making powers; their job would be to do again what they do with such exasperating efficiency at Uno—to obstruct. If Stalin has anything explicit and promising to say about ways of relieving international tension he will certainly not have them said in public; it is not the Russian way to show the hand before the play has begun. Nor, for that matter, is it the normal western way. When there are important tariff or trade negotiations to be conducted, secrecy is insisted on from the first and is seldom broken. Why then not provide the same safeguards for talks that may be crucial for the future of peace? It has to be realised—especially in the United States—that the power to make Soviet policy is concentrated in the hands of two or three men; not in the Russian people, and that they cannot, and will not, display the workings of their policy for all the world to see. If there is to be negotiation with them, it should be begun and continued in conditions of secrecy so strictly enforced that they will be respected both by the press and its normal sources of diplomatic information.

Is Full Employment Secure?—IV

The Way to Go

THE three preceding articles in this series have attempted a brief summary of the present state of the full employment argument, as it is seen in the economists' eyes. The conclusions reached may, perhaps, have seemed disappointing to the layman, negative, and even reactionary when set alongside the confidence that the politicians profess to feel. To a politician, *post hoc ergo propter hoc* is not a fallacy but a maxim. Because full employment has been maintained for more than five years after the war, it has been the result of the policies adopted by the Government; and because they have done it so successfully for five years they can go on doing it for ever. The economist who points out that there has, since the war, been no threat to full employment and therefore no difficulty in maintaining it, and who professes scepticism about the outcome when next the threat does arise, must expect to be greeted with impatience. Yet he is, in fact, making claims which, to all generations before the present one, would have seemed to be very far-reaching. He is asserting that he knows how to moderate the trade cycle and to prevent a recession in trade from turning into a slump. And since nobody has ever yet succeeded in doing these things, that may pass for sufficient boldness.

On the other hand no economist who genuinely rejects the totalitarian solution can profess an infallible recipe for economic stability. What may broadly be called the Keynesian technique can only "work" on one imperative condition: that no attempt be made to aim at 100 per cent stability any more than at 100 per cent employment. In no field is the better more emphatically the enemy of the good; not merely in the sense that the good is delayed in the interests of perfectionism, but in the sense that the pursuit of perfection has results positively evil.

What the Keynesian technique can do, if properly applied, is to prevent the potentialities of progress from running to waste in chronic underemployment—as they did almost everywhere in the thirties and in some countries throughout the whole period between the wars. It can, in fact, safeguard the long-run upward trend made possible by technical advance and capital accumulation. It can also prevent fluctuations about the trend from running amok. Theoretical analysis and historical study confirm one another concerning the effect of monetary factors in widening the swing of the cycle, taking over with explosive force on the upgrade to create an inflationary boom and on the downgrade to create a deflationary slump. To cut out this amplifying effect is to produce in the economic climate a difference analogous to that which distinguishes, in the physical sphere, the temperature range of an English summer and winter from that found in Central Siberia. Such an achievement—if enough skill and wisdom can be found to bring it about—would be massive indeed; and it would be absurd to minimise it because it falls short of the ideal of a perpetual May morning in economic affairs.

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Much, therefore, has been achieved by the economists in the last twenty years. Nor would anyone claim that they are at the end of the road, that there is nothing further to be done in developing the instruments of depression control. On the contrary, economic thought is now at a most interesting phase of development; the adaptation of government policies to the new objective of ensuring economic stability has only just begun; and there are still large adjustments to be made in the popular attitude. Along all these roads there is much progress to be made.

Economic thought on the problem of controlling the cycle has passed in the last generation through a number of stages. The first stage can be simply described as that of believing that the remedy is to pump money or credit into the system; depressions, domestic or international, are thought to be due to a lack of money and can be cured by supplying more of the purchasing medium. This first stage is brought to an end by the discovery that the extra money thus pumped in is often not used. The second stage is that of public works; it is the government's duty to see that the flow of aggregate spending is maintained, by increasing its own spending as private spending falls; the catch (apart from the effect on the public finances) is that public works may merely result in creating one instability to offset another.

It must not be supposed that these stages are false starts; there is something in the monetary remedy and something in public works. No one would now advocate credit restriction or governmental economy at the onset of a depression. But in a complete stabilisation policy it is now clear that something more is needed, and the immediate task for the economists is to discover what it is. Logically, stage three would consist of expedients for keeping up the flow of spending, not of the abnormal, emergency kind represented by public works and special subsidies, which carry the danger of permanent distortion, but of the ordinary normal types that would have occurred if the virus of depression had not taken hold. How can the ordinary spending of individuals, of firms, of nations, be stimulated when it shows signs of flagging? It is in this field that the explorations now need to be pushed, and there is still plenty of work for the theorists of the trade cycle to do.

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But there is even more work to be done on the state of the public mind. In previous generations, the public attitude towards economic fluctuations was, perhaps, too negative, too fatalistic; they were too easily regarded as being as uncontrollable as the weather. But the public mood has now swung too far to the other extreme, and is far too ready to believe that unemployment can be and should be fixed at zero. The most immediate necessity is to convince a sceptical public that some variation, some fluctuation, in economic relationships is not only inevitable, but desirable if there is to be any economic progress at all. The public needs to be re-taught that there is such a thing as a "real" cycle, which corresponds to something of vital importance in the life of society. The essential nature of the "real" cycle is one of bedrock simplicity; it is a matter of periodical changes in the required division of labour and distribution of resources. Cycle or no cycle, it is constantly necessary that changes should be carried out, that workers should leave one occupation and enter another in response to particular changes in demand or supply; cycle or no cycle, in fact, the total of unemployment, of men between jobs, measures the slowness and difficulty of adapting from one division-of-labour pattern to another.

However minutely analysed, the cycle, considered as a fluctuation in business activity and employment, remains essentially the reflection of a periodic swing between two very different types of pattern, which one might call the burst-of-progress type and the fruits-of-progress type; a swing which is itself inevitable but which, if only adaptation could be instantaneous, would be as irrelevant to the general level of economic activity as a pioneer farmer's alternations between the extension and improvement, and the routine cropping and maintenance, of his holding. Only, of course, adaptation is not and cannot practically be instantaneous; in some instances it cannot be made at all; in others (e.g. heavy and highly specific equipment) it is simply not worth while. Hence, inevitably, cyclical unemployment both of workers and of other resources.

Nevertheless, the "real" cycle problem loses some of its mysterious nastiness when it is seen as a recurrent special case, an exacerbation, of the universal economic problem of properly adapting resources. For that problem can be tackled by the application of time-honoured economic and administrative virtues on the part of every individual member of, and constituent group in, the economy—not, indeed, in the hope of complete success, but with every prospect of considerable improvement on the position as it stands when Keynesian techniques have done their best. Whenever a trade union waives a restriction on recruitment or a demarcation rule unrelated to actual skill, whenever a firm institutes or improves a training scheme or introduces elasticity into age limits, whenever a local council overcomes the settlement Act mentality which bar outsiders from its housing list, mobility is increased and the reinstatement of the workless—whether their unemployment be due to cyclical or other changes in the pattern of the division of labour—is made easier. Whenever a rigid price is freed, a ring dissolved, a green light given to new enterprise, fresh employment opportunities are opened up to replace those which are dwindling, with the same result. The actual physical taking (or rather directing) of work to the workers, as in the Development Areas, has its role, though it is a remedy to be cautiously handled; and value also attaches, needless to say, to the improvement of the present job-finding and training mechanism. No single move of this kind is likely to have a sensational result, but in sum their effect could be considerable; and unlike those monetary remedies which, pushed too far, disable the economy using them from self-support in a competitive world, they are precisely the changes which, in any nation placed as is Great Britain, would be most conducive to assured solvency.

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All this, it may be said, is all very well; but it cannot be accepted by the workers, any one of whom, with the best will in the world, may find himself left completely out of the new pattern, or—having based his family standards on full time and overtime—making do on the earnings of three days a week. Advocates of any policy, however salutary, which entails the acceptance of even minor fluctuations, simply "do not understand" the working-class mentality, working-class sufferings and working-class fears. They would feel, it is implied, very differently were their place in the changing pattern of economic activity less outstandingly privileged, from the point of view of stability, than it generally is. This may or may not be true; true or false, it is irrelevant. The mark set by the years of depression on working-class psychology, the trauma, as it were, whose chief symptom is an irrational clutching at the illusion of 100 per cent security, is an undeniable fact of practical politics with a powerful and ominous bearing on the chances of economic health; so is the aversion of horses from leaving a burning stable an undeniable fact with a powerful and ominous bearing on their chances of survival. In neither case is there any excuse for applauding or abetting unreason and self-destruction—let alone claiming superior virtue and sympathetic insight for doing so.

Nevertheless, if some residual fluctuations in employment are to be accepted as the price of freedom and progress, it is necessary—or so equity would suggest—for society to recognise more generously its responsibility towards those who individually pay that price. Much responsibility is, of course, taken already. To hear some of the more emotional advocates of perpetual brimful employment at all costs, one would suppose that a redundant worker could look forward to nothing but eviction and starvation; that nothing had changed in the lot of the workless since the Hungry Forties of the last century, nor in their prospects of reinstatement since the bottom of the 1931 slump. This is, of course, pernicious nonsense. Having said so much, however, one may still maintain that those—the majority—who do well out of a progressive and therefore fluctuating

economy, should out of their good fortune recompense the less fortunate for their ill-luck.

This means that the unemployed should be made more comfortable—to which at once the objection can be made that if the present standard is raised at all, there will be classes of workers whose income is actually higher out of work than in it—and one does not need to be a cynic to see the danger of that. But there has been a strange unwillingness, even on the left, to follow out the logic. The only reason why unemployment benefit must be kept as low as it is, is because the British system is one of flat-rate contributions and flat-rate benefits. Since the flat rate must, for safety's sake, be well below the lowest rate of normal earnings, any worker whose normal earnings are above the lowest suffers the sharpest cut in his standard of living when he falls out of work. This could be remedied—though admittedly at the cost of some administrative complexity—if contributions and benefits were made more proportional to normal earnings. Those who insist that zero unemployment is neither possible nor desirable are saying that unemployment is one of the normal risks of industrial life. If they wish that view to be accepted, they must be willing to urge that society should do more than it has hitherto done for those who become the victims of the risk.

The epoch-making White Paper on Employment Policy was produced by the coalition government in the middle of the war, when its subject matter was about as academic as it could be. Possibly it is only in such circumstances that an agreed formulation of agreed views can be arrived at, undisturbed by the passions arising out of daily emergencies. Since 1944 there has been some experience, at least of one side of the problem, and much thought given to it. It would be a good time for the institution of a new impartial inquiry, to chart the progress that has been made and to point the way for further endeavour.

(Concluded)

NOTES OF THE WEEK

Peking Rejects a Cease-fire

In rejecting the United Nations' bid for a cease-fire in Korea, the Chinese have acted true to the form they are establishing for themselves, and have pursued the logic of their previous arguments. Having decided to throw the Americans out of Korea, they must see little reason for stopping just when they think they have the enemy on the run and can use his discomfiture to press their other claims. Mr Chou En-lai, the Chinese Premier and Foreign Minister, eventually answered the two notes from Uno by means of a news broadcast last Friday. In doing so he repeated China's terms—namely, a complete withdrawal of Uno troops from Korea, coupled with the simultaneous abandonment of Formosa and the grant of a seat at Uno. Incidentally, Mr Chou En-lai was discourteous enough to say flatly that he would not bother to send a formal reply to Uno's representations. At Lake Success the UN cease-fire commission, consisting of the President of the Assembly, Mr Entezam of Persia, Sir Benegal Rau of India and Mr Lester Pearson of Canada, expected to draw up its report this week whether Peking replied directly or not.

Mr Chou En-lai expressed sympathy with the desire for peace of the thirteen Asian and Arab countries who had proposed the Uno resolution; but he twitted them with being dupes of Washington, a thrust that can hardly be expected to arouse feelings of friendship for China in the rest of Asia. With the failure of this attempt to get a cease-fire, no report from the three-man commission can effect the diplomatic crisis in the Far East or the tension it has created all over the world. The ball has been kicked by the Chinese straight to Mr Acheson's feet.

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General MacArthur Accepts

As *The Economist* goes to press, the expected Chinese attack on the main position of the Eighth Army across the peninsula south of the 38th Parallel has not yet been delivered, although it seems beyond reasonable doubt that it will come. The announcement that the 10th Corps has now been landed at Pusan clearly indicates that General MacArthur is determined to minimise the risk of defeat in a major engagement, for the pressure on him to release it for rest and service elsewhere must have been considerable. Every day that passes without a Chinese attack increases the chance—which seemed so remote two weeks ago—that it may be possible to plug the gap in the Eighth Army front between Chunchon and the east coast.

Two events of the past week indicate that General MacArthur has accepted certain of the criticisms levelled against his previous handling of the Korean situation. First, Lieut.-General Ridgway has been appointed straight from a senior staff appointment in Washington to succeed the late General Walker in command of the Eighth Army, when it might have been expected that this command would have been given to one of General MacArthur's trusty subordinates in the Far East. Second, the 10th Corps has been placed under the command of Eighth Army, thus leaving General MacArthur with no direct hand in the tactical direction of the troops in Korea, and eliminating the chance of a repetition of the disastrous divergence between the two forces which contributed to the debacle of November 27th.

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Paying for Defence

The Chancellor's *obiter dicta* on paying for defence are generally unexceptionable in principle. What is peculiarly hard to tell is how far their implications are accepted by Mr Gaitskell himself, let alone by other members of the Cabinet. To the Institute of Export last week he insisted on the sensible theme that the payment must be made "as we go." In one sense, of course, that is a truism. Armaments have to come out of current production. They can be produced without cutting the sum total of the world's consumption and investment only if enough workers and plant to meet the whole of the extra defence demands were previously unemployed. In those circumstances alone is it possible to finance rearmament by loans, instead of taxes, without resort to the forced savings of inflation as a means of reducing consumption?

There are, however, two ways in which a fully employed Britain in a pretty fully employed world may effectively postpone some of the burden of rearmament for its citizens. The Government can borrow abroad (or stop previous lending abroad); and, secondly, it can reduce the provision for the future represented by the country's internal investment in new plant, equipment and buildings. Presumably these are the two devices that Mr Gaitskell was proposing to rule out. The scope for the first is small whatever the Government's wishes might be. There is, it is true, currently a considerable surplus on the British balance of payments. But this is not so fat that it can be cut off with no harm done. Most of the surplus must be maintained if Britain is to play its part in the economic development of backward areas (and, especially, of South Asia) that is essential to the West's strategy for cold war. And British short-term debts to some countries—the sterling balances—are already so large that the piling up of fresh debts would be highly dangerous even if it were offset, in the "overall" balance, by long-term investments elsewhere or by a rising dollar reserve. The case against a general cut in investment at home is almost as strong. Such a stop to economic progress is one of the necessary costs of total war. It would be a short-sighted way of paying for a protracted cold war in which half the criteria of peacetime economics are still relevant.

But these excellent principles have unpleasant practical implications. If the economy is to sustain in 1951 both an export surplus and continued heavy investment at home, then "paying as we go" means not merely paying by taxes but also securing a high rate of saving out of the incomes left after those taxes. Mr Gaitskell has still to give an indication that he knows of any fiscal recipe which will combine those two conditions with the present rate of Government expenditure for civilian purposes. And if, as seems all too probable, he has no such recipe, is he already engaged on making his colleagues cut expenditure? Or will he have to fall back eventually on taxes that are bound to reduce saving and therefore to prevent genuine payment as we go? "Paying as we go" means something much more than just increasing taxes, and infinitely more than just more taxes on the rich—which is what his colleagues probably thought he meant.

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Reviving Civil Defence

When the first details of the Hiroshima and Nagasaki atom bombings were released, and when later the nerves of the public were being assaulted by rumours of new lethal gases and bacteriological warfare, the resolution of the average British citizen gave way to a feeling of utter hopelessness about the possibility of protecting his home or his family if war should come again. To its great credit, the Home Office has never permitted such a defeatist attitude to colour its policy towards civil defence, and its programme of recruitment and training has at last begun to bear fruit in awakening public interest. Active recruiting for civil defence began about a year ago and there are now over 100,000 men and women in the Civil Defence Corps and its allied services. (The figure for the Civil Defence Corps alone rose by over 14,000 during November.) This is still very low: it represents a national average of only 2.02 per thousand of population and, oddly enough, London has almost the lowest percentage of any of the regions. But it does mean that by concentrating on the realities of rescue work, fire services, and ambulance work and by demonstrating the effectiveness of new measures, it is possible to enlist people's interest where ignorance will only frighten them.

A circular sent out to local authorities two weeks ago by the Home Office asks for a comprehensive review of all existing shelters, although it gives no authority to build new ones. When this is completed it will be possible to tell how much new work will be necessary to give adequate protection to the civil population in the event of air attack. What seems to be needed now is a programme co-ordinated between the various ministries and the various ministers to tell people in simple terms that simple precautions are worth taking (even the Anderson, though not the Morrison, shelter can be brought up to Grade A standard which gives good protection against atomic bombs). The New York civil defence authorities have recently published their estimate that an atom bomb would kill thirty thousand people and wound another thirty thousand—which does not seem a catastrophic figure for the most vulnerable of the world's cities. A recent article in the *Municipal Journal* estimates that 25 atomic bombs, delivered with a degree of perfect accuracy which is unlikely to be attained with any sort of anti-aircraft protection, would be needed to cause as many civilian air raid casualties as did the Allied bombing of Germany. It is time that some official estimates were given to the public in order that the ordinary citizen's confidence, or want of it, may rest on a basis of fact and not of vague fears akin to those unreal bogies of mass destruction of London by German bombers which gripped the population of London at the time of Munich. It needs to be remembered that the population of Britain, with six years of experience, with a large number of existing shelters, and the nucleus of a first-class civil defence organisation, is far better protected against casualties than any European country, or for that matter the United States.

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French Arms Budget in Danger

That a majority of nearly a hundred in the French National Assembly should have boggled at discussing the rearmament budget on the day after Christmas is not in itself a serious matter. But it is one more sign that M. Pleven's understanding of the urgent need for France visibly and quickly to increase its defence effort is not yet generally shared by the legislature. The Prime Minister had two main reasons for introducing the device of separating increased expenditure on rearmament from the normal civil and military budget for 1951. He felt that it would underline the need for new taxes and thus increase the chances of getting them voted; and he hoped that in this way expenditure on rearmament might be voted by the New Year; he could then meet President Truman early in January with something already in the bank.

The Government asked, in the rearmament budget, for military expenditure of 355,000 million francs in addition to 385,000 million francs for military purposes included in the normal budget. This, they believed, would be sufficient to double their present army of five rather inadequately equipped divisions by the end of 1951; together with the provisions of the ordinary budget it would bring expenditure on land forces (other than in Indo-China) to 231,000 million francs, on the Navy to 99,000 million francs, on the Air Force to 129,000 million francs, with 49,000 million for joint services. Even these figures mean that the Government have so far evaded the difficult question of extending compulsory service to two years, which is the only basis on which 20 divisions could be raised and which, sooner or later, will have to come; and they certainly contain too little for guns, munitions and other arms. But they sufficed to show that, on any reasonable assumption about Mutual Aid, a minimum rearmament effort would require at least 165,000 million francs to be found by new taxes.

Though the rearmament budget as it reached the Assembly on Wednesday was, on paper, only 29,000 million francs smaller than the Government's original proposals, the finance committee have in fact cut the proposed revenue from new taxes by 82,000 million francs (the Government believe it may be as much as 100,000 million). The committee claims that the balance can be made up by the devious juggling with figures which they have recommended, but there is no disguising the fact that they have, in effect, tried to do just what M. Pleven hoped to avoid—to reduce the amount of new revenue that will have to be found if there is to be the real increase in the French defence effort that the Government believes necessary. It is clear that if the Assembly tries to follow the finance committee's lead, the Government cannot avoid forcing it to an issue of confidence.

Benelux Foundering

The proposed Benelux union is again foundering and in danger of sinking altogether. A mid-December conference which was to set the final seal on the union has been cancelled, and instead the finance ministers of the three countries are to meet to survey the problems that have led to the latest deadlock.

The heart of the difficulty is the Netherlands' mounting trade deficit which the Belgians are willing neither to accept as a joint responsibility nor to help liquidate. A deficit has persisted on a small scale for some time, but recently it has reached substantial dimensions. Already the Dutch have used up well over half of their credit total for the year with the European Payments Union (EPU) and will shortly have to start settling in gold.

Among the chief reasons for the widening gap are the shrinkage of the West German market for Dutch agricultural produce (the result of German attempts to right their own deficit), and efforts, in common with everyone else since the Korean hostilities, to build up stocks. Largely because of these two factors the EPU has been a disappointment ; both in Brussels and The Hague it was hoped that the multilateral machinery of EPU would take care of this Dutch liability, at least to the point where the partners could safely forge ahead with the Benelux union.

If the union is to succeed, there are at the moment only two possible solutions—both dependent on Belgian beneficence and political courage. One way out is for Belgium to accept guilders in payment for the Dutch deficit, which is, in fact, mainly with Belgium ; but this has been turned down because it amounts to extending more credit and might undermine the Belgian franc. Another approach open to the Belgians is to lower their barriers against Dutch agricultural products and thus enable the Netherlands to pay its way. The concessions granted to Dutch agricultural interests at last October's meeting of Benelux officials were not enough and suggestions for further adjustments have met with discouraging opposition from Belgian farmers.

As far as the Netherlands is concerned the problem of its trade deficit may have to take precedence over the ideal of Benelux. For if Belgium is unable or unwilling to narrow the trade gap in any other way, then it will have to be done by restrictions from the Dutch side on Belgian goods. Such a step would not only be a blow to trade liberalisation in Western Europe generally, but it would also mean a step backward for Benelux.

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Parliament and the Public Corporation

A survey of nationalised industry is being undertaken by a new and disinterested research organisation, the Acton Society Trust. Its first pamphlet* is a dispassionate account of the unsatisfactory relations between Parliament and the principal public corporations. Three linked problems seem to emerge from this survey. The first is that debates on nationalised industries are much too prone to turn into party dogfights instead of the dispassionate enquiries which they should be. The relevant Minister seems as determined to defend "his Board" as the Opposition is to attack its every action.

The second problem arises from the fact that Parliamentary control of the Minister ought to be coterminous with Ministerial control of the public corporation ; but the latter is often an unknown quantity, being carried on secretly and informally, with the result that intelligent criticism may be frustrated or misdirected. The third problem concerns the inadequacies of MPs themselves. Too often they concentrate on questions about management, which ought in theory to be handled by consumers' councils, to the exclusion of the real issues of economic policy—which seem to be beyond the grasp of Members and Ministers alike.

There are no simple solutions to these problems. Possibly a spell of Conservative rule would instil a more objective spirit into the debates. No doubt in pragmatic fashion Parliament will gradually develop a code of procedure for dealing with its new responsibilities. But the real issue lies deeper. A public corporation is subject to some of the abuses of private monopoly, together with others all its own. On the other hand, Parliament itself is liable to put on the corporations political and sentimental pressures that frequently work against economic efficiency. What has still to be found is a system of checks and balances which will ensure that the consumers' long-term interest gets a proper recognition. There is a special onus on a Government which believes in nationalisation to seek earnestly for a solution.

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Land, Food and Trees

The Country Landowners' Association has joined the critics of the Town and Country Planning Act. The novel part of its criticism refers to the effect of the Act on agriculture and forestry. The Association believes, following the more vigorous protests of the National Farmers Union, that too much farmland is being diverted to other uses, without due regard to the effect on "the country's finances." It wants such diversions to be related to a 20-year programme of land requirements ; it thinks that the Ministry of Agriculture should be compelled to explain its reasons at the local inquiry in cases where it has consented to the development of farmland. The association also suggests that conflicts between local development plans and the wishes of Government departments should be settled at Cabinet level.

This criticism is strangely ingenuous. The main effect of the Planning Act is that land use is now determined primarily by administrative action instead of by the free movement of land values. Whatever else it may do this change cannot but be beneficial to agriculture. Whereas previously (as prewar experience amply demonstrated) the best farmland had too low a financial value to prevent its purchase for development as required, the present arrangement enables the fate of every field to be the subject of representations from agricultural interests (who are entrenched on many county planning committees) and from the Ministry of Agriculture. The result is that, to a considerable extent, the best farmland is being saved from the development to which a free market in land would render it liable. The real complaint of farmers and landowners is that they no longer have any financial inducement to part with their land. It may be true that local authorities, whose costs of acquisition have been cheapened, are building in some cases to unnecessarily low densities. But even this point should not obscure the fact that the rehousing of the population at "new town" densities—a desirable but (for many years) improbable social objective—would probably cost the nation less than 2 per cent of its agricultural production.

On forestry, the Country Landowners' Association protests that the making of tree preservation orders is enabling local authorities "to interfere in the day-to-day management of woodlands." It argues that the Act ought not to permit the business aspect of forestry to be interfered with in the interests of amenity. This is true enough. It is also true that the interests of good forestry, as well as of the general public, require that the shrinking area of private woodlands should be replanted and extended, not indiscriminately cut down. The real difficulty at present is that both the local planning authority and the Forestry Commission have a strictly limited responsibility in the matter. Probably the main work would be best left to the Commission if it could be relied upon to display enough vigour and a proper regard for considerations of amenity.

* "Accountability to Parliament," Acton Society Trust, Acton House, Church Road, Claygate, Surrey.

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Boom in Prisoners

The report of the prison commissioners for the year 1949 (HMSO, 4s.) well illustrates the modern view of judicial punishment. This view is, briefly, that offenders should not be sent to prison if it can be avoided but that once a prison sentence is inevitable it should be long enough to have both a reformative and a deterrent effect. Short sentences (that is, sentences of three months or less) still account for almost half of the total number of prison sentences ; but in 1913 the proportion was 91.5 per cent, and sentences not exceeding one month accounted for 78.2 per cent. Even as recently as 1938 just over half the total number of prison sentences were of one month or less, and a further 23.9 per cent were of sentences over one month and not more than three months. At the other end, sentences of three years and over accounted for 0.1 per cent of total prison sentences in 1913 and for 0.4 per cent in 1938. Ten years later the percentage was 1.5.

These longer sentences are one explanation of the rise in the daily average population of prisons and Borstals, which in April of this year reached 20,421, the highest figure for forty years. But it is now not the only explanation. In 1947, there was an increase to 47,827 in the number of receptions of convicted prisoners, and another marked rise to 54,768 in 1948.

This overcrowding of prisons has been aggravated by two provisions of the Criminal Justice Act of 1948. The new provision for preventive detention, which means a minimum sentence of five years, has increased the number of prisoners in this category from 30 to nearly 400. Secondly, by May, 1950, 1,610 people had already been sentenced to the new system of corrective training. It is too early to say whether these two forms of punishment are having the desired effect on the offenders concerned. But it is disturbing to find in the report evidence that the percentage of reconvictions of prisoners as a whole has been rising in recent years. Of prisoners received in the period 1936-40, 80 per cent had not again been received before the end of 1948. But the percentage was no better for those first received in 1945, that is, less than three years previously, and was only 82 for those first received in 1946. The modern penal system is evidently establishing itself only with difficulty in the physical conditions of prisons that belong to the past. To judge by the comments of prison governors and chaplains on the mental attitude of the modern prisoner, it also has much more difficult material to work upon.

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The Wrong Premises

The proposal to build a new Foreign Office in place of Carlton House Terrace was withdrawn for further consideration when it came before the Westminster City Council last week. It is, however, too much to hope that this, by itself, will mean the end of the project, richly though it deserves to die.

The objections that have hitherto been voiced have been based on artistic grounds, and very firmly based, too ; for Carlton House Terrace, with the Duke of York's Steps in the middle, the Mall in front and Waterloo Place behind, is one of the very few places in London where noble architecture is combined with successful town planning. It is certain (if the town planning legislation of the past two decades means anything at all) that no private person or corporation would be allowed to do what the Foreign Office and the Ministry of Works are proposing.

But this is not the strongest objection. Why should there be a new Foreign Office at all—or rather, what is the case for building it now? At least four gigantic new office buildings for the civil service have already been built in London since the war and (so far as memory serves) only one of comparable size for private occupation. Yet, even with its swollen size, the civil service still represents only a small fraction of the office population of London. If resources can be spared for new office buildings, let the benefit go to some of those workers who have not had the advantage, for ten years past, of being able to requisition and commandeer what they wanted. Or at the very least let some impartial tribunal, not composed of civil servants, pass on the Foreign Office's claims to priority. This project is one more example of the lengths to which the civil service pushes the new doctrine that any activity of government is ipso facto more important and deserving of higher priority than any private activity—though it is the private activities that pay for both. How can the rulers of the country expect the public not to seize every opportunity of cheating the building priorities and the town planning regulations when they themselves cheat so frequently and so brazenly? The maximum possible fuss ought to be made about the Carlton House Terrace proposal.

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Embargo on Hongkong

Living in Hongkong is like living on the slopes of a volcano: the people who do it come to regard their danger somewhat philosophically. The calm with which Hongkong has faced the growing crisis of the past eighteen months has therefore served only to emphasise more strongly the violence of the reaction against the recent American embargo on goods destined for China. Under the terms of several decrees published at the beginning of December, Washington has laid it down that no American goods except perishable food may be shipped to Chinese ports—including Hongkong and

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Portuguese Macao—and that no American ships may be used to ship any China-bound goods from anywhere in the world; the order also holds good for materials destined for Russia and its satellites. After representations made through London to Washington, Hongkong has now been assured that its own essential supplies for local consumption will not be cut off.

These orders will undoubtedly hit the traders of Hongkong very hard even if, as some people fear, they do not take away a dangerously large part of its *raison d'être* in the eyes of Peking as its main channel of world trade. Reports from the colony indicate that the first accounts of virtual panic were much exaggerated. There was certainly a subdued excitement in the streets and the Chambers of Commerce met at once; but there is now a general feeling that the colony must await further developments before it can tell how severely its trade will be affected. Meanwhile the Chambers of Commerce are collecting factual evidence; on a rough estimate the income of Hongkong will be reduced by between a half and two-thirds. Ten years ago the proportion would have been higher; now, serious as is the loss of so much business with China, Hongkong has a substantial entrepôt trade with South-East Asia to fall back on.

What many people in Hongkong resent is not only the imposition of these economic sanctions but the way they have been imposed. It is pointed out that if the Americans want to retain any friends in the Orient, they will have to learn to co-operate with them. Hongkong is admittedly an extreme case, but it is still felt to be wrong to treat it so cavalierly. In the East, such abrupt resort to economic warfare looks like a sign of weakness; Hongkong feels that it is no victory "to throw our rice bowl in the enemy's face."

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That Japanese Peace Treaty

A recent Chinese statement on the making of a peace treaty with Japan has not received the attention it deserves. On December 4th the Foreign Minister of the Chinese People's Government, Chou En-lai, issued a statement defining his government's attitude. He declared that the Chinese People's Government "must take part in preparing, drawing up and concluding the peace treaty with Japan," that the treaty must be prepared by the Foreign Ministers of China, the Soviet Union, the United States and Great Britain before being passed to a full conference of former Allied nations, and that the only proper basis for a joint treaty was to be found in the Cairo, Yalta and Potsdam agreements and in the Far Eastern Commission's resolution of June 19, 1947. He pointed out that these agreements, whereas they provided for the cession of Formosa to China and of South Sakhalin and the Kuriles to Russia, said nothing about any permanent American administration of the Ryukyu or Bonin Islands, which the American Government, he said, only wanted "to establish as military bases for aggression in the Far East." Further, according to Mr Chou's statement, the original inter-Allied agreements had absolutely prohibited Japan from possessing an army, navy, air force or gendarmerie, but America had already begun to rearm Japan under cover of various devices. The American plan was to make a rearmed Japan an accomplice in aggression against the peoples of Asia; but only a "democratic" Japan, "free from the control of foreign influence," could contribute to the peace and security of Asia.

The attitude of Russia and China makes it almost inconceivable that an agreed peace treaty can now be presented to Japan by the ex-allies of the Pacific war. The objective of both the Communist powers is to obtain a complete withdrawal of all American armed forces from Japan and adjacent islands, to eliminate any special American or non-Communist control of Japan, and to keep Japan disarmed as a power vacuum until it can be captured for Communism by Trojan Horse tactics. They must be expected to refuse consent to any treaty which provides for the preservation of a special American strategic and political position in Japan as a counterpoise to the Communist *bloc* in eastern Asia. Any compromise formula would be likely merely to produce fresh conflict, with civil war in Japan as a probable sequel.

Diplomatically America and Britain are in a weak bargaining position on account of their lack of foresight in the earlier agreements which Russia and China now invoke. Having given away Formosa, Sakhalin and the Kuriles without any territorial or administrative *quid pro quo* for the United States in or near Japan, they have no longer any cessions to trade with; having agreed to the total disarmament of Japan, they have no legal ground for claiming a right of Japanese self-defence. Moreover, as there is no Soviet occupation zone in Japan, rearmament there could not be justified as it is in Germany by the prior militarization of the *Volkspolizei*. A difficult problem thus confronts the Western powers; on the one hand it would be an error of the first magnitude for them to abandon Japan to Communism, but on the other, their past commitments are such as to give the Communist adversary a great propaganda advantage against the conclusion of any treaty which would not have that effect.

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Arms before Aid

When the North Atlantic Council agreed last week to replace the military Production and Supply Committee with a Defence Production Committee, it looked as though it was simply falling into the bureaucrat's fallacy of believing that new and better results could be achieved by giving an old committee a new name. In fact, for the British and Americans at least, it was a recognition that mobilisation of military production could afford to wait no longer than the mobilisation of divisions. Until the Council of the OEEC has considered the Third Report, and the economic and financial working group of Nato in Paris has completed its findings on the economic impact of rearmament on members, which cannot be before the middle of February, there can be no final decision about the distribution of Mutual Aid during 1951. In effect, the North Atlantic Council decided last week—whether all its members realised it or not—that production for the military requirements of the Atlantic force should start now, before anyone can count their dollars.

The continental members of Nato have so far excused the fact that they have placed virtually no rearmament orders with their own industries on two grounds. They do not know, they claim, what they have got to produce, nor who is going to pay for it. In fact the most important achievement of the old Production and Supply Committee was to draw up a fairly detailed list of "high priority" equipment and where it can be produced. These are all things that must be included in any minimum rearmament effort, and on which immediate production could be started. One of the new committee's main tasks will be to see that orders are in fact placed, and placed now, before anyone knows how they are ultimately going to be paid for.

The task of the Defence Production Committee will be to continue the planning functions of the old group and to achieve the necessary production in the necessary time. It will have for the first time a permanent international staff and a full-time director to act as a ginger group in the various European countries. It is, indeed, difficult to see what more Mr Acheson had in mind when he proposed that the production effort should have its supreme commander. It is clear that the new committee's functions and the powers of its director will enable it to do no more than make recommendations to the Governments, which alone can place orders. This, it is true, is a less complete authority than that which General Eisenhower will exercise over the divisions under his command. But short of a surrender of all national sovereignty over military, and indeed all, production—which Mr Acheson did not propose—it cannot be made more complete.

* * *

Graduation for Houseworkers

Diploma day at Kendra Hall, the Croydon training centre of the National Institute of Houseworkers, made it evident that the Parliamentary Secretary to the Ministry of Labour, Mr Fred Lee, does not share the view, popular in some Labour circles, that the middle class woman only wants domestic help in order to have someone to order around. Indeed, Mr Lee referred to the houseworker's job as a very real social service—which, of course, it properly should be, if the words "social service" are to be interpreted as service to society.

It is probably by instilling, directly to its own trainees and through them to others, this sense of the importance and dignity of domestic work that the institute will do its most valuable work, by counteracting the prevalent view that it is the last resort of the moron and rural greenhorn. To establish a standard of wages, hours and conditions—though highly desirable, given the medieval ideas of some employers—goes only part of the way towards making domestic work attractive; indeed, the notion of housewife and help, each suspiciously consulting the book of the rules every time either one needs to run out to the pillar box leaving the baby irregularly in the other's charge, is sillier than anything in the Catering Wages Act. (One can hardly put it more strongly.) The evidence, fortunately, is that the workers emerging from the institute's centres do not in fact either meet with or display such a spirit; they have a professional rather than a trade union attitude to their work.

Time will show how successful the institute can be in counteracting a drawback to domestic work probably at least equal to its hitherto low status—its loneliness. The institute, said Mr Lee, "endeavours to bind its members together into local groups"—a task which must be difficult in the early stages while they are still very thin on the ground—and encourages them to "take part in local activities." No such endeavours or encouragement can make a kitchen as sociable a place as a shop, factory or office; on the other hand, the mutual friendship, which can characterise the relation of a hard-working mother to her trusted domestic help, and the affection of children, are advantages to which other means of livelihood yield few counterparts. The problem of the domestic worker is a problem of human relations. By imposing standards, inspiring self-respect, and setting a value on its diploma-holders both in their own eyes and those of their employers the institute can lay a foundation; the rest is up to the workers and the employers concerned.

The Piper and His Tune

The roles of concert promoter and concert-hall owner will be combined in a big way when the London County Council opens the new Royal Festival Hall. On such a scale this doubling up of parts is a new development in the musical life of Britain. Municipalities already own halls; they help local orchestras from the rates; they even act as concert promoters when they engage orchestras to play in their schools or public parks. On Tuesday the London County Council decided to go further and itself promote a series of about 65 concerts a year in its own hall; the concerts are to be shared out among the leading orchestras. The hall will also be let at a subsidised rent to a limited number of non-profit making concert societies, and for the rest of the time at a commercial rent to the ordinary run of musical and non-musical organisations.

This policy raises two new issues. The LCC will now become one of the principal concert promoters in London, with a box office as well as an educational interest in its ventures. The Council is not primarily interested in profits; it is interested in encouraging good music and it intends to leave the planning of individual programmes to the conductor or orchestra society concerned, while giving its own concert adviser the responsibility for co-ordinating the programmes. There remains, however, the basic fact that a committee of laymen will be ultimately responsible for keeping the balance between artistic and financial arguments that will often be diametrically opposed, and which expert orchestral organisers have hitherto found impossible to resolve. The LCC's great asset is its financial strength; it can stand the box office losses of musical experiment much longer than the ordinary promoter can. Nevertheless, even the LCC may hesitate to call persistently for a tune which the public shows an obstinate reluctance to pay to hear.

The second issue is how the new hall will affect the concert promoters who must rent it on commercial terms. Will the Festival Hall draw off business from the Albert Hall? Can it create a new concert-going public on its own doorstep? Can London support two large concert halls? The Albert Hall—whose council is asking for a Government loan of £353,000 in order to make improvements and repairs—has two advantages. It costs £150 a night to hire, while the Festival Hall will cost £200. Secondly, the Festival Hall, which seats 3,000, is to be acoustically good but economically will be on the small side. For all its defects, the size of the Albert Hall makes a full house highly profitable and in a series of concerts makes it possible to offset losses by bigger profits. In the Festival Hall the margin is much narrower, and the cost of a first-class conductor or soloist may be very hard to recoup. It remains to be seen whether impresarios will risk quantity for quality or play for safety in the Albert Hall.

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THE ECONOMIST, 22 RYDER STREET, LONDON, S.W.I.

We regret . . . .

to announce that the first printing of THE ECONOMIST DIARY 1951 *is sold out. A second printing is now in preparation and copies will be available in January.*

We suggest . . . .

that those who have been unable to obtain diaries should apply for copies from the second printing. Post-free price: U.K., 37/6d.; Overseas, 32/6d. THE ECONOMIST DIARY, 22 RYDER ST., LONDON, S.W.1.

Defining Problem Families

The main purpose of an investigation sponsored by the Eugenics Society into problem families in Bristol was to explore a method of enquiry which could be applied to the country as a whole, and thereby indicate how many families live in such subnormal conditions as to be classified as "problem." Four other pilot surveys are also being undertaken, and it may be that, when the results of all five are known, a definition of a problem family can be formulated.

The results for Bristol, which have now been published,* are, however, disappointing in this respect, as the author of the report readily admits. A great deal of factual information was amassed, most of which bears out the impressions of other observers in other areas. For instance, it was found that the problem family was usually a large one, the average number of children per family being 5.8. The bulk of the fathers belonged to the group of unskilled, or semi-skilled, workers, and among both parents the field worker found a high proportion who were mentally subnormal—though this finding must be accepted with reserve as no objective testing of intelligence was undertaken. Since so many of the fathers belonged to the unskilled class, it is not surprising that family incomes were low, but, since there has been little recent inquiry into the incomes and needs of problem families as a group, the Bristol findings in this respect have some value. It is estimated in the report that 53.4 per cent of the families whose income was ascertained had insufficient money for their needs. It is consequently not surprising that evictions for non-payment of rent were common, but it is surprising that of the 155 problem families 58 per cent were housed not in recognised slums but in council properties on housing estates.

Some weight must consequently be given to the recommendation in the report that problem families should not be removed straight from the slum to a council house but should first go through a probationary period in a converted "half-way" house. But this brings us back to the question not answered by the Bristol enquiry—how can a problem family be distinguished from one which, on being rehoused, will make good? Another question, also raised in the report, is whether children should be allowed to remain in shocking conditions if they appear happy, for one of the most surprising findings of the report was the comparative absence of the "broken-home" situation and the apparent happiness of most of the children. The problem of the problem family is how to raise it from its animal existence without destroying something much more valuable than soap and sanitation.

* * *

Stolen Stone

The theft of the Coronation Stone from Westminster Abbey has produced the kind of reactions that tempt foreigners to write very subtle and complex analyses of the British character. Some cannot help being amused by the thought of three hundredweight of sandstone being shifted under the very eyes of Scotland Yard and Big Ben—but would become very angry indeed if they thought London had lost the Stone of Scone for good. Others feel deep indignation that a revered symbol should have been made the object of something like an undergraduate rag. Scots happily settled among the English suddenly find themselves driven to take a view for or against the irredentists across the border. For they hear the English assuming—in a quite un-English way—that this must be the work of the Scottish Nationalists, whose views strike them as falling somewhere between the extremes of Don Quixote and Beachcomber. Probably everyone who is not determined to see the 80 year old Crown Prince Rupprecht of Bavaria crowned as the last of the Stuarts would have preferred to see this exploit attempted on April 1st and not on Christmas Day. If the Scottish Nationalists want to impress their views on Westminster they must behave better, not worse, than the English. Theft, of course, is serious but, in England, bad form can be worse.

* * *

Correction

In last week's leading article on China a line from the extract from Mr Wu's speech was omitted in error. It should have read: "To conquer the world one must first conquer Asia: to conquer Asia one must first conquer China: to conquer China one must first conquer Manchuria and Mongolia. . . ." etc. It has since been pointed out that this Communist version of the Tanaka Memorial is incorrect. What Tanaka actually said was: "If we (the Japanese) want to control China we must first crush the United States, just as in the past we had to fight the Russo-Japanese war. But in order to conquer China we must first conquer Manchuria and Mongolia. In order to conquer the world we must first conquer China."

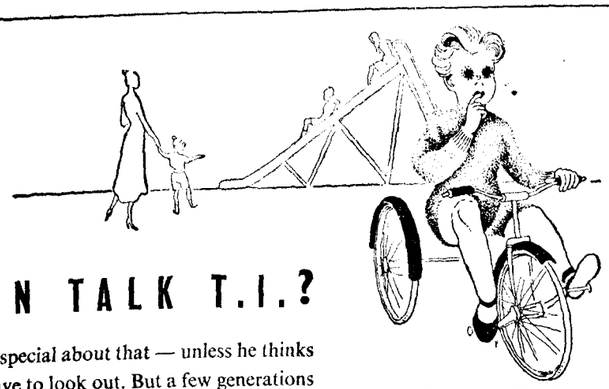
Change in Bank Rate

A considerable excitement has been produced in the City in consequence of the notice issued on Thursday by the Bank of England, that in future the minimum rate of discount would be *three per cent* in place of *two-and-a-half*; and especially as this has happened when the public mind was occupied in contemplating nothing as so certain as "cheap money." Many are loud in accusing the Bank of folly in having ever reduced the rate below three per cent, and for now creating a disturbance and alarm by again raising it. For our own part, through all changes we can recognise no sound principle on which the Bank of England can regulate its conduct but one, and that is in following the same rule with regard to money that merchants follow with regard to any other commodity, determining its price by the rule of supply and demand. The policy of lowering or raising the rate of interest at any moment must depend alone on facts, which are best known to the Directors of the Bank; it is just one of those parts of its management which must be left to their judgment and discretion. That the state of the "money market" was such as to render it necessary for the Bank to reduce its rate of interest to 2½ per cent at the time, in order to do justice to its customers and retain their business, we can have no doubt; as we may be certain price is never reduced without such a necessity. That the directors are now justified in again raising the rate to *three* per cent, is sufficiently proved by the state of the Bank accounts, showing as they do a considerably increased demand for "money." That there has been a great and legitimate expansion of trade during the period in question, quite sufficient of itself to account for such an increased demand for capital, as to afford a most satisfactory explanation of the change in the Bank accounts and to raise the interest of money from the very low and depressed rate of 2½ per cent, to the still low and very moderate rate of 3 per cent, we think no one will deny. And so far this ought to be a subject for congratulation, in place of apprehension and alarm.

The Economist

December 28, 1850

* "Problem Families in Bristol." By R. C. Wofinden. The Eugenics Society. Cassell and Co., Ltd. 2s. 6d.

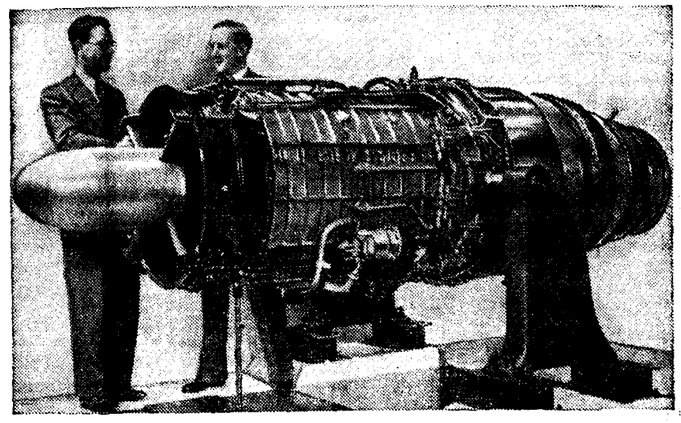


DO CHILDREN TALK T.I.?

A small boy on a tricycle. Nothing special about that — unless he thinks he's a dirt-track rider, when you have to look out. But a few generations ago there was no T.I., and most small boys had nothing more exciting to ride than a tea-tray. No trikes, no children's bikes, no rocking boats, or chutes, or slides, or climbing frames, or half the things clever people manufacture from (as it happens) T.I. materials. Nor much help from Mother, either, with no T.I. to help *her* run the house.
Yet even to-day, funny thing, you hardly ever hear a child mention T.I.

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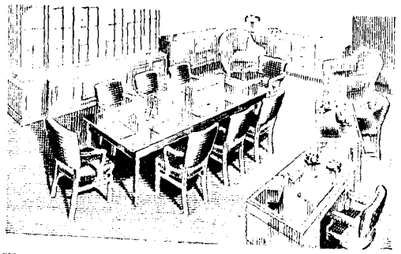
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Letters to the Editor

German Deflation

Sir,—Taking Mr Balogh's unsolicited advice, I reconsulted the German foreign trade statistics, on which my assertion that the German payments crisis was an *import* not an *export* crisis was based. Mr Balogh is misleading the reader by presenting statistics for the three summer months only (vacation months), when exports remained fairly stable. But exports have risen from a monthly average of $86 million (1949) to $128 million (April), $172 million (July), and $214 million (October)—which proves my point.

Forward exchange buying was, of course, one of the causes of the crisis; many importers, anticipating rapidly rising prices, bought ahead, but not for keeps (though some hoarded it). This is clearly demonstrated by the jump of imports from $188 million in June to $225 million in July and $312 million in October; Mr Balogh's selected figures again obscure the fact.

Mr Balogh justifies his attack on Cairncross, Jacobsson, OEEC, EPU, and the German Government (I come in merely as the innocent bystander, who unwisely likes fair play) by his duty to save this country from adopting their policy, were it to get into a similar plight. According to his own theories, *this can never happen*, for Great Britain is protected by the very system of controls the lack of which, in Mr Balogh's opinion, is responsible for Germany's difficulties. But Mr Balogh evidently has his doubts. So he warns us, were the impossible to happen, not to accept a doctrine which would land us in the same mass unemployment and capitalist orgies, as he predicts for Germany.

Would it not be wiser to wait and see how these remedies work? They are not so crude and simple as Mr Balogh wants us to believe. If his gloomy prophecies may come true, his warnings are quite superfluous; nobody in this country would imitate a policy whose failure had become evident. But, if it were successful, that would be just too bad—for Mr Balogh, though not for Britain.—Yours faithfully,

London, N.W.3 M. J. BONN

Road Haulage

Sir,—Your recent article on road haulage covered a wide field. There are certain points, however, on which it is to be regretted that further information was not provided.

The Transport (Amendment) Bill now before Parliament seeks, according to your article, "to extend the range of operations of private hauliers as restricted by the Act by such an extent as to threaten to deprive the nationalised section of the industry of the traffic that is—or should be—most profitable for it to carry."

This is exactly the language of the most bitter and uncompromising opponents of the new Bill. The Road Haulage Executive would not be deprived of anything by the extension of the permitted radius from 25 to 60 miles. At present, thousands of operators holding permits are working within that field together with the executive, and the Bill would merely provide that free enterprise hauliers could continue the work they have done in the past. To suggest that they would take the whole of the traffic not only puts in a rather unfavourable light the ability of the executive to hold its own under fair competition, but assumes that the free enterprise operators would be able to put a large number of extra vehicles on the road in the face of determined opposition in the licensing courts.

The strength of this opposition is largely ignored in your article. It should be stressed that in 1936 the number of A and B licensed vehicles was 143,000. Eleven years later, just before nationalisation, it was 162,000. The present figure is, of course, well below the prewar total owing to the acquisition of 40,000 vehicles by the Road Haulage Executive. The licensing system affords no chance of a rapid increase in the licensed fleet.

If this traffic between 25 and 60 miles *really* is the most profitable, there is everything to be said for not cutting the free enterprise operator out of that field *entirely*. I do not propose to argue here the pros and cons of integration, particularly as nobody has a very clear idea what the word means. If, however, 50,000 operators are to be left under free enterprise, they must surely be given some consideration. At the moment, the whole Transport Act is designed deliberately to favour the Transport Commission, while the unfortunate haulier is left to sink or swim under highly unfavourable conditions.

It is not true to say that the higher operating costs of nationalised transport are due to the need to keep within the law, higher wages, and the acquisition of worn-out stock. The imputation that free enterprise operators as a whole do *not keep within the law* is offensive and without foundation. A comparison of wage scales may well show that drivers and other workers are better off under free enterprise than under nationalisation. It is all very well for the Road Haulage Executive to speak slightingly of the standard of vehicles and equipment taken over. It should be remembered that operators have had to struggle along with these vehicles and equipment for years past, owing to the difficulty of obtaining replacements, but have, nevertheless, managed to obtain a profitable and highly efficient service as their customers are willing to testify.

The new Bill is not intended to reverse the process of nationalisation inaugurated by the Transport Act. It merely seeks to ensure that some of the more glaring injustices imposed upon hauliers remaining outside the nationalised organisation will be, if not removed altogether, at least to some extent mitigated.—Yours faithfully,

R. MORTON MITCHELL
Road Haulage Association, London, W.1

Forestry Problems

Sir,—Your issue of December 9th contained an interesting comment on private forestry. Memories are short, and it appears to be forgotten that the reason why a million acres of private woodlands are today in an unsatisfactory condition is the vast effort made during the war, when 60 per cent of the nation's timber requirements were drawn from home grown sources, nine-tenths of which were derived from privately owned woodlands.

Wartime emergency felling, which devasted thousands of acres of private woodland, hardly made itself felt in the state's forests, for the reason that these were not of an age to fell. As a result, the private owner is today confronted with a task quite different and far more arduous than is the Forestry Commission. With its prewar woods virtually intact, with ample public funds and relieved of the burden of taxation, the Commission can devote itself wholeheartedly to the straightforward task of planting up bare land on wholesale lines. The private owner has to cope with the costly task of rehabilitation, over and above any expansion programme which may be contemplated.

It was in the light of these facts that the Government programme envisaged a far lower planting target for private woodlands than for the state, and it is interesting to note that private planting, at 33,000 acres, is slightly ahead of the official target, whereas the Forestry Commission's planting is behind.

Progress with dedication has, no doubt, been slow; but the reason for this is well known. It needed two years of negotiation and agitation to convince the "powers that be" that the original conditions of the Dedication Covenant were not such as private owners could reasonably accept. Now that these blemishes have been admitted and removed, owners' organisations are backing dedication wholeheartedly, and proposals to dedicate are steadily flowing in. Neither in planting nor in dedication can it fairly be said that the private side of the industry has fallen down on its obligations.

In drawing attention to these facts I have no wish whatever to belittle the great work of the commission and its able officers, or the close spirit of co-operation which now happily exists between the commission and the private owner, and which is the best guarantee of future progress.—Yours faithfully,

R. G. PROBY
Elton Hall, Peterborough

Revolutionary Policy in Asia

SIR,—The use in your correspondent's interesting article on "Revolutionary Policy in Asia" of the term "World (sic) Federation of Trade Unions" for an organisation which has lost its non-communist representation is an innocent example of the way Soviet Communism's own terminology for its institutions tends to be accepted as a matter of course in the West, regardless of misnomers and propagandist colour. It would appear to be one of the more obvious tasks of cold political warfare to reform this casualness.

First of all, as the most simple change, we should drop the honorifics from the names of Soviet and "communist" organs: "People's" is a questionable epithet for a satellite government and applied to a police weapon under alien control it is grotesque. One-party plebiscites of a demonstrative character should not be reported as "general elections," and we should not strain after analogies in the system of representative democracy in order to translate the institutions of co-opiative oligarchies.

Secondly, the use of the word "communism" itself as the proprietary name for all the current products of Soviet strategy and politics needs revision, disguising as it does their ultimate reliance on blood and iron. The word should be invariably broken down into its various meanings between utopian socialism and the new-model fascism of the contemporary Soviet empire. We should, for instance, be freer with the word "Soviet," not only substituting it for "communist" on occasion, but adding it to the names of "national" communist parties to indicate their relation to the source of temporal and ideological power. To call Mr Pollitt a Soviet Communist is no more tendentious than to call an Archbishop of Westminster a Roman Catholic; neither, presumably, uses the respective expression to describe his own allegiance.—Yours faithfully,

MICHAL VYVYAN
Trinity College, Cambridge

Books and Publications

Personalities and Scholarship

The England of Elizabeth. By A. L. Rowse. *Macmillan.* 547 pages. 25s.

A new study of society in the reign of Elizabeth is an important event in the world of historical scholarship. Mr Rowse, by virtue of his past work on the Tudor period, is admirably qualified to attempt so ambitious a project. He has learning, a vivid sense of the past and marked evocative power both for personalities and events. The aesthetic pleasure which Mr Rowse takes in the ostentatious magnificence of the time makes his book both a splendid tribute to, and a fitting memorial of, the achievements of the age and he gives us a rich portrait gallery of greater and lesser Elizabethans. Mr. Rowse's admiration for the Elizabethan achievement makes his work a corrective to the more pessimistic study by Professor Tawney of agrarian society. The depressed peasantry had to pay the price, but it is the achievement of the governing class which interests Mr Rowse. He effectively attacks the view that the Elizabethan aristocracy was on the edge of extinction as the result of conspicuous extravagance, and shows that its salvation lay in sound estate-management.

An assessment of Mr Rowse's success must be made in terms of his power to explain the economic, administrative and political problems of the time, problems which, in his view, were solved with conspicuous success. He emphasises inequality as one of the foundations of the Elizabethan achievement. Disparity of wealth supplied an incentive, while the secular price rise provided both unearned increments and easy profits. Mr Rowse enjoys tilting at left wing prejudices, and states with the resonance of a manifesto "What was wrong with profit? The motive of profit has been responsible for far greater achievements in history than ever the absence of it has been." In this he is correct. But his other explanations are less satisfactory. He does not elucidate the relation between economic changes and government policy, and attributes to Cecil both "a mind of singular intellectual consistency directing the affairs of the country for forty years" and a quick responsiveness to opinion and pressure.

It is perhaps natural that a historian who dates his preface "Empire Day, 1950," should so often seek an explanation of personalities and policies in national character. Whereas Lord Keynes emphasised the impersonal factor of profit inflation as the basis of Elizabethan economic achievement, Mr Rowse considers aggressive nationalism to be as important. Again, he suggests that political absolutism was absent from Tudor England because of "the English habit of political restraint." Roman Law failed to establish itself in England, not because, as Maitland suggested, there was the corporate strength of the Inns of Court to combat it, but because "the instinct of the English for fact led them to prefer case-law." Mr Rowse, who prominently associates himself with Maitland as a dissenter from all Churches, has, however, his own mysticism and has not heeded Maitland's warning that "National character, the genius of a people, is a wonder-working spirit which stands at the beck and call of every historian." Again, Mr Rowse's admiration for all Elizabethan institutions leads him, a professed agnostic, to present a highly favourable picture of the Elizabethan Church at all levels. He ignores the evidence for the miserably inadequate economic status of the lower clergy as set out by Dr Hoskins, whose work Mr Rowse cites approvingly but selectively. The Tudor clergy suffered from impropriated tithes and the necessity of bringing up large families on incomes designed for one. From Dr Hoskins's survey Mr Rowse chooses as his instance of a prosperous Elizabethan clergyman a vicar enjoying one of the richer livings in Leicestershire.

As a result of this insistence on the greatness of the Elizabethan age Mr Rowse has ignored Professor Neale's revelation of the seeping corruption in court and society in the last decade of the reign. A staccato style together with much personal acerbity blurted out in such phrases as "the idiot people" are defects in a book which nevertheless has wide scholarship, unmistakable vitality and real understanding.

Policy and Tradition

Britain and Europe: Pitt to Churchill, 1793-1940. Edited by James Joll. *Nicholas Kaye.* 378 pages. 16s.

This is the third of a series of volumes planned to display, through passages selected from a variety of sources, some part at least of that many-sided, elusive thing we call the British political tradition. The present work is concerned with those strands of the tradition which have been woven into the pattern of our dealings with the European continent over the last 150 years. Mr Joll does not claim that the bundle of ideas, prejudices and psychological attitudes he exhibits were chiefly influential in shaping policy, that indeed would be difficult doctrine. What he does argue is that these notions appear with curious regularity embedded in statements of policy, speeches, letters and newspaper articles over the whole period. In that sense they can be said to constitute a political tradition on foreign affairs; a stock of attitudes and ideas carried down through several generations to be applied, without seeming incongruity, to a whole range of particular problems.

In his short Introduction Mr Joll shows considerable dexterity in classifying what he holds to be the characteristic features of this tradition. There is that deep strain of pacificism, as much economic as ethical in its roots, which covers, without altogether hiding, an older national propensity to fumble for a cudgel at the first sign of trouble among Britain's neighbours. Then a sense of physical detachment from the continent has always nourished isolationist sentiment, although, since it has not infrequently been matched by an ignorant contempt of foreign ways, it has sometimes led Englishmen to the opposite extreme of striving to thrust their institutions on other folk. Again generous sympathy with the downtrodden, vigilant concern with supposed strategic interests, and a respect for treaties have always worked, in their several ways, to involve Britain deeply in continental politics.

The passages from speeches, state-papers and the like, which form the bulk of the book, show these motives working like leaven in a variety of circumstances; as strongly in the bitter struggle with twentieth century Germany as they once did in the fight with Napoleonic France. Mr Joll might have chosen some less hackneyed examples, but there is force in his contention that the traditional is to be sought in the familiar. Those he has taken illustrate his rather difficult theme with emphasis and precision.

In short this is a work well suited to its purpose, provided its self-imposed limitation is recognised, namely that it is not a source book of foreign policy. A political tradition in foreign affairs must, of necessity, often be illustrated in particular foreign policies. Yet at all times the policy is larger than the tradition with which it is stamped.

A Family Business

Skilbecks: Drysalters, 1650-1950. By Donovan Dawe. *Skilbeck Bros., Limited.* 116 pages. 15s.

"A dealer in chemical products used in drugs, dye-stuffs, gums; sometimes also in oils, sauces, pickles, tinned meats, etc." On that definition the world is already, as the Pied Piper promised, one vast drysaltery. The author of this commemorative volume of three hundred years of successful drysalting prefers the more precise definition: "One who deals in various articles for dyeing." He is more interested in drysalters than in drysalting, and so he has not much to tell about the fascinating subject of vegetable dyes and the way they have been supplanted. What we have here is the history of a family business, typical in everything except its long record of prosperity. The premises of Messrs Skilbeck today are within a stone's throw of the site of those of the founder of the firm in 1650. From Richard Bagnall's hands the business passed into those of the Leppingtons and the Gouthits, one of whom married the first Skilbeck. Mr Dawe shows that, provided a firm stays in the same place, its history can be traced with astonishing accuracy from the parish, ward and livery records. Only occasionally does one of his worthy merchants break out of the mould imposed by the growth of a successful business, as when one of them suddenly built a warehouse in the Early English style to relieve the monotony of Upper Thames Street. Skilbecks is one of the oldest firms in the City. Few others can have had their original premises burnt in the Great Fire and their present ones damaged in the blitz; and few "house histories" have been treated in such thorough detail as this one.

Reporting Parliament

Our Hansard. By William Law. *Pitman.* 80 pages. 8s. 6d.

In 1948 Sir Alan Herbert, then one of the burgesses of Oxford University, published a little ditty exhorting the public to spend sixpence buying the *Weekly Hansard*. In 1771 the Lord Mayor of London and one of his aldermen were sent by the House of Commons to the Tower for the contumacy they had shown in supporting John Wilkes in his endeavours to have reports of debates published in the press. Thus the wheel has come full circle. This little book tells why. Its author claims that it is the first book ever written about Hansard reporting. It is certainly the most complete and it provides a great deal of detailed and interesting information.

The story of how the reports of Parliament developed from Cobbett's "Political Register," first published in 1803, into the "slim white-covered book" issued the morning after a sitting and containing a full and reliable account of the previous day's proceedings, is most interesting. *Hansard's* growth and expansion was far from easy and far from swift. It may surprise some readers to learn that a series of Select Committees spent thirty years considering the best way to report the proceedings and speeches of Parliament. Not until 1878 was the Stationery Office called upon to provide funds to improve the quality of the reporting, and not until 1908 was a staff of reporters "who shall be the servants of the House" appointed. All this and much more may be learnt from this useful book which appears at a most opportune moment. Shortage of newsprint has reduced the reporting of the proceedings of both Houses in the press to a level very far below what is right and proper in a democracy in which they still play a vital part. Anything therefore which stimulates a desire to know more of their proceedings is much to be commended.

Glasgow's Election

The General Election in Glasgow, February, 1950. Edited by S. B. Chrimes. *Jackson, Son and Company.* 189 pages. 15s.

These essays by members of the staff of Glasgow University originated from Nuffield College's request for help in collecting material for its general study of the election. At Glasgow the task was taken up with enthusiasm by 62 lecturers and students. It seems a pity that, though detailed co-operative reporting was elaborately organised, the result is expressed in a collection of definitely individual essays. There is little serious attempt to provide a coherent general appreciation; perhaps, however, that is why the Glasgow study has appeared before the Nuffield one. The predominant impression gained by the outsider is of how little account were local issues, and even local idiosyncracies of character. The "wild men of Clydeside" did not matter last February. There, as almost everywhere, the electors chose thoughtfully and "demurely" between—for all practical purposes—two highly-organised mass parties. And those parties were separated by remarkably few differences in current policy and by differences only of emphasis in basic principles; but the two were almost equally determined to avoid mentioning the most difficult practical decisions that either would have to make in office.

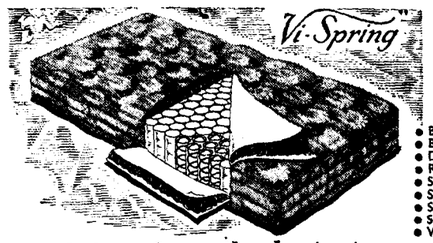
The important sections of the Glasgow survey are a lively description of the campaign and an analysis, both painstaking and penetrating, of the election issues. For the rest, there is much interesting information—such as the frequency with which divisional Labour parties in the safer Glasgow constituencies choose insurance agents as their candidates. The "conclusion and commentary" is distinguished by the author's ability to restate one thought in five consecutive sentences.

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Planning American Agriculture

Wartime Economic Planning in Agriculture. By Bela Gold. *Columbia University Press. (London: Geoffrey Cumberlege.)* 594 pages. *55s.*

Production and Welfare of Agriculture. By Theodore W. Schultz. *The Macmillan Company, New York.* 225 pages.

A Framework for Long-range Agricultural Policy. By Oscar Heline and Donald R. Kaldor. *National Planning Association, Washington, D.C.* 68 pages. 50 cents.

Economics with Applications to Agriculture. By Edwin F. Dummeier, Richard B. Heflebower, and Theodore Norman. *McGraw-Hill Publishing Company, Limited.* 718 pages. 42s. 6d.

Not long ago the first of the books on this list seemed nothing more than an admirable piece of research into one aspect of American economic history during the nineteen-forties. It was the others that were of topical interest. Today the position is reversed: military requirements are bringing a renewed shortage of food and fibre; commodity prices are climbing and Congress, in its latest attempt to check inflation, followed its custom of protecting the farmer at the expense of the consumer. This is, in fact, just where Mr Gold came in, but it is where a curtain will be drawn over Professor Schultz's and the National Planning Association's attempts to make America take a long, clear look at the future of its farms under peacetime conditions.

The fourth book under review is an economic textbook, illustrated by examples from American agriculture. It is designed especially for use in the land-grant colleges which train agricultural economists and administrators. They are in charge of America's great example of economic planning—the farm programme which began as an answer to the depression of the thirties, developed into an answer to the hunger of the forties and, in the fifties looked like becoming a white elephant which would dwarf the plans of the so-called "socialistic" countries by its extravagance, its ineffectiveness and its inconsistency.

Professor Schultz, a firm believer in the necessity of government measures to ensure stability in agriculture, is one of the most constructive critics of the measures the United States government has actually taken. The present book is an analysis of the objectives and theories behind these measures, pointing out where they have gone wrong, but only incidentally indicating how they might be put right. The National Planning Association's pamphlet covers much the same ground, less comprehensively but more comprehensibly. Both emphasise that agriculture is only one important strand in the national economy and that the welfare and prosperity of the farmers are bound up in the welfare and prosperity of the country as a whole. Most members of Congress must realise this perfectly well, but so far they have failed to legislate as if they did.

Hunting the Consumer

Marketing Survey of the United Kingdom. Edited by C. Chisholm. *Business Publications.* 598 pages. 15 5s.

The 1951 edition more than maintains the deservedly high reputation of this survey. The prewar comparisons of purchasing power in different parts of the country have been revived, for the first time since the war, in the form of an index of "income levels." An ingenious statistical technique has been used to estimate, for each of the 145 largest towns in the United Kingdom, the comparative proportions of families with incomes of £7 10s. a week or more. These are regarded as nowadays the people possessing that "surplus" purchasing power, after buying essentials, which the seller of consumer goods is concerned to attract. Taking the average for the 145 towns as 100, the "index" figures range from 87 for St. Helen's to 119 for Bournemouth and Hove.

The survey contains also a useful analysis of postwar changes in the main marketing areas, including the extent of the revival in the development areas. The detailed market information is intelligently presented, and therefore readily useful as well as comprehensive.

The
MANCHESTER GUARDIAN
Annual Review
of Industry, Commerce and Finance
will be published on January 23rd, 1951

In the years before the war the MANCHESTER GUARDIAN published many special numbers and established a high reputation for their informative contents. Not least important was the Annual Trade Review, a supplement issued in January each year. It is now proposed to revive this Review in a more elaborate form and as a separate publication.

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The following are among the contributors:

The Rt. Hon. Harold Wilson, M.P
President of the Board of Trade

Sir Charles Renold
Chairman, Renold & Coventry Chain Co. Ltd

The Rt. Hon. Oliver Lyttelton, M.P

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AMERICAN SURVEY

Mr Hoover Sounds the Retreat

Washington, D.C.

SOON after the President had seen Mr Acheson last Thursday and heard his report on the Brussels meeting, he issued a formal statement in which he said that "the spirit shown by the countries of Western Europe has justified our confidence that the free states of Europe mean business." Mr Truman, unfortunately, was twenty-four hours late. It must have been pleasant for Europe to get such an encouraging end-of-term report from the form-master, but Mr Hoover, on the evening before, and his supporters in the Senate, during the morning, had undermined the President's right to adopt such attitudes. The question no longer was one of American confidence in Europe. It was: "Is Europe justified in putting her faith in the United States?" The answer to that question will be known when the debate within the Republican Party has been resolved. It may, in the absence of Senator Vandenberg, take some time to resolve, but it would be unduly pessimistic to expect that a point of view, which was argued and discarded ten years ago, will be generally accepted now just because it is presented again by the only surviving ex-President.

That Mr Hoover should have made such a speech is probably no bad thing. The isolationist fire has been smouldering under the surface of official soft soapsuds for a long time. Now it has blazed up and the world will be able to see whether it will quickly burn itself out or take hold of the entire country. That it was there was obvious to anyone who listened to the chorus of self-righteous denials immediately after the election. "I don't know what they mean by isolationist," Senator Taft said; "nobody is an isolationist today. . . . I would say that anybody is an idiot who calls anybody else an isolationist." Mr Arthur Krock called the *Manchester Guardian* "ill-informed," and Mr Raymond Moley also took it to task, for seeing "what it carelessly and slurringly called isolationism sweeping the country." "It might be as well from here on for all of us to use the terms isolationist and isolationism with more discretion," Mr Moley sententiously remarked.

Mr Hoover's policies are, apparently, "no isolationism." He says so himself. "Indeed," he said, "they are the opposite." (If Mr Hoover is right, then, as Mr Elmer Davis said the next evening, the dictionaries are wrong.) Whatever they are, whatever fraudulent phrases are used to describe them, they are the policies of a group of Republicans who think that they have found a solution by which they can buy an "uneasy"—that much Mr Hoover admits—peace at the expense of the rest of the world. To them the most important paragraph in Mr Hoover's speech was one near the end:

> We can hope that sometime the evils of Communism and the disintegration of their racial controls will bring their own disintegration. It is remote consolation, but twice before in world history Asiatic hordes have swept over a large part of the world and their racial dissensions dissolved their empires.

It is no coincidence that those close to Senator Taft have lately been propounding a new foreign policy based on this happy future for Europe—which is, of course, not isolationism at all, either.

The policy they have been getting ready to unveil for some weeks is based on their observation that the satellites are, generally, being governed by their own nationals and that they remain national entities—Poland is still Polish and Czechoslovakia Czech. If the iron curtain moved to the Atlantic, they argue, France, Italy and the rest of Western Europe would also be governed by their own domestic Communists and would remain recognisably themselves. Then, in the course of time, Titoism would develop or the Communist empire would begin to wither and Western Europe would break away again and, with its industry undamaged by war, would be able to rejoin the free nations of the Western Hemisphere, who would be waiting for them with the fatted calf. Senator Morse, who, no doubt, had heard of this pending stupidity, devoted some time to it in his speech in the Senate:

> It would be very fallacious to outline America's defence programme on the basis of the assumption that the particular pattern of history referred to by the ex-President will repeat itself. The great danger is that, even should it repeat itself, before the repetition takes place the United States may have ceased to exist as a free nation. . . . I know of no set of facts which justifies the assumption that the Communist segment of the world will collapse before it has its death struggle with the free areas of the world.

When what is behind his speech is understood, it becomes clear that Mr Hoover was not merely being stupid when he said that the spiritual strength of Western Europe must "express itself in organised and equipped combat divisions of such huge numbers as would erect a sure dam against the red floods . . . before we land another man or another dollar on their shores." He did not, as he pretended, think it could be done. He wanted to be sure that his terms were impossible—as these were—in order to be able to say that Western Europe had had its chance. Then the American people could take his advice and welsh on their treaty commitments with a clear conscience—which, as Senator McMahon pointed out, they do not intend to do.

★

That things should have reached such a pass is, in great part, the fault of the Administration, which has provided no leadership within the country and very little concrete information. Too much time has been wasted on propagating moral platitudes and not enough spent on describing what withdrawal from the world would mean in terms of lost industrial capacity and unattainable raw materials. As a result, Mr Joseph Kennedy can talk of the defence of Western Europe as a quixotic adventure and Mr Hoover can pretend to believe, or at least try to persuade the public to believe,

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

that American interest lies only in preserving western civilisation and "our cultural and religious ties with it."

The leadership given to Western Europe, on the other hand, has too often been drivership—it has consisted of exhortation rather than example. It is assumed in the United States that American remobilisation has been running in top gear for months. It has not. It went into third gear after the outbreak of the Korean war, but it dropped into second as soon as the Inchon landings were seen to be successful. And it is only since the Chinese intervention that a real feeling of urgency, one which will survive temporary successes, has been general in Washington. Even now Mr Marquis Childs can report that "the plain fact is that contracts for vital defence orders are not being placed at anything like the speed which the crisis calls for."

The appointment of Mr Charles Wilson as Director of Defence Mobilisation is the first sign that the United States is really starting to practise in earnest what it has been preaching in Europe. Lecturing the Europeans has become a habit, the recklessness of which Mr Hoover's proposals illustrate. Senator Morse pointed out that

> we Americans cannot take the position that we and we alone are going to dictate the terms of European co-operation. We Americans cannot take the position, from the standpoint of our own safety and the survival of the free way of life in the world, that all the freedom-loving nations within the United Nations, who have so much at stake and so much to risk, so far as the threat of spreading Communism is concerned, must abide by our decisions, our wishes and our mandates.

He might have added that even less can Americans take such positions when men who have once held responsible positions, and men who hold them still, are proposing to betray Europe for their own supposed advantage, giving as justification for the betrayal that it "would preserve a stronghold of Christian civilisation in the world against any per adventure." Some Christianity! Some civilisation!

The value of Mr Hoover's thinking is well shown by his use, in the year 1950, of the word "Gibraltar" as a synonym for an impregnable fortress. If he believes that, it is easy for him to believe that the Western Hemisphere, with Britain ("if she wishes to co-operate") to act as conductor for rockets and guided missiles, is also impregnable. At least, after this speech, it should be easier for Americans to forgive Western Europe for being "confused with fears and disunities" when Russian tanks are 150 miles from the borders of France. Mr Hoover is even more confused with them 3,000 miles away.



Pounds and Dollars

Officers of the three Chase Bank offices in London have a particular interest in the problems and opportunities presented by Anglo-American trade—further, they are intimately and continually familiar with conditions on *both* sides of the Atlantic.

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American Notes

Freezing the Economy

The icy blast which hit Detroit when the automobile manufacturers refused to take back their price increases has now spread, in a milder form, to the whole country. The Economic Stabilisation Agency has asked for a voluntary freeze of all prices at the levels prevailing on December 1st. Putting the order on a temporary basis recognises that there is not, as yet, the staff or machinery to impose and enforce thousands of regulations; it also relieves the Administration, for the moment, of the embarrassing necessity of imposing wage controls before an agreement has been worked out with the unions. But businessmen are left in no doubt that, if they increase their prices in violation of the "fair standards" laid down, they may expect retribution in the form of a "roll-back" as soon as the stabilisers get round to them.

The "fair standards" provide that prices may not be increased by any company earning profits before taxes equal to or larger than its average in the years 1946-49, though no company can be forced to produce any item at a loss, and the wind may be tempered, when a full compulsory system is set up, to the shorn lambs of the aircraft industry and others who did badly in the base period. Profits this year are expected to reach $40 billion, compared with an average of $28.8 billion in 1946-1949, so that there is room to absorb substantial advances in costs. Moreover, the Price Administrator has hinted that he might have to require lower prices for certain basic materials, which were raised before December 1st—a shaft directed, perhaps, at the steel industry which, to Detroit's fury, announced new prices just before the ice-age set in. It seems certain that the earliest extension of compulsion will cover metals necessary to the defence programme, such as copper, zinc and steel scrap, and oil.

The automobile industry, target of Price Regulation Number One, is also the first to have its wages frozen—until March 1st. But this is an empty consolation, for under the cost-of-living clause in its labour contracts, no increase is in any case possible until then. In the next two months the controllers must find some way of reconciling the insistence of the companies that they cannot continue these "escalator" clauses unless they are allowed to raise their prices, and the threat of Mr Reuther, for the automobile workers, that if the cost-of-living proviso is thrown out, the five-year contract with the manufacturers goes with it. Similar clauses are spreading like wild-fire; it was the linking of their wages with the cost of living, coupled with a substantial increase, which settled the year-old railway dispute.

The only way to stabilise wages, the unions insist, is to stabilise the cost of living, and in this the price of cars plays a small part compared with those of food and rent. But unfortunately, when Congress passed the Defence Production Act, it provided, with its farm constituents in mind, that food and farm ceilings might not be set below the actual price prevailing in June, or parity, whichever was higher. With

the exception of beef, veal, and lamb, most foods are selling well below parity—the farmer's equivalent, though a lordly one, of labour's cost-of-living clause.

* * *

Re-enter EPT

Like a nervous dentist probing an aching tooth, Congress has spent six months picking away at the problem of imposing a tax on the "excess" profits of American corporations. Its work has been punctuated by agonised cries from American business, which has damned EPT as the measure most likely to inflict the greatest amount of pain for the least amount of good. Last week Congress braced itself, and a House and Senate conference committee passed a new tax Bill which will take $3,200 million a year out of corporate profits, with 80 per cent coming from an EPT provision. The Senate has already approved the Bill, and House approval, followed by President Truman's signature, is expected early in the new year.

The Bill leaves undisturbed the 25 per cent tax on profits which are less than $25,000, but it increases the tax on "normal" profits beyond that amount from 45 per cent to 47 per cent. On "excess" profits, the new tax is 77 per cent. Most corporations may use one of two standards for determining what portion of their profits is excess: (1) everything above 85 per cent of their average annual earnings in the most profitable three years from 1946 to 1949 inclusive; (2) earnings greater than 12 per cent of the first $5,000,000 of invested capital and retained earnings, 10 per cent of the next $5,000,000, and 8 per cent of all capital above $10 million.

Although the new tax Bill has sharpened the businessman's anguish by making EPT retroactive to July 1, 1950, Congress has dulled the pain a bit with a few special provisions. Most important of these is the clause which limits the amount taken by combined regular and excess profits taxes to 62 per cent of a corporation's income. The Bill also attempts to avoid discriminating against certain industries, such as television or aviation, which have grown much faster or much slower than the average during the base period 1946-49. In the last war Congress tried to solve this problem by writing a general relief clause for hardship cases, with the result that claims for exemption from EPT came flooding in by the thousands, and many are still pending. In the light of this experience, Congress has established special rate bases for "growing," "depressed" or "regulated" industries and has set up conditions which companies must satisfy to qualify for softer tax treatment.

This new levy on corporations, combined with higher individual income taxes already written into law, will boost the nation's annual tax bill to $50.6 billion a year, compared to the $37.3 billion planned in the hopeful days before Korea. However, the pain is just beginning: Congress will be asked to pass still another "tremendous" tax increase in 1951.

* * *

Men Wanted

If Congress allows the President to regroup government agencies, for the sake of greater efficiency during the present emergency, those dealing with manpower will probably be brought together in one office under the new Director of Defence Mobilisation. If so, he will have control not only over the supply of labour for industry but also over that of men for the armed forces. For the moment, at least, there is little conflict between the two, except in the case of skilled workmen who are also military reservists or members of the National Guard. A number of these have been called up, but otherwise the services are filling their ranks with volunteers or, in the case of the Army, with conscripts too young to have become indispensable. Of the 8,500,000 men now in the 19-to-26-year-old group, which is liable to conscription, only about 250,000 are eligible for deferment because they are doing essential work, and most of these are employed on farms.

But over 7,000,000 more are exempt for other reasons, half of them because they served during the last war, the rest because they are unfit, have wives or other dependants or are students. The Army has already taken 200,000 of the remaining million, but there will be at least 500,000 more amongst those who reach the age of 19, or finish their educational deferment, this year. The rate at which conscripts are being called up has just been doubled, to 80,000 a month, and both the Army and the Air Force are mobilising more of their National Guardsmen, in spite of the lack of space in camps and the shortage of officers for training. By these means it should be possible to expand the armed forces from the 2,300,000, which is the approximate number of those now serving, to the 3,500,000 which is the President's latest target for the second half of 1951.

But the services will have to look further afield for the four or five million men which are the more distant target and for the 800,000 replacements which will be needed each year that such a force is maintained. The President has power to pull the strings of the draft somewhat tighter, by changing the very generous deferment provisions, and the Army might lower its physical standards. But it seems certain that Congress will be asked to draw more men into the conscription net when the law comes up for renewal in the spring, if not before. The commonest suggestions are that the minimum age should be cut to 18 and the term of service extended from 21 months to two years; veterans of the last war may also be drafted.

It will not be long before industry, too, has out the "Men Wanted" signs. It already has in certain aircraft centres, although elsewhere there may be transitional unemployment as factories are turned over from civilian to arms production. The Secretary of Labour has already arranged with business and labour representatives to set up joint manpower committees. Until labour shortages become more acute, their chief task will be that of co-ordinating the placing of defence contracts with the availability of manpower.

* * *

Protestant Co-operation

The twenty-five Protestant church organisations, which are co-operating with four Eastern Orthodox churches in the new National Council of Churches of Christ in the United States, have led the opposition to the appointment of an American diplomatic representative at the Vatican. It is therefore as absurd to accuse the new council of being "a whistle-stop on the train back to Rome" as it is to suggest that the free enterprise system could be threatened by an organisation with which both Mr John Foster Dulles and Mr Harold Stassen are closely connected. There is, however, perhaps slightly more substance in the third charge levelled against the National Council by the fundamentalist "Bible-believing" groups, who also say that it is "another mile-post on the road to a super-church." For this traditional objection to such national bodies is shared by the Southern Baptist Convention and the Missouri Synod of the Lutheran Church, neither of which has joined the council; between them they have over 8,000,000 members.

Other nation-wide Lutheran churches, however, have decided that the time has come for whole-hearted religious co-operation, and so have the other Baptist Conventions, whose total membership of nearly 8,500,000 includes President Truman. The largest single Church in the National Council is the Methodist, with 8,700,000 members, and others are the Presbyterian, to which 2,400,000 Americans belong, the Disciples of Christ, the Protestant Episcopal, the Congregational Christian and the African Methodist Episcopal, each with over a million members. The Friends have joined and so have various Evangelical churches, but the

Mormons and the Christian Scientists have not. Altogether the national churches participating in the council have over 31 million members, representing about 75 per cent of the organised Protestants and Eastern Orthodox communicants in the United States. There are altogether about 240 religious bodies in the country, with over 80 million members. The Roman Catholic Church, with nearly 27 million members, is by far the largest single unit.

The National Council is in no sense a merger of churches, or a new religious denomination ; it is only "a system of unified Christian enterprise," which will provide a centre for developing Protestant strategy on national and international issues. It is in fact an amalgamation of eight interdenominational service agencies, including the Federal Council of Churches of Christ, that have been built up to further specific mutual ends. The council will have four divisions, dealing with home missions, foreign missions, education and Christian work and social problems. The most telling argument in favour of this latest centralisation has been that it will ensure cheaper and more efficient administration and that such large-scale organisation will give more prestige to the Christian forces in American life.

* * *

Titanium for Defence

The unique qualities of a postwar, semi-light metal, titanium, is tantalising the defence planners. It attracts the Navy because it is as immune to corrosion from salt water and sea air as platinum ; it is resistant to hot acids and the strength-weight ratio of its alloys is claimed to exceed that of any other metal, a point not lost on the Air Force. The difficulty has been that the metal, a younger brother of titanium dioxide, the white pigment, is in such short supply that the whole production of titanium sponge, about 60 tons a year, is needed for research into its qualities.

Ilmenite, the ore from which it is taken, is plentiful ; the bottleneck is in the scarcity of refining plant and the high cost of the product—about $5 a pound for titanium sponge and about $15 a pound for sheet. Encouraged by the government, the Titanium Metals Corporation is planning a $15-20 million expansion in its extraction operations, but the largest project is the $30 million undertaking just opened at Lac Tio, in Northern Quebec. Here the Kennecott Copper Corporation and the New Jersey Zinc Company are beginning to extract titanium oxides and high grade pig iron from the largest known deposits of ilmenite in the world. These were discovered in 1941 in the Lake Allard region, and by 1946 it was reported that the deposits contained over 125 million tons of ore, about 35 per cent titanium dioxide and about 40 per cent iron. But the project would hardly have been undertaken on the present scale had there not been an improvement and simplification of the cumbersome and expensive methods of extracting titanium oxides. Five new-type electric furnaces are to be employed eventually, which will produce slag for American producers of the pigment and the metal. To do this has required building a 27-mile railway through the wilderness and constructing a 40-mile transmission line to carry electric power from the Shawinigan Light and Power Company. The extraction of titanium metal is also a heavy consumer of power, and further expansion by the National Lead Company in Nevada is dependent, in part, upon securing an adequate supply of cheap electricity at a time when it is in fierce demand for defence industries.

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Spanish Omelette

When last autumn the United Nations debated the question of resuming full diplomatic relations with Spain, the United States, supporting such a resumption, emphasised that it would not constitute approval of the policies or practices of the Spanish government. President Truman did not at the time seem so certain of this as was the State Department, but he has now been convinced of the practical advantages of having a full Ambassador in Madrid, and has appointed Mr Stanton Griffis to that post. Mr Griffis will probably be instructed to use as long a spoon as possible when supping with General Franco, for most Americans share Mr Truman's dislike of seeing their country sit down to table with a dictator.

The table will not, however, be bare, for Congress has already cooked up some aid for Spain and Mr Truman has reluctantly allowed it to be served. The Marshall Plan appropriation, approved in September, carried a loan of $62,500,000 for Spain, which it was thought the President would impound. His objection was that the loan brought Spain into the European Recovery Programme by the back door ; the country had long been eligible in theory for loans from the Export-Import Bank, although in practice it was not a good enough credit risk. When the loan programme quietly got under way in November, this difficulty was glossed over by making the loans not to the government, but to private companies for individual projects which might make "substantial contributions to the Spanish economy."

That economy, such as it is, will inevitably be on the anti-Communist side in the event of war with Russia and, as the international situation has deteriorated, this argument has presumably carried more weight with Mr Truman. It is one which earlier carried weight with members of Congress not normally sympathetic to totalitarian regimes, or to the American cotton interests and Catholic voters who favoured a loan to Spain. These Congressmen were also encouraged to vote for the loan by the hope that it might be repaid with the bases in Spain which American military leaders say they would like. This is not the last time democratic dogma will be broken to make the anti-Communist omelette.

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THE WORLD OVERSEAS

Communism in Asia—II

Poverty and Inflation

(From Our Correspondent in India)

IN Asia poverty has caused the whole of society to be rotted not only by corruption but also by inflation. Partly, of course, inflation is the consequence of the war and its devastation. But beyond that there is in modern Asian society a perpetual tendency towards inflation. Governments which have promised the impossible, and which also realise how desperate is the need of their society for capital investment, are always being tempted to finance welfare and investment alike by a budget deficit. Moreover, the modern social conscience demands that nobody should starve or die of unnecessary disease. There is, therefore, always a tendency for income to outrun production, and the economy is deprived of the correctives of famine and plague.

Inflation, by its gross aggravation of social injustice, also destroys the moral effect of the liberal reforms Asian governments have recently been so extensively making. In many places, the tenant is being given ownership; everywhere rents and interest have been controlled. Everywhere, too, taxation has been made sharply progressive. The resultant benefits in extra social stability would be more obvious if at the same time the black market were not constantly furnishing new examples of the wicked flourishing like the green bay tree. No system which does not command the moral respect of the people can survive. Capitalism is, therefore, dependent on the good behaviour of capitalists. A main reason why England has no Communism, where France and Germany have, is the Nonconformist conscience. Inflation and black market create a world where the big cars and the pretty women go to those who let wages lag behind prices, who sell under the counter and whose transactions are conducted in cash.

No wonder that the young and the idealist begin to hanker for more violent courses, that Parliamentary processes begin to appear too cumbersome for the cleaning of augean stables. The common law tradition of protecting the accused itself seems somewhat old fashioned when its main beneficiaries become profiteers.

Production Must be Expanded

In a normal society, the ideals of youth fade away with age and family cares and a secure job. But in an inflation even the able find themselves chasing the pot at the end of the rainbow. No matter how hard they work, no matter how many promotions they receive, taxes and the cost of living seems to go up as quickly as their pay, while the average member of the middle class faces a slow squeeze of all his standards, a slow destruction of all his hopes for his own future and those of his sons. When the shopkeeper flourishes and the clerk starves, revolution is round the corner, for the educated middle class will tolerate only so much.

All these problems could be solved if production could once be set on the road of expansion. There would be less corruption, for the struggle for life would become less grim. There would be a cure for inflation, because supply would rise. There would be room for welfare, since there would be a surplus with which to pay for it. Everywhere in Asia the first enthusiasm for the welfare state has died in disillusion, and men are beginning to talk of production, But so far the liberal state has shown no sign that it knows how to increase production. Its combination of large promises with small performance, inappropriate welfare with freedom for the profiteer, talk of nationalisation with the practice of private enterprise, is the worst possible atmosphere for development. Most of Asia—Malaya is the only notable exception—has been getting poorer for twenty years ; much of it has been getting poorer for fifty. Whatever test one takes one always gets the same answer of increasing poverty. India has 25 per cent less textiles per head than before the war, Japan has had its housing shattered, the Philippines have 1,800 calories per head per day against 1,900 in 1938. In 1880, India probably had its full requirements of 2,500 calories ; its present 1,600 leave no margin for millions above the basic requirements. Production and more production must then be the cry. Without it Asian societies risk becoming a madhouse where the starving fight for scraps. Already in Calcutta the great landowner's grandson is a clerk and his grandson will be lucky to be a doorman. Against such conditions people must eventually revolt.

Where are the Savings ?

Liberalism has, indeed, so far done well in Asia. It has given freedom and independence, a new respect for the dignity of man and a new concern for the under-privileged. But it is not very well equipped to solve the problem of production, for its whole assumption is that production is to be left to individual initiative ; and in societies without entrepreneurs or adequate savings, individual initiative, without aid from outside, in management and risk-taking ability as well as in money, cannot possibly do the job.

Yet the job must be done and done quickly. These societies have lost the stability which came from the belief that poverty was the will of God. Karma can no longer satisfy even the Hindu of the incorrectness of the western idea that man can improve his material condition by his own efforts. It is here, therefore, that poverty gives Communism its best chance. Free capitalism will fail without aid. Then Asia will turn to the capitalism-cum-terror of the Communists. As Asia sees it, the Soviet Union has shown that if the population is squeezed by enough liquidations and enough forced labour camps, even the most backward society can produce the savings necessary for development. Every western tremble before Soviet might is in Asia an argument for Communism —it is rarely realised that the Soviet Union was a great power even before 1917. If China should be able to follow the Soviet example, then liberalism will be irretrievably lost in Asia unless enough aid to permit the other countries to match the Chinese achievement is given at once. In order to meet the increase in population and give a margin for hope, an improvement in national income of 2½-3 per cent a year is required. To attain that, aid would not need to exceed £250 million a year, of which £150-£175 million would be for India, which has over half the population of the region (excluding China) and is the strategic and political key of the whole area.

The Soviet Union and China are dangerous examples for reasons which are wider than the merely economic. Asia has observed how profound is the western respect for force. It

is remembered that the quality of the Japanese Navy made Japanese honorary white men in a dozen countries and it has been remarked that Mao is treated more gingerly than Chiang ever was. Certainly nobody doubts that there would be no South African Group Areas Act if India and Pakistan had an American-size air force. Asia is profoundly sensitive about colour; and colour prejudice is fundamentally the result of the coloured man's poverty, with its concomitant ignorance and squalor.

Liberalism is today fighting a losing battle in Asia. It is not made for forced draft economies. The forced draft must come from elsewhere. If the West does not provide it through aid, the Soviet Union and terror will.

The Stakes in Austria

[FROM OUR VIENNA CORRESPONDENT]

THE Foreign Ministers' deputies having refrained from making news either by chewing up or swallowing whole the extremely over-ripe Austrian peace treaty, a certain amount of profit can be gained by trying to analyse just why the Russians have hitherto been so reluctant to leave Austria. It cannot be simply that they have established an economic stake in the country which would be reduced in value if the peace treaty came into force. The financial value of the assets to be foregone, though considerable, could never be a decisive factor in the rebuilding of the Soviet Union. It must be assumed that the main reasons for staying are either political or military, or a combination of the two.

In both respects Austria is the bolt that either holds Central Europe together or keeps it apart. Its frontiers march with those of six countries, two of which are western type democracies and two "people's democratic" regimes. The fifth is Germany and the sixth Jugoslavia. The backbone of Austria, which runs for some 400 miles from Switzerland almost to Hungary and as far as Jugoslavia, is the semi-circular bastion of the Alps where Hitler intended to make his last stand. The bastion itself lies in the zones of occupation of the three western states though they have only a few thousand men between them to man it. But while they are there, they do to some extent bar the door to the western and southern extension of Communist influence.

The converse of this picture is that the Soviet Union, while it controls the Austrian provinces of Burgenland, Lower Austria and the northern Danube district of Upper Austria, controls the extension of western influence to the "people's democracies" of Czechoslovakia and Hungary. Communism as an ideology has no interest whatever for nearly 39 Austrians out of every 40, so that it is evident that the departure of Russian troops would make a vast difference not only to the political power of the numerically microscopic Austrian Communist Party but also to the position of the regimes in the two satellite countries across the border. In the Soviet Zone Austrian passport control, both outwards and inwards, operates under Soviet direction. If the Russian officers order that an individual shall be allowed either in or out, the Austrians can do nothing about it. But when the Russians leave, the two rather fragile "people's democracies" will have a wholly unsympathetic regime on their doorsteps. No doubt when this time comes, the Austrians will be much too busy with their own internal politics to pay much political attention to their neighbours; but this is a fact which a totalitarian regime cannot easily appreciate. From the Soviet standpoint, unoccupied Austria would be the West's central bastion in which it would organise its advance towards the east. After all, that is the way the Soviet Union would treat Austria if it could.

In this connection it is unsafe to assume, as is so often done, that the Russian complaints about the alleged re-militarisation of western Austria are simply pretexts for delaying the signature of the peace treaty. It is true that the Soviet Government is in no hurry to sign. But it also does really seem to be convinced that the West is planning an attack on the Soviet Union and that it will use Austrian, German and any other cannon fodder it can lay its hands on. It has always been the object of Soviet policy to try to extend Communism without getting involved in war and there is no reason to suppose that this is not its policy still. If so, the Soviet Union will either try to hang on to its position in Austria until it can again advance westwards, or it will regard Austria as an outlying position of its version of the *cordon sanitaire* and stay until it thinks it is unsafe to remain any longer.

When the West Talks Back

If the Soviet Government thought that a Communist regime could be established in Vienna without risk of general war, it would of course establish it tomorrow. Ernst Fischer, Secretary of the Austrian Communist Party, was no doubt quite sincere when he said that the Communist strikes last September and October were not an attempt to seize power but that, if they had been, the Austrian Government would have been overthrown in a matter of hours. With Russian guns behind the strikers, this is certainly true and as Russian support was only given in a few localities and on a limited scale, the strikes should therefore be regarded as an exercise. The only reason Russian guns were not put at the strikers' disposal in Austria, as they were when the local Communists seized power in Czechoslovakia, was that the West is now beginning to talk back and the Kremlin has begun to believe that it now means what it says.

To the observer in Vienna with occasional opportunities to see round a corner of the iron curtain it seems that, if the time comes, it will be quite easy for the Kremlin to put its Austrian policy into reverse. It has negotiated the peace treaty of its own free will and got almost what it asked for. It can change direction without loss of face, and will certainly not consider the interests of the "people's democracies" any more than it did the interests of Jugoslavia in the case of Trieste. While the interests of the "people's democracies" are the interests of Mother Russia and world Communism they will be protected. While they toe the ideological line they will be supported provided the Soviet Union does not lose thereby. At the moment, the interests of the Soviet Union coincide with those of Czechoslovakia and Hungary in the matter of Austria. The fact that the Cominform has just accused *Rude Pravo*, the official organ of the Czechoslovak Communist Party, of "political and theoretical mistakes" is a sign that these interests may not go on coinciding for ever. It is conceivable, though unlikely, that President Gottwald, who, a few weeks earlier, had publicly praised *Rude Pravo* orthodoxy, will follow Tito to Coventry. Even if that were to happen, however, the paramount considerations would still be: What effect would signing the Austrian peace treaty have on the promotion of world Communism and the safety of the Soviet Union? Only the Kremlin can answer that one.

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Leaders in Peking

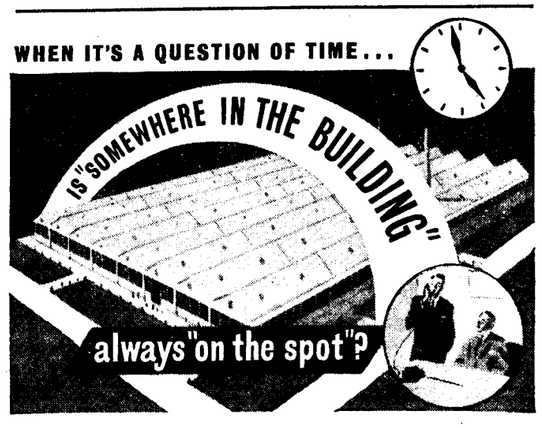
FOR the world today Chinese Communism in terms of personality is Mao Tse-tung. He is sometimes called the Lenin of the Chinese revolution, sometimes compared to Stalin, sometimes regarded as a lesser Stalin and sometimes he is viewed with hope as an oriental Tito. But none of these analogies fits Mao very closely. Unlike Lenin, he was not the founder or original leader of the Communist party in China; unlike Stalin, he has not disposed of all rival or oppositional influences by physical elimination; and, unlike Tito, he was neither originally a soldier, nor has his personal achievement been primarily of a military order. Although his leadership is now well established and is consolidated by the offices he holds in the Central People's Government, his authority appears to be by no means absolute, and it may well be that the limitations of his experience will in the future give an increasingly strong voice to other leaders with somewhat different qualifications.

The original leader of the Chinese Communist party, founded in 1921, was Chen Tu-hsiu, a professor of Peking National University, where Mao Tse-tung, the child of a peasant family prosperous enough to give him an education, once worked as a library assistant. The university of Peking was the source of the so-called movement of May 4th, when in 1919 the students demonstrated against concessions made to Japan by the Chinese government of the day. The influence and example of the Russian Bolshevik revolution was added to this nationalist agitation, and the Communist party from its inception laid a strong emphasis on the anti-imperialist side of the doctrine, but for internal politics adopted the Leninist line, as pursued in Russia, of action based on the urban proletariat with agrarian revolt as an auxiliary device. The party gained its strongest initial support in the cities of Canton and Shanghai. It was obedient to the directives of the Comintern, and on instructions from Moscow subordinated itself to the Kuomintang in the campaign against the Northern war-lords, refraining from taking any action against the Kuomintang until it was too late. It was Chiang Kai-shek, and not the Communists, who made the *coup d'état* of April, 1927. The Communists were suppressed in Shanghai and other cities, and a number of their leaders were captured and executed. As Stalin had been responsible for the Comintern directives, a scapegoat had to be found and the blame was put on Chen Tu-hsiu, who was deposed from the leadership of the Chinese party. Chen refused to accept the blame, became a Trotskyite and was expelled from the party in 1931. He was subsequently arrested and imprisoned by the Kuomintang and disappeared from the political field.

Chen's successor was Li Li-san, who reported to Moscow that there was still strong support for the party among the urban workers and advocated attempts to seize large towns with the help of the Communist-led peasant forces which were at large in the countryside. When, however, events showed that there was no longer any revolutionary militancy in the towns, Li Li-san was in turn discredited; he was summoned to Moscow, where he publicly repented of his errors, and was put into cold storage in Moscow's foreign Communist community until 1945. Meanwhile, all that was left in China was the peasant guerrilla movement which had achieved unexpected successes in remote areas. The Comintern now gave this purely rural Marxism its blessing, and the new conditions of the struggle produced the new leader; this was Mao Tse-tung, who had been organising peasant revolt in his native province of Hunan and had later set up a "Soviet Republic" in southern Kiangsi.

In the years that followed Communism became known to the peasants of China as the Chu-Mao, a compound of the family names of Mao Tse-tung and his military commander-in-chief Chu Teh. Mao, half peasant and half student-intellectual, became linked in a most formidable partnership with a man six years older than himself, the son of a wealthy landowner, who had become a professional soldier and had also held high civil office in the provincial administration of Yunnan. In 1922, at the age of 35, Chu Teh underwent a conversion which carried him first into the Kuomintang and then into the Communist party. He handed over his wealth to his nine concubines for bringing up his children, cured himself of the opium habit, to which he was addicted, and went to Germany and France for four years to pursue advanced military studies. Returning to China, he studied Russian military textbooks which Chiang Kai-shek had brought back from Moscow, and evolved his own theory of

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strategy and tactics; holding a command under Chiang in Kiangsi in 1927, he rebelled and took his troops over to the Communists, joining up with Mao Tse-tung's force from Hunan.

If any parallel to his career is to be found in the Russian Revolution, it would be in Tukhachevsky. Chu Teh, however, has a stronger position than any professional soldier attained in relation to the Bolsheviks under Lenin. It has often been emphasised by foreign observers that the People's Army "is free from old-fashioned Chinese 'war-lordism'"; it is subject to rigorous discipline and to firm control by the party. But this docility of the army has been in large measure due to Chu Teh's own loyalty and does not diminish the real power which he embodies and of which he would dispose if there were ever to be a serious political split in the party. It is Chu Teh who has selected and brought forward the group of able generals whose names have recently become known to the outside world—Lin Piao, trained at the Whampoa Military Academy under Chiang Kai-shek and Bluecher, and a veteran of the famous Long March; Liu Po-cheng, trained in Moscow and another veteran of the Long March; Nieh Yung-cheng, trained first as a chemist in France and afterwards at the Military Academy in Moscow; Chen Yi, French-educated and former organiser of the Chinese Communists in France; Yeh Chien-ying, trained in Whampoa and Moscow and former chief of staff to Chu Teh. These are men with whom the party must reckon, especially in matters of foreign policy where issues of peace and war are at stake.

Who is the Kremlin's Favourite?

On the civil side Chou En-lai has the most prominent official position and is also the man best known to Western diplomats on account of his long service as "ambassador" of the Communist party in Chungking, and in the negotiations with Chiang Kai-shek arranged in 1946 by General Marshall. He is certainly the party's specialist in foreign diplomatic, as distinct from international Communist, affairs, and is generally considered abroad as the most moderate of the Communist leaders. But it is doubtful whether his influence in the party is as great as his public position would imply. For power in the party control of the party machine and its ancillary organisations is becoming more and more important as the regime consolidates itself as the possessor of state power, leading and governing 400 million people. The days of the Long March when the leaders were personally in contact with their followers with a minimum of formality have been left far behind. Moreover, the time of predominantly agrarian politics is over; now that the cities are under Communist rule, there is an inevitable change of proportion, not only because Communism must now get back to its proper course of basing itself on the urban proletariat, but also because the maintenance and expansion of industry has become of primary concern to the party. These conditions are not altogether favourable to Mao with his peasant background; he retains immense prestige on account of his past successes, but his previous lack of contact with industrial labour organisation is now a handicap to him.

The leader who has profited most from the new conditions is Moscow-trained Liu Shao-chi, who originally played a leading part in organising trade unions in Shanghai and who did not take part in the Long March and the sojourn in rural Shensi, but carried on underground activity organising cells among workers and students in Peking and other cities under Kuomintang rule. He became the party's specialist in industrial trade union organisation, and after his long experience of clandestine political management he has been given special charge of the administration of the party apparatus. He was the principal representative of China at the WFTU conference held in Peking a year ago, and his writings are more prominent in the Cominform journal than those of any other Chinese leader. A Communist of the most rigorous orthodoxy, he pays due deference to Mao as the supreme leader, but there seems little doubt that he exerts a powerful influence behind the scenes. He is said to be the Kremlin's favourite among the Chinese leaders, and though in certain circumstances this might be a liability, it is an asset as long as the Sino-Soviet alliance pays handsome dividends for China.

The Sardines Return

[FROM A CORRESPONDENT]

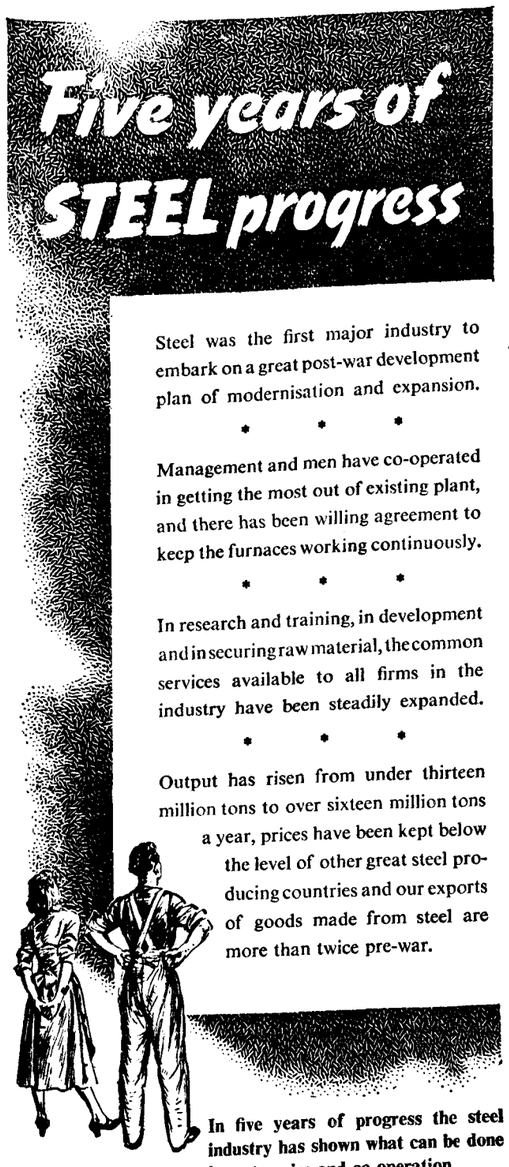
AFTER several years' desertion of their haunts along the Portuguese coast, the sardines have this year begun to come back. This is very important for the Portuguese fishing industry, since sardines normally supply over 50 per cent of the total catch. They can be caught all the year round and provide both food for the domestic market and an excellent raw material for the country's canning industry. (Moreover, some studies carried out by Portuguese biologists show that the sardines caught off the coast generally present a more interesting physiological and anatomical development than those caught elsewhere.)

The trouble with the Portuguese sardines is that they are rather elusive. Being essentially a migratory species, from time to time the number found off the Portuguese coast decreases sharply, or else they disappear from some sections of the coast and reappear in another. Experts on marine biology disagree amongst themselves as to why the sardines travel around like this. Changes in the temperature of the water, the winds, the movement of the ocean currents have all been blamed; so has the practice of intensive fishing and the use of certain condemned practices. Some biologists attribute a cyclical character to the sardines' migrations and maintain that a serious scarcity occurs every eight years.

During the last few years the Portuguese sardine fisheries have passed through one of the periodic crises due to the flight of the sardine. While in 1947 the production of the canning industry amounted to 38,736,992 kilograms, valued at 104,534,720 escudos, in 1948 it decreased to 25,308,190 kilograms, and in 1949 it fell still further to 15,146,833 kilograms, valued at 88,904,868 escudos. The average price per kilogram rose from 2.69 escudos in 1947 to 5.37 in 1948 and to 5.86 in 1949. On the domestic market the price per kilogram rose from 2.09 escudos in 1947 to 4.16 in 1948 and to 4.66 in 1949; and the amount consumed fell from 62,618,259 kilograms in 1947 to 19,649,665 in 1949.

The Portuguese Government, through its corporations, did its best to lessen the impact of the crisis on the 50,000 fishermen and their families who make their living from the sardine fisheries. It sent fishing boats to Morocco, reduced the price of fuel and made loans to the owners of fishing boats. It also increased to a total of 60 or 90 days a year (according to the size of the boat) the periods of 15 days during which the boats must not put to sea.

Steps were also taken to protect the canning industry which provides one of the most important Portuguese exports. At Matoshinos, where about half of the Portuguese fleet operates, a contract was drawn up which guaranteed a regular, although small, supply of sardines for the canning industry. This industry has, in fact, during recent years achieved notable developments, thanks not only to the intervention of the Government but also to its having obtained important markets abroad, especially in Great Britain. No new canning factories have been constructed, since it is legally difficult to do this; but many existing factories, especially those at Setubal, Matoshinos and Algarve have been completely reorganised. The manufacturing processes have been improved and standardised, and a better type of olive oil is now used. The Government is also building a tinplate factory for the benefit of the canning industry.



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These improvements have been justified by the increase in the sardine catch this year. In May, 1950, it sank to less than 325,000 kilograms, valued at about 2,542,000 escudos; but in August it was about 6,600,000 kilograms, in September about 8,200,000 kilograms and in October about 7,700,000 kilograms. The price of sardines in the canning industry, which in May was 7.83 escudos a kilogram, had gone down to 4.83 escudos in October. If the canning industry is to develop it must have more foreign markets; and it is, in fact, able to compete with other exporting countries, such as France and Morocco, not only in price but also in quality. But if the domestic consumption of sardines in the interior of the country is to be increased there must be more refrigeration installations and better communications.

Australia's Fight Against Inflation

[FROM OUR MELBOURNE CORRESPONDENT]

THE Australian people have become exceedingly "inflation conscious" in the last twelve months with the aggravation of the various factors which are combining to push prices up at a rapidly mounting rate. There is a general realisation of the connection between buoyant export prices and an increase in the community's purchasing power which is now threatening to drain a dwindling pound of still more of its value. Not only is inflation the nation's most pressing economic problem, but it has become a political Aunt Sally, with the Government and the Opposition each blaming the other for the present drift in prices.

The present Liberal-Country Party Government was returned to office in December last year on a pledge "to put value back in the pound." Coming as it did, soon after the devaluation of sterling, and with it the Australian pound, it soon became apparent that the chief task of the Government would be to prevent prices from getting completely out of hand. Unfortunately, inflationary pressures began to develop with increasing intensity; the final boost came in August, when the new season's wool auctions opened in Sydney with prices 50 per cent higher than at the close of the previous sales. This meant that the income to the woolgrower would rise from £286 million to anything up to £550 million, if the prices were sustained. And, so far, the wool market has more than held and shows every possibility of going up further.

The size of Australia's export income is the most powerful single factor affecting the economic prosperity of the country. This at first glance might seem to the outsider strange, for the gross value of rural production in 1949-50, estimated at £721 million, was only 27.2 per cent of the gross national product, and of the value of rural production, pastoral industry contributed something more than half. But although the primary industries of the Commonwealth contribute less than one-third of the value of the national product, fluctuations in the volume of export income have a profound influence on the volume of credit in the domestic economy and on the capacity of the nation to import.

If Australia's export income should rise in the current trade year by £250 million, as well it might if prices are sustained, this, in the absence of any specific measures to freeze the increase in income, would generate in the economy a secondary inflation of much more than £250 million by the time the new money had finally dissipated itself. This explains the great concern felt in Australia (inexplicable as it must be to other countries) at the great upswing in wool prices, when only 20 years ago higher prices for wool and wheat and metals was the prayer on everyone's lips. The spectacular rise in the price of wool was received in some quarters (not woolgrowing quarters) with gloomy forebodings—an ironical commentary on the apparent inability of the economy to meet the threat of rapid economic change.

The last Commonwealth Budget made some attempt to prevent the full blast of the higher wool prices from assailing the economy, by providing for a 20 per cent deduction of woolgrowers' proceeds at the point of sale which is to be held as an advance payment of income tax. This will, it is estimated, provide £103 million out of a total revenue of £738.7 million. This move would be generally anti-inflationary only if the funds so collected were immobilised in a special account in the Commonwealth Bank. As it is, the tax is being collected in advance to meet expanding Commonwealth expenditure.

To prevent the full effect of the rise in wool on the domestic market, the Federal Government has decided to pay a subsidy of £20 million to hold prices of Australian-made woollen goods. This, however, will have little effect on the general cost of living which is now subject to upward pressure from many points, aggravated markedly by the recent decision of the Commonwealth Arbitration Court to grant an increase of £1 a week in the basic wage. This could well add a further £100 million per annum to the nation's wage bill—a not inconsiderable sum in a total wage and salary disbursement of £1,190 million in the last financial year.

Selective Credit Policy

The latest official move to keep mounting inflation in check was the decision of the Commonwealth Bank, operating as a central bank, to require the trading banks to follow a more selective credit policy. Overdraft accommodation is to be closely scrutinised and borrowers are to be induced to obtain their working capital from outside the banking system. This means that increasing recourse must be had to new capital issues and to borrowings on mortgage and debenture. But no spectacular results can be expected from this as the tremendous expansion in the volume of money is not due basically to bank advance policy but to buoyant export income and to an expanding programme of public and private investment.

In this connection, the Government's announced intention of restoring some measure of control over new capital issues raises some interesting problems. In January, the Treasurer (Mr Fadden) announced a complete lifting of the control of new capital issues on the ground that this wartime control was no longer necessary. This was immediately followed by a succession of new and bonus issues by a wide range of companies, and undoubtedly contributed to the booming conditions on Australian stock exchanges. If the new bank advance policy compels industrial companies to seek capital in even greater volume from the market, the capital issues control will necessarily have to be administered with considerable latitude; for companies could well find themselves in an embarrassing position, unable to obtain working capital from either the banks or the market.

It seems impossible to hope for any early check to the rapidly mounting inflationary spiral in Australia in the absence of a downward turn in export prices. And that would quickly set in train a series of deflationary reactions with all their political, economic and social implications. The Budget could have been the instrument which contributed most to counteracting inflationary pressures in the economy; but measures such as increasing taxation to enable more expenditure on public works to be met from revenue, and more social services expenditure to be met directly from recipients' contributions, would have been politically inexpedient, although economically sound. But as long as nothing is done to check the forces of inflation at their very source—and it is not impossible to do this in the Australian economy—little can be expected from piecemeal measures directed haphazardly to isolated points of the economy.

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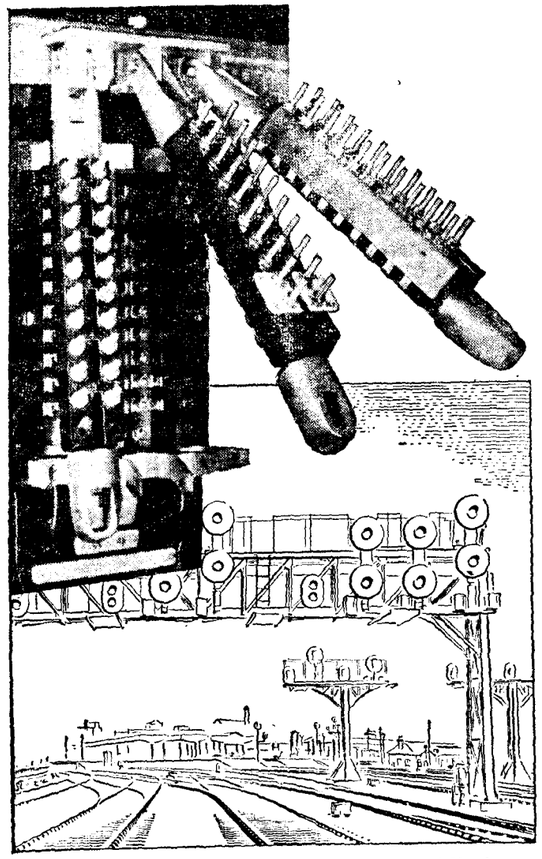
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THE BUSINESS WORLD

Overseas Lending Again?

THE sector of the London capital market that caters for overseas issues has perforce been sadly neglected in recent years. The type of business that brought so much grist to the mill of the issuing houses, and subsequently so much support to the balance of payments of the United Kingdom, is but a small shadow of what it used to be. There are many reasons for this. The most fundamental is, of course, the fact that, at least up to the beginning of 1950, Britain no longer had a surplus on its current balance of payments from which to finance any net export of capital at all. Meanwhile, the habit of foreign lending among individual investors has largely disappeared. Government enterprise, in the shape of such institutions as the Overseas Food Corporation and the Colonial Development Corporation, has impinged—not always with conspicuous success—on spheres of a kind that might conceivably have attracted the private investor, at all events if the world were not still ridden with exchange controls and other protective devices. Last, but by no means least, the international situation has not lent itself to the expansion of overseas lending and promises to remain for some time a strong deterrent to this type of business.

For all that, Britain during 1950 has, in fact, been exporting capital on quite a substantial scale. The balance of payments figures suggest the order of magnitude involved. In the first half of 1950 the United Kingdom secured an over-all surplus of £52 million. In the second half of the year, insofar as may be gauged from the available figures of visible trade, the surplus may have approached £200 million. These are figures—and net figures at that—that are reminiscent of Britain's heyday as an exporter of capital. It may be true that the boom in Britain's balance of payments will not last long once defence contracts begin to impinge on export potential, and once the latest deterioration of the terms of trade exerts its full effect. But the time has plainly come when some hard thinking should be done on how Britain can most profitably invest any surplus that it earns from overseas.

It is difficult to ascertain from the published figures exactly what shape the outflow of capital has taken in 1950. A fair volume of capital export does, in fact, seem to have been canalised through the customary market channels. The Midland Bank figures of capital issues for the first eleven months of 1950 showed overseas issues totalling £46,323,000. The total is the largest secured since the end of the war. It is also larger than that for the last prewar year, comparing with £25,077,000 in the corresponding period of 1938. Much of this export of capital has been provided on what should prove remunerative terms. The full figures for 1950 will include, as the latest of such operations, the British participation in the Canadian Eagle issue. British shareholders' participating rights in recent South African mining issues, the loans to the Governments of South Africa, Jamaica and Cyprus, and a considerable batch of other African Government issues go a long way to make up the total. Although much of this money has been lent on near gilt-edged terms a fair portion has comprised equity investment that should, in time, bring a reasonable return to the investors concerned and to the British balance of payments. Moreover, beyond these issues involving the use of the open market, there has been a substantial, though not precisely measurable, direct investment in overseas subsidiary enterprises by parent companies in the United Kingdom. This, again, should prove a remunerative form of investment enterprise.

But an unnecessarily large proportion of the export of capital appears to be making its way out of the United Kingdom on terms that must be counted extremely unattractive to the creditor. Although the total overseas sterling balances will certainly show some increase for the year 1950, this rise will be the product of a combination of widely divergent movements. Part of the British export of capital has taken the form of releases of sterling balances owned by countries such as India, Palestine and Pakistan. The consequential repayments of external debt are yielding an interest saving of about ½ per cent—for this is the rate earned by the overseas countries concerned on the bulk of the balances now being liquidated. This repayment of sterling balances and the attendant export of capital will become hard-and-fast annual obligations with the implementation of the Colombo Plan, which envisages the release to India, Pakistan, Ceylon, Malaya and British Borneo of sterling balances amounting to £246 million over six years. There is much to be said for this programme and for the manner in which it is proposed to finance it. But it would be well to realise, first, that it earmarks a considerable proportion of the amounts that are likely to be available for British capital exports over the years to come; and, secondly, that this investment, in interest terms at least, offers very low returns.

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An even more striking instance of heavy but low-yielding export of capital is that represented by Britain's participation in the European Payments Union. Since the Union began functioning on July 1st last, the United Kingdom has accumulated a net surplus of £149,383,000 with other member countries. Admittedly, a substantial part of this surplus has in effect been earned by the rest of the sterling area, and finds its counterpart in the increased sterling balances that have been built up by countries such as Australia, Malaya and West Africa. Nevertheless, it is between the United Kingdom and the other members of EPU that this new creditor-debtor relationship has been established. Of this net surplus, some £11 million has been covered by the utilisation of existing sterling resources held by the deficit countries—i.e., by drafts on their accumulated balances—and, for the reason already mentioned, may thus be reckoned to be yielding Britain about ½ per cent. Of the balance, about £53.6 million was covered by Britain's initial debit position with EPU, which yields nothing at all in interest, although an equivalent amount of conditional Marshall dollars has, of course, been received against that particular capital export. A further £80.2 million has been built up as a credit balance with EPU, on which the modest rate of 2 per cent per annum is earned. The residue of £4½ million of this cumulative net surplus has been taken from EPU by Britain in the form of gold. It would be reasonable to assume that, of this cumulative surplus of over £149 million, the credit balance of about £80 million built up with EPU roughly corresponds to the surplus earned through the direct trade between the United Kingdom and the other European countries concerned. On this assumption this export of British capital will, in fact, have been made at a rate of 2 per cent.

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Although there are special reasons for all these unusual methods of external lending, the question ought at least to be raised whether Britain has reaped the maximum available financial advantage from the export of capital that has been possible in this past year. Admittedly, there are other than purely financial considerations at stake. Britain's participation in the Colombo Plan is intended to serve a greater purpose than the mere accumulation of overseas investments and reserves. Similarly, Britain's participation in the European Payments Union has as one of its objectives the restoration of a system of multilateral trade and payments, the benefits of which must be measured in other terms than mere yield on the direct investment. This, however, does not gainsay the desirability of getting the best out of a given situation. What is needed is that Britain should strive to secure the best possible overall return from the investment of its overseas surplus—the term "return" being here defined so as to connote other concepts besides yield, but not so as to exclude yield altogether. It may be questioned whether the repayment of sterling balances, the intrusion of Government corporations into spheres where commercial enterprises would give a better account of themselves, and provision of funds through the machinery of the Colonial Development and Welfare Acts are, in fact, calculated to secure the best over-all return. Apart from the loss of yield, the by-passing of the traditional new issue machinery, in canalising so large a proportion of Britain's capital exports to the Commonwealth, is leaving unused and barren a sector of the London market that has more than earned its keep in the past.

Doubts must also be expressed about the present form of Britain's export of capital to Europe. If so large a current surplus is being accumulated by the sterling area as a whole with Western Europe, why have so few European issues made their appearance on the London market? It would surely be preferable to make select loans to good European borrowers than to see virtually the whole of Britain's capital exports to Europe canalised through the EPU where they build up credits that have, as their main counterpart, claims by the whole Union on the weakest members of the European community. The absence of long-term loans to Europe must not, however, be attributed to any negative attitude on the part of the British authorities. A few proposals for European issues have been put up over the past year. The fact that none of them has yet met with success is due much more to the reluctance of London underwriters to assume responsibility for European issues in prevailing circumstances than to any unwillingness on the part of the authorities to allow the would-be borrower to join the queue. That has certainly been the fate of one or two Scandinavian projects, which would have been welcomed in official quarters had the attitude of the market itself been a little more congenial and receptive. In one or two instances, including a French proposal to borrow large sums in order to finance French participation in Middle East developments, there may have been some discouragement from official quarters, but this was due to the nature of this specific proposal and not to any antagonism to the general principle of lending. By and large, it can be said that the London capital market for overseas issues would have been opened to European borrowers had they been able to offer both terms and security that would have appealed to the general body of underwriters and investors.

Even though the malaise now affecting the provision of any risk capital in Britain may delay the reappearance of foreign issues on the London market, it can surely be claimed that the improvement in Britain's balance of payments with Europe is hastening the day when far greater freedom should be given to the movement of capital between Britain and Europe. Such freedom has been largely restored between Britain and the Scandinavian countries. There is little reason—other than fear that springs from what should now be a forgotten past—for maintaining the restrictions that still impede capital transactions between Britain and the other countries of Western Europe. It does not follow, of course, that such relaxations would lead to a remunerative export of capital from Britain. If the relaxations were truly reciprocal, it is much more likely, in existing circumstances, that they would be followed by the arrival in Britain of a substantial amount of European capital, seeking here the safety and protection that it is now difficult to find on the Continent. But if Britain is to take full advantage of its opportunities, it must not long continue to restrict all forms of investment overseas save those that are likely to prove least remunerative in terms of yield. It should be emphasised, however, that the new approach that is desirable to this aspect of external lending will require a reconsideration of the whole problem of export of capital. If private financing takes the place of one or other of the various forms of Governmental financing, it will impose no additional strain on the balance of payments. But if the opening of the door for the desirable expansion of private lending were not accompanied by some decline in the present volume of official lending, there would be risk of undue strain. The net resources available for all forms of lending are not likely in 1951 to approach the levels of 1950. It is the more important, therefore, to ensure that they are put to the best possible use from all points of view.

The Brewers' Dilemma

(By a Correspondent)

FOR half a century the brewing industry has been confronted with a persistent decline in the demand for beer. It spent some £75 million upon improvements to public houses between the wars. It has directed co-operative and competitive advertising at the public, and more concentrated campaigns at successive Chancellors. But all these policies have had a persistent flavour of the defensive: the industry is reluctant to admit that lower beer sales might have part of their origins in fundamental changes of social behaviour. It has not accepted any need for radical revision of its own policies or outlook, and it explains the fall in beer consumption and brewing profits—during a period of brimful employment—almost solely in terms of excessive taxation. This explanation is simple; is it also the complete answer?

Until the first world war, the industry's marketing problem was clear. Brewers made beer, and their prosperity depended on maximum sales. The marketing of beer was governed by a licensing system that forced brewers to own or control public houses and other licensed premises in order to ensure retail outlets. Such vertical integration might in any case have offered some economies, but it was primarily the licensing laws that determined the modern structure of the industry. The result is that some 80 per cent of the public houses in England and Wales are brewer-owned and three-quarters of the industry's assets are in licensed premises. In order to increase the number of selling outlets, amalgamation has been pursued until the number of brewers producing "for sale" has been reduced from several thousand in 1900 to 602 in 1949 (the *Brewers' Almanack* for 1950 records some 450 independent firms). Brewers are substantial owners of real estate, not for its intrinsic profitability, but primarily to guarantee selling outlets for their beer.

Until the first decade of this century, such an attitude could easily be justified. But this close association of beer and the public house has since been weakened by changes in social behaviour that have followed the placing of a host of new recreations, amusements, and amenities at the disposal of the working classes. Today the public house no longer has a monopoly either of beer sales or of the working man's leisure. Apart from increased consumption of beer in clubs, the list of new contenders for the public's leisure and money is familiar and still growing; it ranges from open-air sport to the dance hall and the cinema, from the "dirt-track" and the skating rink to television. What has the public house to offer to retain the patronage of both sexes and of all ages and social classes against these counter-attractions? It has long provided bowling greens, skittle alleys and dart-boards; it has experimented with paintings, poetry and plays; it has attempted, not very successfully, to revive interest in traditional "pub" games; but it can hardly add a greyhound track or a swimming pool. And where the installation of further attractions is possible—television might be one—it is still a question whether their provision increases the sales of beer to new customers more than it reduces sales to regular customers distracted by them from drinking. It may be that sales of beer in the public house and the general profitability of the public house are, in the mid-twentieth century, becoming conflicting objectives.

The industry unites in blaming the decline in consumption of beer on high duty and, in recent years, on low gravities. But the evidence for this case is not conclusive. Beer consumption rose generally throughout the nineteenth century as population and income grew; the peak of consumption per head seems to have been reached in the 1870s. In the present century the trend has unmistakably turned downward, though periods of artificially high or low consumption have resulted from abnormal causes—notably unemployment and war. Consumption since the war has been higher than it was immediately before the war, but has been falling fast this year, and there is no clear evidence whether it has settled down to a postwar norm. If the beer duty is responsible, it has to be remembered that it rose to 8d. or 9d. per pint only after 1939. In 1938 it was only 2½d. against ½d. early in the century; yet consumption was 33 per cent lower in 1938 than in 1900, in spite of increased population and purchasing power. More recently the failure of the 1d. cut in price following the 1949 Budget has convinced the industry that only a slash of 3d. or 4d. would revive the demand. This plea, unfortunately, harks back to days that may never return, of vastly different Budget commitments for social services. And the argument of "diminishing returns" in the revenue derived from beer is bound to be lost on any Chancellor who is not absolutely convinced that high prices are the one factor responsible for falling consumption.

The part played by lower gravities, again, seems difficult to prove. Average gravity was reduced during the war by Government order from 1040.78 degrees in 1938 to 1034 or 1035 degrees; but it had already been voluntarily reduced by the industry from 1055 in 1899 to 1041 degrees, partly to lighten the burden of successive increases in duty and partly to cater for the emerging taste for lighter beers. To argue from this past experience that the industry had discovered that 1040 degrees is the exact strength below which further reductions in gravity automatically reduce demand would surely be too charitable. Less has been heard of the gravity argument since the 1950 Budget, for although that made possible a three-degree rise in gravities (and a reduction in the index of retail prices), it produced no consequential rise in consumption save perhaps in bottled heavier beers.

What the public house is losing in importance in the distribution of beer, it is trying hard to gain through its other attractions. In the nineteenth century it was predominantly a shop for the sale of beer; in the twentieth century it is, at its best, a social centre valued for its atmosphere, company, comfort and recreational amenities. Have changing conditions in the supply and demand for beer, in the character of the public house,

and in other competing attractions undermined the basic reasons for brewer-ownership of public houses? The public house is no longer the only method of selling beer, and it may not necessarily be the cheapest method. Beer and the public house are becoming divorced in the economy of the brewing industry. Public house operation is less important to the brewer for the distribution of beer because other outlets have grown; selling beer is becoming less important to the public house in the maintenance of its clientele and profitability. The two factors must now be considered as potentially separate; not end and means but distinct entities—a commodity and a service that need not necessarily be provided jointly, but can be separately offered to the public on their individual merits. Beer will continue to be sold in public houses, but conceivably more may in time be sold for consumption elsewhere. Many firms have been able to expand their sales of bottled beer and powerless to prevent a contraction in their sales of draught beer. Many of them have made considerable enlargements of their bottling capacity. Public houses will continue to derive an important part of their revenue from beer, but conceivably sales of other beverages and food may eventually overtake it.

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If these developments occur, neither need be considered calamitous by the brewers. But if they are to plan profitably for the future, they might pause to consider whether the methods of marketing their two products do not need to be conceived and executed independently. They may need consumer research and selling efforts consciously directed towards different social classes and age-groups, and towards different buying motives. Beer will need to be sold wherever the public chooses to spend its leisure time and spare money. Bottling and packaging must be adapted to cater for the needs of consumers wherever they may be—at home, at the club, or out of doors. In the middle-class economy of the future there should be an opportunity for expanded sales for consumption at home. There may be a lesson in the work of the United States Brewers' Foundation whose group advertising has made good use of cosy domestic scenes with the caption "Perhaps no beverages are more at home on more occasions than good American beer or ale." Again, should brewers be inhibited by over-sensitivity to the interests of licensees from developing door-to-door delivery? Here may be the only means of generating sales to middle-class and women consumers.

The public house may also need to develop a distinct selling technique if it is to free itself from its main preoccupation with beer. This might involve supplying any services it can economically provide that are demanded by its clients, not least food. It must extend its facilities, amenities and amusements and raise its standards as a place of social resort for both sexes (it is still largely a man's institution) and all classes (it is still mainly a working-man's haunt). Whether in this kind of development it can retain its *raison d'être* and distinctive place as an English social institution remains to be seen.

Some go-ahead brewers have read the signs of the times. One is marketing a "TV" pack; others offer door-to-door delivery; several are advertising beer for home consumption and appealing to women consumers. But only a handful would concede that radical economic changes are affecting their business. Even where modern selling policies are being adopted, it is not clear that the changing relationship between beer and the public house is accepted. At least the unchanged policy of advertising undertaken for the industry by the Brewers' Society does not suggest as much. In the nineteen thirties, total beer consumption slumped to 18.9 million barrels and average consumption per head to 14.3 gallons per annum. The Society's director conceived it necessary not only "to declare that England's is the best and healthiest beer a young man can consume" but also to show "all the good will and contentment the public house imparts in England." But the "Beer is Best" campaign was designed above all to increase the consumption of beer; and the public house was still only the instrument. Consumption revived to 25 million barrels in 1938, largely for reasons that had little to do with the slogan. But the latter had won a place in the affections of the industry, and after the war it was resuscitated—in entirely different conditions of low gravities. Indeed, after the 1950 Budget permitted beer to be strengthened, Beer became Better after many years of being Best. Advertisements publicising the attractions of the inn have appeared since the end of the war, but they usually end with the old slogan; the man in the street has not yet been invited to patronise the public house for its own sake.

If the sale of beer in bottle for consumption elsewhere should begin to overtake the sale of draught beer inside the public house, the smaller local brewer will face intensified competition from national (or regional) brewers with their advertised brands. There is nothing a brewer likes less than to sell another's beer in his houses, but he cannot exclude interlopers from the neutral territory of home, club, or dance-hall. The local monopoly of the small brewer, formerly maintained

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by the high cost of transporting beer, will no longer protect him. For a time it may be preserved by the conservatism of local tastes, but improvements in transport and packaging will in time further increase the penetrative power of advertised brands.

Such competition may lead some small brewers to sell out to the larger; others may attempt to make their houses profitable by turning themselves into inn-keepers and hoteliers owning chains of "free" houses and selling the beer in greatest demand. Beer would then be supplied by a smaller number of specialist brewers who had disposed of their houses (the largest brewers already own few houses or none) or regarded them as an ancillary interest. The industry would then tend to separate into its two parts as the economic conditions in which the licensing system led to their integration faded away; the controversial "tied" house system might in time come to be recognised as a phase arising from the peculiar social and economic conditions of the nineteenth century. But such a division of beer production and distribution would take several decades to develop, particularly because of the brewers' massive investment in bricks and mortar. In the immediate future the marketing problem of the brewer is to adjust his selling methods to the divergent needs of the two products that, past conditions beyond his control have left in his hands. He may prefer to remain a brewer, but fate has made him also an inn-keeper. He is responsible to the nation for passing on to the future a social institution that until now, at least, has had no parallel in the world.

Business Notes

"Paying as we Go" in 1951

"In tackling the economic problems of defence, our policy must be, as far as we can, to pay as we go. Whatever steps are practicable and feasible to achieving this end the Government must and will take. . . ." In an address on the eve of the holiday the Chancellor of the Exchequer thus summed up the nature of the economic task that must be shouldered as the full impact of defence effort makes itself felt. It is to be hoped that he will keep this principle in the very forefront of his mind—and will succeed in impressing it upon his colleagues in the Cabinet—throughout the phase of preparation that is now under way for the next budget. No one knows better than Mr Gaitskell that the principle of "pay as you go" cannot be satisfied—as in former times it was widely supposed to be—merely by ensuring that Government spending, whether for defence or war, is financed by taxation rather than by borrowing, valuable though that precept is as a rule of thumb. The truth is that, whatever its financial policy, a country cannot shuffle off on to the future even a part of its burden of arms outlay unless it runs down its real capital assets or adds to its net indebtedness to other countries. These are processes that Britain dare not allow to proceed very far in this phase of semi-war, especially because the losses under both heads were very great in World War II and have by no means been made good yet. If this kind of strain is not to be resumed now, the whole of the additional defence demand for productive resources will have to be supplied from two sources alone—from an increase in the total volume of production and from a reduction in the volume of resources devoted to supplying the needs of consumers. In other words, except to the extent that productivity rises or hours of work are lengthened, the "real" level of consumption expenditure will have to be reduced—whatever happens to the money value of wages and other personal incomes.

It is a pity that Mr Gaitskell did not put his conclusion in this stark form—for it is only through really blunt speaking from Ministers that a public long fed upon half-truths and airy promises will ever grasp the unpalatable facts sufficiently to permit the Government to carry through the tough disinflationary policy that Mr Gaitskell's unexceptionable principle requires. To pursue the austere formula unswervingly will be difficult, if not actually impracticable, even with the fullest public support—if only because the impact of defence orders on the engineering industries will inevitably cause some diversion of supplies from the export drive or from home investment. The Chancellor remarked that the gap thus caused in exports will have to be filled by increased exports of consumer goods, otherwise the burden of defence will fall in "the wrong place." As for the repercussions upon home investment, he might have added that the "wrong place" here is unquestionably the maintenance and improvement of industrial capital. It is unfortunate, but undoubtedly true, that if investment has to be cut, the "right place" for the axe is social investment. All of which implies that the prescription for the coming budget needs to be one of retrenchment in civil expenditure—as well as in social outlays beyond the budget in its narrower sense.

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Buoyant Exports

The detailed figures for November exports show an even more encouraging picture than the preliminary figures, which were discussed on page 1104 of *The Economist* a fortnight ago. It is now apparent that the month's expansion of exports was shared by a number of industries; a particularly notable contribution was made by textiles. The total value of exports for the month, at £212 million, reached a new peak—and the merit of this achievement is not diminished by the possibility that there may be some recession in December, because of shipping difficulties, the Christmas holidays and the curtailment in overseas shipments of coal, iron and steel. As can be seen from the accompanying table, the rising trend of exports in the past fifteen months is unmistakable, whether they are measured by notional values based on a standard month of 26 working days or by the index of volume (1947 = 100). During the early postwar phase, it will be recalled, it

BRITISH EXPORT DRIVE
(Monthly Averages)

1949	Value*	Volume	1950	Value*	Volume
	£ mn.	1947 = 100		£ mn	1947 = 100
1st quarter	155½	144	1st quarter	174	157
2nd "	152	135	2nd "	178½	155
3rd "	141	132	3rd "	181	161
4th "	158½	147	October	202	177
			November	212	181
Year	152	139		...	...

* Adjusted to a standard month of 26 working days.

was estimated that Britain's exports would have to reach a volume some 75 per cent higher than in 1938 in order to achieve a balance in Britain's overseas accounts. That target was probably reached in October, and was certainly passed in November, in which months the whole balance of payments on current account was showing a really substantial surplus. The satisfactory state of the account at present, however, affords no guide to the future trend: when diversions of productive effort to defence become really marked, it will be difficult to maintain the present scale of exports; yet the bill for imports is bound to rise steeply when the effects of the increases in raw material prices are fully felt.

The largest contribution to November's rise in exports was made by the machinery group, which rose by £3,000,000 to £30 million—or to a level 29 per cent above the monthly average for 1949 and 18 per cent above that for the third quarter of this year. This increase was spread among nearly all export destinations; the main exception was the Soviet Union, whose receipts of British machinery were smaller even than in recent months. Vehicle exports rose only slightly during the month. The number of cars sent to Australia fell by over 3,000 to 7,331, owing no doubt to recent difficulties in obtaining shipping space; Canada thus became once more Britain's chief market for the month. Exports of iron and steel manufactures were maintained at their high October level, despite the fact that a larger proportion of Britain's output is now destined for the home market. The most welcome feature of November's trade was the buoyancy of textile exports. Cotton, wool and rayon goods all showed substantial increases on October, itself a good month. Cotton exports were £1,600,000 higher at £16,600,000, and wool textiles £700,000 higher at £15,100,000. Most of the other export industries more or less maintained their October levels.

Exports to both the United States and Canada reached record figures during the month. Larger quantities of chemicals, iron and steel manufactures, machinery, non-ferrous metals and rubber went to the United States and larger quantities of machinery, vehicles and woollen and worsted goods went to Canada. In fact the value of machinery exports to Canada was three times its 1949 average, while the value of vehicle exports was the highest since May.

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Expedient for Zinc

The expected announcement on zinc allocation, which came as this issue of *The Economist* was going to press, has shown the scheme to be yet another expedient to cope with the bottlenecks that are arising in the supply of raw materials. According to the Minister of Supply, the Government "is anxious to avoid if possible adopting a fully detailed allocation scheme." Instead, the use of zinc, copper and copper alloys is to be prohibited in the manufacture of prescribed less essential goods as from February 1st. The list of prohibited uses is only a provisional one, but it covers a wide range of goods from ash-trays, hinges and flashings to hardware, hollow-ware and conduit tubing. The use of copper in the manufacture of these goods is prohibited merely to prevent its substitution for zinc.

The scheme is expected to reduce the consumption of zinc to the equivalent of about 60 per cent of actual average monthly consumption during the first nine months of this year; but the actual reduction will vary according to the type of zinc used. In January, for example, the consumption of ordinary grades, used mainly for galvanising and also for brass and zinc oxide, will be cut to 50 per cent; electrolytic zinc for rolled zinc products and zinc oxide will be cut to 70 per cent, and for brass to 85 per cent; this last percentage will also operate for the consumption of high purity zinc, used chiefly in die-casting. Allocations will be made by the Ministry each month; the February allocation will not be determined until the latter part of January, and it may differ from the January pattern, though the latter is believed to be the basis for the subsequent allocations. The administration of the scheme is to rest with industry, although a statutory order will be laid before Parliament prohibiting the use of zinc, copper and brass in the specified end-products.

How successful the scheme will be, only experience can tell. If industry co-operates fully in carrying out its intentions, a substantial saving in zinc could be achieved. But a grey market in the metal is likely to develop if manufacturers of those goods on the prohibited list hold any sizeable stocks of zinc or copper. The impact on the housewife and the general public will be delayed and to some extent cushioned by the use of substitute materials. But galvanisers look like having a very lean time next year.

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Sulphur Rationed

The United States Department of Commerce announced last week the allocation of American exports of sulphur for the first quarter of 1951. The total export for the three months has been fixed at 200,000 tons of crude sulphur and 7,500 tons of refined sulphur. Britain is to get 81,465 tons of crude sulphur, or rather more than the very low allotment that British users had feared. France will get 20,125 tons and Germany and Switzerland 3,000 tons each. The British quota represents a cut of between one quarter and one third from the current level of consumption. But there is no guarantee that Britain will receive as large a quantity in the succeeding quarters. Countries such as Australia and New Zealand that are known to have fairly adequate stocks of sulphur at present have been allotted only very small quantities for the first quarter. They will no doubt receive larger quotas when their own stocks have been consumed, and these larger quotas will presumably be at the expense of other importers.

Because of the smaller imports of sulphur, the Board of Trade has decided to regulate the distribution of sulphuric acid, and of crude and processed sulphur as from January 8th. It could hardly have done otherwise. Details of the rationing scheme are expected to be published this weekend. It is difficult to see how British consumption of sulphur can be reduced by, say, 25 per cent—which must be the Board of Trade's minimum target—without causing quite serious dislocation to industry, for sulphur is used very extensively in both its regular form and as sulphuric acid. Unless new deposits are discovered soon, the sulphur shortage might persist for some years. Hence, although the development of alternative methods of producing sulphuric acid would take both time and considerable capital expenditure, it would be wise to initiate it as soon as possible.

* * *

Forward Dealing in Stock Markets

A modest, but none the less welcome, advance towards the restoration of prewar facilities for forward dealings on the Stock Exchange was announced this week. As from January 3rd next, subject to confirmation by the Stock Exchange Council, it is proposed to allow dealings for "new time" (that is, dealings for settlement in the next account) during the last Thursday, Friday, Monday and Tuesday of each account. By this overlapping of accounts it is hoped to provide more elastic and freer markets and to overcome the tendency for business to dry up towards the close of each account, when jobbers are more unwilling than usual to commit themselves by making firm dealing prices for any but small lines of securities.

This represents only a partial return to the unrestricted forward dealing facilities that the market enjoyed before the war. Forward dealings were completely suspended during the war when all business was put on a cash basis. Under the existing system, first half of 1949 dealings for "old account" have ceased on the Tuesday a week before settling day, and dealings for "new account" have started on the next day. It may well be asked why this latest concession has been limited to the extension of forward dealing to four days of each account and to one settlement only. If there is a case for freer dealings, that case should be pushed to its logical conclusion. If the reason for the half-hearted character of the Council's decision is a form of appeasement to the political forces that may be counted on to interpret

freer Stock Exchange dealings as "encouraging the casino," it is unlikely to carry any conviction in the intended—and purblind—quarters.

* * *

Spreading the Load Thinner

Three months in which power cuts have been more frequent, heavier and more extensive than last year have made it plain that the original electricity load-spreading plan for this winter (which was conceived and announced last June) was far too optimistic. The Electricity Sub-Committee of the National Joint Advisory Council to the Minister of Labour, which then asked industry to transfer 10 per cent of its power consumption at peak hours to other times of the day, has had second thoughts. Last week it raised the requested proportion to 20 per cent, the same as in 1949. It listed three factors in the worsened situation: a steeper increase in national consumption of electricity during 1950 than in 1949, a colder autumn (which might well have been allowed for), and an unexpectedly large "outage" of generating capacity during periods of peak demand. More breakdowns of plant, to which this third misfortune has largely been due, were expected from the large proportion of equipment that is more than 25 years old; unfortunately more failures occurred, too, among generating stations from five to fifteen years old, which are being overworked, and as "teething troubles" in newly-installed plants.

Load-spreading is settled in detail by regional boards for industry, and since the beginning of the winter several regions have been operating schemes transferring more than 10 per cent of peak consumption to off-peak hours. The new request does not, therefore, mean doubled load-spreading for the whole of industry. Unfortunately, however, it comes too late for any general introduction of special staggered working shifts, and it will present many business men with a pretty problem. The request, even if it can be fully complied with, cannot do more than reduce the frequency and severity of power cuts. The sub-committee hopes, however, that more adequate warning of these may be possible through detailed BBC broadcasts and eventually by shortwave radio (to be tested in Yorkshire with an existing transmitter). The sub-committee also admits that industry is bearing a disproportionate burden in power economy and adds its voice to those recommending "a more drastic approach to the commercial and domestic consumer." Specifically, however, its recommendation on this point comes down to "a forceful and aggressive publicity campaign"; its only other suggestion, that BEA should study the possibility of discriminating between classes of consumer in imposing power cuts, may meet objections upon the grounds of "technical difficulty." Such objections are always aired—along with the deep responsibility of disturbing established patterns of domestic life—as "conclusive" arguments against the possibility of charging something more nearly approaching the economic cost of electricity at the time when it is purchased. Not until the electricity supply industry is converted to such unfashionable economic sense or until enough plant is finally installed to overtake soaring consumption (and it is difficult to say which seems farther off), will these external controls upon power consumption become unnecessary.

* * *

Power on the Premises

The BEA'S continued inability to guarantee its most important customers adequate supplies of power is leading many firms to take renewed interest in generating their own electricity. Two alternative systems are being supported: the installation of small diesel generating sets such as many businesses purchased with the encouragement of the Ministry of Supply in 1947, and introduction of back-pressure or pass-

out turbines into factories using large quantities of steam in their own industrial processes. The first method, its proponents claim, is being frustrated because it is only up to March, 1952, that BEA is willing to waive its restrictions upon using such sets. Some firms in process industries also feel that their schemes for becoming entirely self-supporting and occasionally able to export electricity are meeting a traditional discouragement from the main supply industry.

Both systems, of course, are under as pressing an obligation as is BEA itself to prove economic use of the capital investment involved. Whether diesel sets, with a higher cost per kilowatt of installed capacity than large-scale generating plant, are an economic proposition for factory power generation in any but emergency periods is debatable; and certainly the BEA cannot be expected to welcome systems that involve purchasing no power in off-peak hours and then demanding supplementary assistance during peak hours (at its own uneconomic prices), thus merely accentuating its problems. The installation of turbines in process industries cannot usefully be discussed in general terms, though it may offer a considerably more worthwhile contribution to the general power supply problem; each case, however, can be judged only upon its economic merits—although there is certainly something attractive in the general principle of recovering some of the energy lost yearly by most industries using process steam. Some of the aggregate savings and contributions to national power supplies that engineers in these industries believe could economically be brought about are quite impressive and need the most careful examination —which indeed BEA would probably argue it is giving them. It is probably true in general, however, that the limited quota of Britain's investment programme that can be allotted to electricity supply is most economically used in large-scale generation—and no alternative schemes should be allowed to compete for any of the physical resources involved, such as boiler-making capacity.

* * *

EPU Settlement for November

Detailed figures are now available of the operations of the European Payments Union up to the end of November, and supplement the data about Britain's position discussed in these columns last week. The summary of the various positions to date are shown in the accompanying table. The United Kingdom, the figures of whose operations with other members include those of the rest of the sterling area, has

CUMULATIVE POSITIONS OF EPU MEMBERS AT END-NOVEMBER.*
(In Millions of Units of Account Equal to US Dollars)

Country	Initial Debit (+) or Credit (−) Balance used	Use of quota: Credit Granted (+) or Received (−)	Use of quota: Gold Received (+) or Paid (−)
Austria	− 18·2	...	...
Belgium-Luxembourg	+ 7·8	...	...
Denmark	...	− 34·2	...
France	...	+ 144·2	+ 40·2
Germany	...	− 192	− 128
Greece	− 64·6	...	...
Iceland	− 3·1	...	...
Italy	...	− 17·1	...
Netherlands	− 30	− 65·7	...
Norway	− 37·2	...	...
Portugal	...	+ 21·7	+ 7·7
Sweden	...	...	...
Switzerland	...	...	− 27·3
Turkey	...	+ 11·4	+ 1·4
U.K.	+ 150	+ 224·6	+ 12·6

* Use of "initial balances" and cumulative accounting position of member countries with the Union from July 1, 1950 to November 30, 1950.

now clearly superseded France as the dominant creditor of the Union. The main debtor is still Germany. During November the deterioration in the German position slowed down considerably, but, as the German credit quota had been exhausted by the end of October, the further additional deficit of $4.2 million incurred in November had to be covered by a gold payment. Since the end of November the additional EPU credit of $120 million has become available to Germany; this, together with the diminution in the German current deficit should, for a time at least, arrest the gold hæmorrhage that has been draining the small German reserve. Among the more unsatisfactory positions is that of the Netherlands, which incurred a fresh deficit of $23.1 million in November and is now approaching gold payment point; this situation provides a telling commentary on the latest difficulties that have arisen for the still incomplete Benelux Union. An interesting and significant movement is the accumulation of a deficit of $27.3 million by Switzerland since July 1, 1950. Switzerland, however, has abstained from using the credit facilities of EPU; it decided instead to settle the whole of its deficit in gold.

It will be seen from the table that debtors have paid some $156 million of gold into EPU, while creditors have withdrawn only $62 million. This disparity is largely explained by the overwhelming debtor position of Germany and by the fact that the surpluses have been distributed over a wide number of countries. When EPU was set up, it was argued that if intra-European trade were characterised by the emergence of one dominant creditor whose claims were distributed over a large number of debtors, EPU would soon run out of gold; it was for this reason that EPU was endowed with special ERP assistance. Until now, however, exactly the opposite position has obtained and the special working fund put at the disposal of EPU has not had to be used. All things considered, the teething troubles of EPU have been less excruciating than they at first seemed likely to be.

* * *

Commercial Conduct Rules

One of the main achievements of the fifth session of the contracting parties of the General Agreement on Tariffs and Trade at Torquay was the approval of a code of standard practices for import and export restrictions and exchange controls. This code was formulated on the assumption that the so-called transitional period contemplated both under the Charter of the International Trade Organisation and of the GATT agreement would prove to be far longer than had previously been expected. It was therefore thought that additional rules should be drawn up to regulate the operation of controls that might be a far more permanent part of the economic scene than was suggested by the ITO Charter or GATT Agreement.

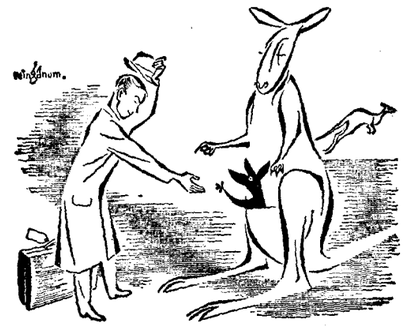
The new code falls under nine headings. The first provides that the grant of an import licence should imply that the necessary foreign exchange will be obtainable by the importer within a reasonable time. The second is that any new or intensified restriction on imports should not apply to goods *en route* paid for or covered by an irrevocable letter of credit. Thirdly, it is suggested that goods definitely ordered at the time of new or intensified restrictions should receive special consideration if their delivery can be completed within a specified period and that such goods should be made available against any quotas or exchange allocation established for that particular type of goods. The fourth point deals with the administrative formalities in connection with the issue of import or export licences or exchange permits. The fifth pleads for a sufficient period, after the fixing of quotas, for particular classes of goods or allocations of exchange, to allow for communication with foreign suppliers and for the conclusion of purchase contracts. The sixth point suggests that when quantitative restrictions on imports are applied, licences should be issued not only to established suppliers but to qualified and financially responsible newcomers. The seventh and eighth points deal with customs formalities and consular legalisation of shipping documents. The ninth and final item in the code suggests that where, owing to exceptional and unforeseen difficulties, a country is unable to provide foreign exchange for imports, payments for goods already imported or licensed for importation should have

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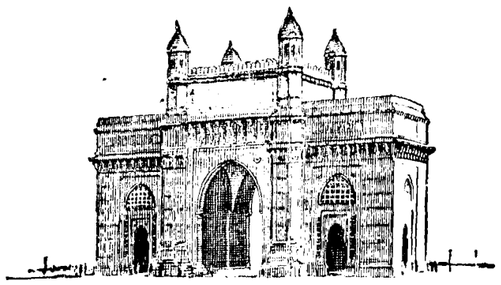


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THE LANCASHIRE COTTON CORPORATION LIMITED

Condensed Balance Sheet as at 31st October, 1950

	Authorised £	*Issued* £
SHARE CAPITAL AND STOCK:		
Preference Stock	66,374	66,374
Ordinary Shares and Stock	5,102,210	3,992,152
	5,168,584	4,058,526
Capital Reserves		134,333
Revenue Reserves		6,024,588
Profit and Loss Account		683,010
		10,900,457
3½% First Mortgage Debenture Stock (with Interest to date)		1,920,079
CURRENT LIABILITIES AND PROVISIONS:		
Sundry Creditors	970,917	
Provision for Taxation	2,646,842	
Provision for Past Service Pensions and Annuities	91,150	
Provision for Proposed Dividends (net)	166,501	
		3,875,410
		£16,695,946

	£	£
FIXED ASSETS:		
Land, Buildings, Plant, Machinery, etc.—		
Valuation at 31st October, 1935		3,216,580
Additions at Cost, *less* Sales		4,210,540
		7,427,120
Less: Provision for Depreciation		3,200,000
		4,227,120
ASSOCIATED COMPANY:		
Shares therein at Cost	425,000	
Advances	110,460	
		535,460
CURRENT ASSETS:		
Stocks on Hand	4,593,305	
Debtors	1,528,399	
Investments	1,212,074	
Tax Reserve Certificates	2,120,300	
Cash at Bankers	2,479,288	
		11,933,366
		£16,695,946

ity over transfers in respect of new orders. This code ing submitted to the governments of the contracting ries. It represents a brave attempt to make the dangerous world of controls a little safer to the *bona fide* trader than it is to-day.

* * *

Christmas Currency Demands

In the week to last Wednesday the active note circulation increased by another £6.4 million, bringing the total expansion between the mid-November low point and the Christmas peak to no less than £78.1 million. As the accompanying table shows, this is the biggest seasonal demand ever recorded. Too much significance, however, should not be read into the recorded variations from year to year, because of the differing intervals between the Bank return dates and the actual holiday. This year, however, there is a straight comparison with the previous year—on both occasions the post-Christmas return reflected one day's reflux of holiday notes. It will be observed that Christmas demands for notes this year amounted to approximately the same proportion of the total circulation as was customary before the war.

The table shows the post-war trend of the active note circulation in some detail. It will be remembered that between

ACTIVE NOTE CIRCULATION

	November "Low"	Xmas Peak	Post-Xmas "Low"	Christmas Expansion	
	£ mn.	£ mn.	£ mn.	£ mn.	%
1938-39	476·1	504·7	471·9	28·6	6·0
1945-46	1324·6	1379·9	1322·6	55·3	4·2
1946-47	1363·4	1428·2	1364·5	64·8	4·7
1947-48	1340·5	1368·4	1231·6	27·9	2·1
1948-49	1233·1	1296·4	1224·5	63·3	5·1
1949-50	1259·9	1321·9	1245·5	62·0	4·9
1950-51	1279·6	1357·7	...	78·1	6·1

November, 1946, and November, 1948, there was a reflux of no less than £130 million of notes from active circulation, this reflux, which was motivated by a rumour that the existing note issue might be called in to check up on black market activities, almost obliterated the signs of the Christmas demand in 1947. Since November, 1948, the active note issue has been rising at a rate of about £20 million a year, but the seasonal efflux at Christmas, 1948, and Christmas, 1949, was not significantly different from that at Christmas, 1946. It remains to be seen whether the higher efflux this year has been due purely to higher seasonal spending or to a continuation of the general upward trend of the money-holding habits of the people as prices rise and possible scarcities throw their shadows before.

* * *

[illegible]ce in Wheat

[illegible]ble wheat may be seriously reduced [illegible] Although the Canadian crop, [illegible] bushels, is some 95 million bushels [illegible] in 1949-50, the bad weather in the prairie states [illegible]n late summer reduced the quality of the wheat. Canada has now plenty of low-grade wheat for fodder, but much less millable wheat than it had a year ago. And the same may also be true of the Australian crop. The present estimate (a provisional one) shows a yield of only 177½ million bushels against 216½ million bushels last season, but the almost continuous rain in the past two months in New South Wales and Queensland has seriously reduced the quality. Reports suggest that the amount of millable wheat may be sufficient only to cover Australia's domestic consumption and its guaranteed sales under the international wheat agreement. The Australian Wheat Board has, accordingly, suspended offerings of large quantities of wheat in overseas markets.

News from Argentina is no more cheerful. Estimates now put the outturn of the wheat crop at 204 million bushels, compared with 240 million bushels a month or so ago. Warm damp weather has encouraged the spread of rust disease, and the loss is said to be considerable. Argentina is not a signatory of the international agreement and hopes to secure a price appreciably higher than the agreement maximum ($1.80 a bushel). But prices for "non-agreement wheat" have been very slow to respond to smaller supplies. Wheat prices in the United States have risen appreciably in the past few weeks, whereas the rise in "non-agreement wheat" has been imperceptible. Indeed, the Canadian price at $1.95 a bushel is 3 cents lower than in September.

The American market is now conditioned almost entirely by domestic factors, for the current price of wheat even after deduction of the subsidy is well above the maximum agreement price. Of the domestic factors, the most important is the phenomenal rise in the consumption of maize. Last season American farmers consumed well over 3,300 million bushels, compared with a harvest of 3,378 million bushels. This year's maize crop is smaller ; the latest official estimate is 3,105 million bushels. But consumption is expected to reach at least 3,450 million bushels, so that reserve stocks will decline by 200-300 million bushels. Maize has risen much more sharply than wheat in recent months, and the narrowing of the two prices has been sufficient to encourage farmers to switch to wheat as a feed grain, and this demand has strengthened the wheat market.

Elsewhere in the world, importing countries have been reluctant to buy wheat outside the agreement. Stocks held by the larger importers are believed to be adequate to enable them to meet their requirements this season if they purchase only the quantities scheduled under the international agreement. If importers continue to follow this tactic throughout the season, prices for "non-agreement wheat" should not rise unduly. Britain and other countries of Western Europe have bought coarse grains from Russia, and they may have occasion to buy further supplies from Argentina ; if so, pressure on the market even for low-grade Canadian wheat should be lessened. This tactic, however, is a gamble and it deserves to be recognised as such. It can only be successful if next year's grain harvest is large. If any of the main export countries' crops were to fail, Europe might be faced with a grain crisis as serious as that of 1946-47.

* * *

Agreement about Building Incentives

The combined executives of the building unions have agreed to continue the experiment in wage incentives which they and the National Federation of Building Trades Employers initiated three years ago. Under this scheme the employer and unions agree on a target rate of construction at the start of a job (not all types of work are suitable) and a bonus is paid if the rate is exceeded. Both sides agreed that the target should be fixed so that with reasonable effort the men can earn 20 per cent more than standard wage rates; this was hoped to have the dual effect of speeding the rate of building and reducing costs.

The scheme's introduction, however, was strongly opposed by many employers and workers; and that opposition is by no means dead. Sir Harry Selley, president of the Federation of Master Builders, was expressing the opinion of many firms outside his own federation when he said that the decision to continue incentive schemes would merely entice labour from one builder to another. Nor was opinion unanimous in the scheme's favour at the summer meetings of the separate building unions. But after three years' experience there is some evidence that incentives do achieve their object. While it is difficult to separate the various factors which affect costs, the Ministry of Health's housing cost committee believes that where incentive schemes have been used, costs have been reduced by at least £15 a house. The Ministry of Works has also done a pilot survey of 163 contracts and this

survey suggested an average net saving of at least £2 in labour costs for every £5 spent in bonus while the saving in total costs averaged as much as £5.

Last week's announcement on the future of the scheme said that the Federation of Building Trades Employers and the Unions are together setting up regional offices to give advice on working wage incentives. The final decision to introduce incentives or not still rests with the employer; but either side can now ask for the regional organiser's help when the other will not co-operate. This joint machinery represents an attempt to check the growth of an alternative practice which could, if it became widespread, jeopardise the industry's whole wage structure. The essence of incentive bonuses is that extra earnings shall clearly be associated with extra effort, and as Sir Harry Selley said, firms paying incentive schemes attract labour from others in the same region which are not. Sometimes this serves the scheme's purpose by obliging builders to introduce incentives in order to keep their labour. But some employers choose the easier way of paying, unconditionally, a higher hourly wage. If any considerable number of firms should adopt this practice, the unions could not be expected to resist pressure to demand the higher wage for all their members.

* * *

Prospects for Vegetable Oils

World shortages of raw materials have not so far affected the main foodstuffs, though some hoarding has already occurred in certain of them. World supplies of oils and fats, for example, which made a remarkable recovery in 1949, have continued to expand this year and supplies still seem fairly adequate. The world total for 1950 has been provisionally estimated at 22½ million tons compared with 21¼ million tons in 1949 and 21½ million tons in the five years immediately prior to the outbreak of war. Meanwhile, world population has increased by at least 10 per cent so that supplies per head of population are still well below the pre-war level. World exports, though continuing to expand, are less than 80 per cent of the 1934-38 average.

The improvement in oils and fats is largely attributable to a greater output of vegetable oils; the output of animal and marine products is still much smaller than before the war. Hence Britain was able to discard soap rationing last September but has had to retain the margarine ration until supplies of butter increase. But the prospects of larger supplies of vegetable oils in 1951 do not look promising at first sight. Asia accounts for nearly one half of the world's exports. According to a survey prepared by the Commonwealth Economic Committee,* China is still the world's largest producer of vegetable oils, though it is by no means the world's largest exporter. Its main exports in recent years have been tung oil, soya beans, cottonseed and sesame. Before the war Manchuria was an important source of soya

* "Vegetable Oils and Oilseeds." H.M.S.O. 5s. (net).

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SECURITY PRICES AND YIELDS

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Prices, Year 1950 Jan. 1 to Dec. 27 High	Prices, Year 1950 Jan. 1 to Dec. 27 Low	Name of Security	Price, Dec. 19, 1950	Price, Dec. 27, 1950	Net Yield, Dec. 27, 1950 (a)	Gross Yield, Dec. 27, 1950
		British Funds				
101¾	100⅛	War Bonds 2½% Aug. 1, 1940-51	100⅛	100⅛		£ s. d.
102	100⅛	War Bonds 2½% Mar. 1, 1951-53	101⅛	101	...	0 13 5
102⅞	100⅜	War Bonds 2½% Mar. 1 1952-54	101⅛	101⅛	...	1 0 1
102⅛	100	Exch. Stk. 2½% Feb. 15, 1955	101⅜	101⅛	0 14 10	2 0 7
103⅛	100⅛	War Bds. 2½% Aug. 15, 1954-56	103	102⅛	0 15 2	1 19 10
103⅜	101⅛	Funding 2½% June 15, 1952-57	102⅛	102⅛	0 14 10	1 15 9
104⅜	103	Nat. Def. 3% July 15, 1954-58	102⅞	103⅛	0 15 11	1 14 5
104⅛	101⅛	War Loan 3% Oct. 15, 1955-59	103⅜	104⅛	0 18 7	2 2 4
101⅜	96⅛	Sav. Bonds 3% Aug. 15, 1955-65	101⅛	101⅛	0 2 9	1 7 11
100⅛	97⅞	Funding 2½% April 15, 1956-61	99⅜	99⅜	1 3 10	2 8 8
100	95	Funding 3% April 15, 1959-69	98⅛	98¼	0 15 1	2 1 3
100⅛	99⅛	Funding 3% Aug. 1, 1966-68	100⅛	99⅞	1 4 5	2 10 8
109⅛	101⅜	Funding 4% May 1, 1960-90	107	107⅛	0 17 1	2 4 9
99⅞	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	98⅛	98⅜	1 4 1	2 11 2
96	91⅛	Sav. Bonds 2½% May 1, 1964-67	94⅜	94⅜	1 10 11	3 1 1
110⅞	106⅞	Vict. Bonds 4% Sept. 1, 1920-76	109	109⅛	1 12 9	3 5 10
98⅛	91⅛	Sav. Bonds 3% Aug. 15, 1965-75	96⅛	96⅛	1 8 6	2 19 11
105⅛	100	Consols 4% (after Feb. 1, 1957)	104⅛xd	102⅜xd	1 16 10	3 5 10
99⅛	91⅛	Conv. 3½% (after Apr. 1, 1961)	95⅜	96⅜	1 19 2	3 7 8
74⅛	65⅜	Treas.Stk.2½%(afterApr.1,1975)	70⅛	70⅛	1 17 6	3 5 3
87⅛	79⅜	Treas.Stk. 3%(afterApr.5,1966)	84	84	1 15 1	3 10 0
106⅛	99	Treas.Stk. 3½% June15,1977-80	102⅛	102⅛	1 15 5	3 5 9
94⅛	86⅞	Redemp. Stk. 3% Oct. 1986-96	91⅛	91⅛	1 15 11	3 6 11
97⅛	90	War Ln. 3½% (after Dec. 1 1952)	94⅛	94⅛	1 16 1	3 7 2
74⅛	68⅛	Consols 2½%	70⅛xd	70⅛xd	2 0 1	3 9 2
98⅛	92⅛	Brit. El. 3% Gtd. Apr. 1, 1968-73	96⅛	96⅛	1 19 3	3 5 4
98⅛	91⅜	Brit. El. 3% Gtd. Mar. 15, 1974-77	96⅛	96⅛	1 18 10	3 6 2
105⅛	99	Brit.El.3½%Gtd.Nov.15,1976-79	102⅞	102⅞	1 17 1	3 5 2
95⅜	85⅛	Brit. Tpt. 3% Gtd. July 1, 1978-88	91⅞	91⅛	1 15 11	3 5 5
98⅜	92⅛	Brit. Tpt. 3% Gtd. Apr. 1, 1968-73	96⅜	96⅜	1 16 2	3 7 4
94⅜	85⅞	Brit. Gas Gtd. 3% May 1, 1990-95	91⅜	91⅜	2 1 5	3 9 11
					1 19 8	3 8 4
					1 18 3	3 6 5
					1 17 3	3 5 4
					1 19 9	3 8 9
					1 19 3	3 8 3

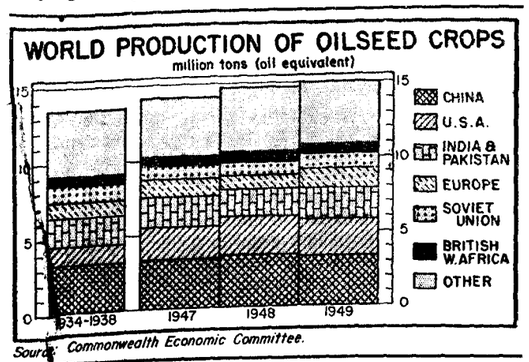
(e) To earliest date. (f) Flat yield. (g) Assuming redemption in 1957. (h) Flat yield given above. If redeemed, in 1952 net redemption yield £5 5 2, gross £6 13 4. (l) To latest date. (n) Net yields are calculated after allowing for tax at 9s. in £. * Assumed average life 13 years 10 months.

Prices, Year 1950 Jan. 1–Dec. 27 High	Prices, Year 1950 Jan. 1–Dec. 27 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Dec. 19, 1950	Price, Dec. 27, 1950	Yield, Dec. 27, 1950
		% (d)		% (d)	**Other Securities**			£ s. d.
101⅜	95⅛	60	c	20	a Australia 3½% 1965-69	100⅛	100⅛	3 4 0
102⅛	99⅛	25	b	5	a Birmingham 2½% 1955-57	100⅛	100⅛	2 13 6
8⅜	6⅜	10	b	5	a Anglo-American Corp., 10/-	6⅜	6⅜	4 9 7
85/10½	67/9	10	b	5	a Anglo-Iranian Oil, £1	6	5⅞	5 4 3
87/-	71/6	15	b	7½	a Assoc. Electrical, Ord. £1	82/6	85/-	3 10 7
29/10½	17/0½	40	c	55	c Assoc. Port. Cem., Ord. Stk. £1	79/-	80/-	5 12 6
74/-	66/-	7	b	7	a Austin Motor, Ord. Stk. 5/-	28/1½	28/1½	6 4 5
148/6	129/-	15	a	†20	b Barclays Bank, Ord. 'B' £1	69/6	69/6	4 0 7
51/3	44/6	40	c	10	a Bass Ratcliff, Ord. £1	147/6	147/6	3 7 8
45/7½	37/6	6	b	4	a Boots Pure Drug, Ord. 5/-	48/6	48/6	4 2 6
25/7½	18/-	8	c	10	c British Aluminium, Stk. £1	39/-	39/-	3 3
98/-	85/3	12	b	8	a British Celanese, Ord. 10/-			
60/1½	50/7½	5	a	7½	b British Oxygen, Ord.		4,227,120	
41/6	32/1½	5	b	2½	a Coats, J. & P., Ord			
19/11½	16/6	20	c	6¼	a Courtaulds, Ord			
32/9½	28/9	8	c	8	c Distillers Co.,			
67/-	50/7½	15	c	15	c Dorman Long,			
47/6	37/9	10	c	10	c Dunlop Rubber			
86/-	72/-	17½	c	17½	c Ford Motor, Ordinary			
136/-	124/-	11	a	21	b General Elect., Ord.			
32/4½	24/6	17½	b	15	a Guinness, Ord. Stk.			
44/3	39/6	7	b	3	a Hawker Siddeley, Ord.			
111/3	95/-	18½	b	15½	a Imp. Chem. Ind., Ord. Stk. £1			
44/1½	29/7½	5	a	7½	b Imperial Tobacco, £1			
44/6	38/1½	10	c	10	c Lancs. Cotton, Ord. Stk. £1			
63/-	51/9	15	c	15	c Lever & Unilever, Ord. £1	41/3		
83/6	69/6	45	b	15	a London Brick, Ord. Stk. £1	56/3	56/3	5 6 7
44/-	33/3	17½	b	8	a Marks & Spencer ("A"), 5/-	81/9	81/9	3 13 5
54/3	41/-	4	b	8	a P. & O., Def. Stk. £1	39/6	40/-	6 5 0
34	27½	†77½	c	17½	c Prudential, 'A' £1	53/6	53/6	4 9 9
19/4½	17/4½	18	c	15	a Ranks, Ord. Stk. 5/-	32xd	32xd	2 8 0
71/3	59/3	†25	a	†5	b "Shell" Transpt., Ord. Stk. £1	18/3	18/4	4 18 8
56/7½	50/-	12½	c	6	a Stewarts & Lloyds, Def. £1	66/3	66/3	2 5 4
131/3	108/9	12½	a	12½	b Tube Invst., Ord. Stk. £1	55/6	56/-	4 9 3
88/6	73/3	33	a	16½	b Turner & Newall, Ord. Stk. £1	126/3	126/3	3 19 1
36/3	27/-	8	c	8	c Union Castle, Ord. Stk. £1	86/3	86/3	4 12 9
66/3	34/41	12½	c	17½	c United Sua Betong, £1	36/-	36/-	4 8 11
55/4½	24/10½	4½	b	2½	a Vickers, Ord. Stk £1	52/6	52/6	6 13 4
18/4½	11/6	27½	b	15	a Woolworth (F. W.), Ord. 5/-	43/9	43/9	4 0 0

(a) Interim dividend. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) Special (m) Yield basis 35%. Yield basis 77½%. (l) To latest redemption date † Fre of tax.

beans and even this year it has exported appreciable tonnages. The Philippines, Indonesia, Malaya, Ceylon, India and Pakistan are all big exporters of vegetable oils, though the Philippines was the only country whose shipments in 1949 exceeded their prewar level.

If trade with China and Manchuria is interrupted next year, world exports of tung oil and soya beans will almost certainly be reduced. China provides almost the whole of the world's exports of tung oil, of which the United States is the largest importer and Britain second. Tung oil is used



Source: Commonwealth Economic Committee.

chiefly in the manufacture of paints and varnish and in the production of linoleum and oilcloths and as such could be replaced by linseed—if adequate supplies of the latter were available. Manchuria is still a large exporter of soya beans, though since the war the United States has developed an important export trade. If Manchurian supplies were to be cut off, the United States could probably bridge the gap in world exports, but it would have to extend its production even more than it has done in recent years and that will be no easy task. Supplies of cottonseed and sesame would also be reduced though not to any appreciable extent.

A serious shortage of vegetable oils would not occur unless Malaya and Indonesia were affected. Then, supplies of more widely used oils (coconut, palm and palm kernel) would be reduced. These threats may not materialise. But even if the present atmosphere of "near-war" continues, exporting countries next year may be less anxious to sell their output.

* * *

The Production Record

In contemplating the limitations that before long raw material shortages are likely to impose on industrial output, there remains the ironical consolation that the downturn will come from a record high level. Industrial production in [illegible] by the London and Cambridge index [illegible] in the Government's interim index, was higher than ever before, equalling or surpassing the previous record in March this year. On a working-day basis, both the "A" and "B" series of the London and Cambridge index rose by three points during the month and were a point higher than in July, the former peak; compared with October, 1949, these indices showed rises of eight and nine points respectively. Once again the outstanding performance among industries for which individual figures are

Indices of Production (1946=100)	Oct., 1949	1950 Aug.	1950 Sept.	1950 Oct.
London and Cambridge Economic Service Index:				
Total Index—A	137	121	140	145
" —B	134	119	138	143
Working day basis—A	137	137	142	145
" " —B	134	135	140	143
Textiles	139	130	143	...
Clothing and Leather	130	96	129	...
Metal Production	123	106	128	...
Shipbuilding—B	...	92	...	...
Motors, cycles and aircraft	186	151	184	215
Industrial Machinery and Equipment	160	142	173	...
Other Metal-using Trades	120	101	122	...
Food, Drink and Tobacco	111	108	111	116
Chemicals and allied trades	134	123	137	139
Building, etc.—A	156	140	161	163
" —B	145	131	149	151
Fuel and Power	120	101	120	126
Paper and Printing	141	145	163	...
Sundry Trades	156	139	155	...
Central Statistical Office Interim Index: All industries	135	124	144	146 147 (est.)
Mining and Quarrying	119	94	116	...
Manufacturing	138	128	150	...
Building and Contracting	138	130	141	...
Gas, Electricity and Water	112	96	110	...

available for October was in the production of motors, cycles and aircraft, which rose 31 points to a record of 215, twice the prewar average and some 16 per cent better than a year ago. Chemicals and allied trades reached a peak of 139, which is a rise of only five points on the year but also represents a volume of production twice the prewar level. Both industries are likely to encounter some difficulties with raw materials early next year, motors perhaps more than chemicals; this prospect emphasises once more the extent to which Britain's production record, largely dependent upon exceptional performance in a prized few industries, is vulnerable to the abnormal demands and dislocations brought about by accelerated rearmament programmes here and elsewhere.

* * *

The Week in Commodities

The Christmas period has brought no relief from the steady rise in commodity prices. During the past week prices of all the commodities listed in the accompanying table, except tin, rose further; the sharpest rises occurred in the

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World Commodity Prices

Commodity and Unit	1949 Dec.	1950 June	Oct.	Nov.	December 5th	12th	19th	26th
Wheat (cents per bushel)	215⅞	216½	225⅞	227	227⅜	235	240⅜	246
Maize (cents per bushel)	131	148	154⅜	160⅜	164⅜	167	171¼	172¼
Sugar, Cuban (cents per lb.)	4·38	4·30	5·85	5·30	5·25	5·25	5·45	5·50
Cotton US middling (cents per lb.)	31·43	34·64	41·03	43·76	42·10	42·63	44·10	44·13
Wool, 56's (d. per lb.)	71	81	150	163	167			
Sisal (£ per ton)	114	130	165	180	180	190	190	200*
Jute (£ per ton)	115	120	110½	112	114	114	116	120*
Tin (£ per ton)	599½	600⅜	981	1,117½	1,182½	1,130	1,302½	1,202½*
Copper, electrolytic (cents per lb.)	18·5	22·5	24·5	24·5	24·5	24·5	24·5	24·5
Zinc (cents per lb.)	9·875	15·0	17·5	17·5	17·5	17·5	17·5	17·5
Tungsten (s. per unit)	92·50	126·9	235·0	265·0	305·0	335·0	367·5	387·5*
Quicksilver (£ per 76 lb.)	26½	16⅜	25	31⅞	36⅛	36½	37½	42⅜*
Shellac (£ per ton)	320	237⅛	310	320	327½	340	345	397*
Rubber, RSS spot (d. per lb.)	15	24	49½	59⅛	51	50	52	57*

Note: Monthly prices taken at last day of the month except those for wool which are monthly averages. *December 27th.

minor materials such as quicksilver, shellac and tungsten. Tin slipped back from the record price reached on December 19th, and is now £100 a ton cheaper. In contrast, rubber has been rising—despite reports that world production figures for 1950 will show that a new record level was attained and despite a sharp decline in American civilian consumption in November following the U.S. Government's order limiting its use. The grey market prices for copper and zinc are still well above the official quotation shown in the table, but during the past week the Canadian price for electrolytic copper has eased slightly, from 26.00 cents a lb. to 25.95 cents.

The jute and sisal markets have also remained firm. Jute, at £120 a ton, is now back to its peak of last June and the Board of Trade has at last had to raise its selling price of raw jute very sharply, by £49 to £162 10s. a ton. Sisal, it may be noted, is nearly 50 per cent dearer than in June and some 75 per cent dearer than in December, 1949. The recovery in the Cuban sugar market in the second half of December is particularly significant, since it has occurred despite the reports that there will be a record world production in 1951. The Ministry of Food has agreed to pay more next year for sugar purchased from Commonwealth producers. The new price has been fixed at £32 17s. 6d. a ton f.o.b. compared with £30 10s. a ton in 1950.

Statistical Summary

EXCHEQUER RETURNS

TREASURY BILLS

(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Avg. Rate of Allotment %	Allotted at Min. Rate %
1949				s. d.	
Dec. 23	230·0	292·4	230·0	10 4·16	69
1950					
,, 22	240·0	310·2	240·0	10 5·21	34
,, 29	240·0	307·6	240·0	10 3·23	72
Oct. 6	250·0	312·3	250·0	10 3·23	74
,, 13	260·0	319·4	260·0	10 3·25	76
,, 20	250·0	332·3	250·0	10 2·94	66
,, 27	250·0	335·8	250·0	10 2·98	65
Nov. 3	250·0	347·7	250·0	10 2·70	60
,, 10	250·0	318·4	250·0	10 3·17	72
,, 17	250·0	325·6	250·0	10 3·13	69
,, 24	260·0	310·6	260·0	10 3·36	79
Dec. 1	250·0	347·5	250·0	10 2·74	60
,, 8	260·0	328·8	260·0	10 3·09	72
,, 15	260·0	314·6	260·0	10 4·55	49
,, 22	230·0	301·7	230·0	10 2·93	67

On December 22nd applications for 91 day bills to be paid from December 27th to December 30th were accepted dated Wednesday to Saturday as to about 67 per cent at £99 17s. 5d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million are being offered for December 29th. For the week ending December 30th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Week Ended Dec. 17, 1949	Week Ended Dec. 16, 1950	Total, Apr. 1 to Dec. 16, 1950
Savings Certificates :—			
Receipts	1,800	1,500	63,400
Repayments	2,300	2,400	95,000
Net Savings	*Dr 500*	*Dr 900*	*Dr 31,600*
Defence Bonds :—			
Receipts	345	285	12,250
Repayments	731	795	35,894
Net Savings	*Dr 386*	*Dr 510*	*Dr 23,644*
P.O. and Trustee Savings Banks :—			
Receipts	11,017	11,404	463,451
Repayments	20,508	22,008	503,239
Net Savings	*Dr 9,591*	*Dr 10604*	*Dr 39,788*
Total Net Savings	*Dr 10477*	*Dr 12014*	*Dr 95,032*
Interest on certificates repaid	478	552	21,005
Interest accrued	2,359	2,407	89,307
Change in total invested	*— 8,596*	*— 10159*	*— 26,780*

BANK OF ENGLAND RETURNS

ISSUE DEPARTMENT
DECEMBER 20, 1950

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1351,302,629	Other Govt. Securities	1359,179,486
In Bankg. Department	24,054,194	Other Secs.	790,535
		Coin (other than gold)	4,014,879
		Amt. of Fid. Issue	1375,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1375,356,823		1375,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	340,111,441
Rest	3,529,885	Other Secs.:—	60,997,057
Public Deps.:—	14,104,052	*Discounts and Advances*	*36,092,119*
*Public Accts.**	*13,689,930*	*Securities*	*24,904,938*
H.M. Treas. Special Acct.	*414,122*		
Other Deps.:—	394,350,591		
Bankers	*309,310,936*	Notes	24,054,194
Other Accts.	*85,039,655*	Coin	1,374,836
	426,537,528		426,537,528

ISSUE DEPARTMENT
DECEMBER 27, 1950

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1357,678,581	Other Govt. Securities	1359,317,522
In Bankg. Department	17,678,242	Other Secs.	655,382
		Coin (other than gold)	4,011,996
		Amt. of Fid. Issue	1375,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1375,356,823		1375,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	364,141,441
Rest	3,569,415	Other Secs.:—	49,049,001
Public Deps.:—	15,789,311	*Discounts and Advances*	*29,157,202*
*Public Accts.**	*15,375,189*	*Securities*	*19,891,799*
H.M. Treas. Special Acct.	*414,122*		
Other Deps.:—	398,447,894		
Bankers	*317,464,984*	Notes	17,678,242
Other Accts.	*84,982,910*	Coin	1,490,936
	432,359,620		432,359,620

* Including Exchequer, Savings Banks Commissioner of National Debt and Dividend Accounts

COMPARATIVE ANALYSIS

(£ million)

	1948 Dec 28	1950 Dec. 13	Dec. 20	Dec. 27
Issue Dept. :—				
Notes in circulation	1321·9	1339·3	1351·3	1357·7
Notes in banking department	28·4	36·0	24·1	17·7
Government debt and securities*	1349·3	1370·2	1370·2	1370·3
Other securities	0·7	0·8	0·8	0·7
Gold and Coin	0·4	4·4	4·4	4·4
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	11·6	21·4	13·7	15·4
Treasury Special Account	97·9	266·4	0·4	0·4
Bankers	299·2	300·6	309·3	315·5
Others	111·2	83·3	85·0	85·0
Total	519·9	671·7	408·4	414·3
Securities :—				
Government	440·9	589·5	340·1	364·1
Discounts, etc.	23·7	37·7	36·1	29·2
Other	23·4	25·1	24·9	19·9
Total	488·1	652·3	401·1	413·2
Banking dept. res.	55·9	37·4	25·4	19·2
	%	%	%	%
"Proportion"	10·6	5·5	6·2	4·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,350 million to £1,375 million on December 12, 1950.

GOLD AND SILVER

The Bank of England's official buying price for gold has remained at 248s. 0d. per fine ounce since September 19, 1949. Spot cash prices during last week were as follows :—

1950	Silver London per ounce	Silver New York per ounce	Silver Bombay per 100 tolas	Gold Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Dec. 14	70	80	183 12	107 10
,, 15	70	80	Market Closed	Closed
,, 16	Market	Closed	Market Closed	Closed
,, 18	70	80	Market Closed	Closed
,, 19	70	80	185 3	108 3
,, 20	70	80	184 11	108 13
,, 21	70	80	185 2	109 7
,, 22	70	80	187 [illegible]	110 1
,, 23	Market	Closed	[illegible]-yearly date.	(e) Special † Free of tax.
,, 25	Market	Closed		
,, 26	Closed	80		
,, 27	70	80		

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

ANNUAL GENERAL MEETING

The twenty-fifth ordinary general meeting of Barclays Bank (Dominion, Colonial and Overseas) was held on Thursday, December 28, 1950, at 29, Gracechurch Street, London, E.C.3.

Mr Julian Stanley Crossley (the chairman) presided

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

With the concurrence of the stockholders [illegible] the report and accounts and statement by the chairman, which has been previously circulated, were taken as read.

The chairman referred with regret to the death of Mr W. O. Stevenson, who had been associated with the bank since its formation in 1925. He spoke of the great loss the whole Barclay Group had suffered, and of how highly Mr Stevenson's wise judgment had been valued.

He referred also to the retirement of Mr E. L. Jackson, formerly a vice-chairman of the board and chairman of the South African board, and in expressing his appreciation of Mr Jackson's long and valuable services said how glad he was that these services would still be available, since Mr Jackson remained a member of the South African board

The chairman welcomed Mr C. Fitzherbert and Mr R. E. Fleming, M.C., who together with Mr A. S. Aiken, Mr A. T. Dudley, M.C., and Mr H. F. Oppenheimer had joined the board since the last meeting.

Referring to the fact that Lord Clarendon and Sir William Clark were to retire at the conclusion of the meeting, the chairman thanked them for their services over many years. He also paid tribute to Mr C. L. Dalziel, Mr A. B. Gillett and Sir Ernest Oppenheimer, who had retired from the board earlier in the year, and spoke of the benefit the bank had derived from their knowledge and experience.

The chairman also said that Mr O. Gordon, the chairman of the Rhodesian local board, would be retiring before the next annual meeting, and would be succeeded by Mr S. M. Pechey, at present an assistant general manager in South Africa. He expressed the bank's appreciation of Mr Gordon's long and valued service which, in various capacities, had occupied 49 years.

The chairman then moved the adoption of the report of the directors and the statement of accounts, and the payment of a final dividend of 4 per cent. actual on the "A" stock and "B" shares, less income tax at the standard rate of 9s. in the £ in each case.

The motion was seconded by Mr A. C. Barnes, deputy chairman, and carried.

The retiring directors, the Hon. G. C. Gibbs, C.M.G., Mr A. S. Aiken, Mr A. T. Dudley, M.C., Mr C. Fitzherbert, Mr R. E. Fleming, M.C., and Mr H. F. Oppenheimer, were re-elected.

On the motion of Sir Frank Newson-Smith, Bart., seconded by Mr Joseph Nissim, the auditors, Messrs Deloitte, Plender, Griffiths and Co., Price, Waterhouse and Co., Peat, Marwick, Mitchell and Co., and Cooper Brothers and Co., were reappointed.

A vote of thanks to the staff, proposed by Mr R. W. Foot, O.B.E., M.C. (a director), and seconded by Lord Knollys, K.C.M.G., M.B.E., D.F.C., was carried unanimously, and responded to by Mr R. D. Smith, a [illegible]

[illegible]anks to the chairman for pre- meeting was proposed by Mr [illegible]es, and was unanimously

WILLOWBROOK, LIMITED

FACTORS AFFECTING EARNINGS

The fifteenth annual general meeting of Willowbrook, Limited, was held on December 15th at Derby Road, Loughborough. In the unavoidable absence of the chairman, Mr A. H. Johnson, O.B.E., Mr W. Sutton (managing director) presided.

The chairman, in the course of his speech, said :

In common with other builders of bus and coach bodies, we have to report slightly lower earnings for the past year, brought about by the Government freeze of home market purchasing power in motor transport generally, and also by the unprecedented volume of changes in permitted dimensions and design of passenger-carrying vehicles.

The consolidated accounts show that our net profit for the year stands at £42,922, which, added to the amount carried forward from last year's accounts, plus £446 tax reserve not required, leaves us with a balance available of £67,806.

Of this sum, provision for taxation takes	£30,642
Interim dividend of 6 per cent. paid in March last accounted for	£5,973
The proposed dividend of 6½ per cent. will take	£6,471
Leaving a balance to carry forward of	£24,720

Our stock figure is higher occasioned by world prices and the necessity of stockpiling some of the more difficult of raw materials.

Affairs generally, nationally in particular, make it unwise to predict the course of future trading, but we have every reason to believe that with our usual most admirable co-operation between the employees, staff and management full advantage will be taken of all opportunities available.

The report and accounts were adopted.

BIRMINGHAM SMALL ARMS COMPANY, LIMITED

WIDESPREAD ACTIVITIES

The annual general meeting of the Birmingham Small Arms Company, Limited, was held on December 21st at Birmingham.

Sir Bernard D. F. Docker, K.B.E. (the chairman), said that the net profit for the year was £1,125,859 as compared with £833,243 a year ago, and there was a total net profit from all sources, after providing for taxation, of £604,606 against £500,907, which gave a total available for allocation of £876,268.

He was convinced that there was a market for Daimler cars in many parts of the world, where individuality is appreciated when coupled with reliability and a high grade of performance, and [illegible] spent considerable time in endeavouring to develop the trade both in America and the Continent of Europe. At the Small Heath Works they made shot guns, air guns, match rifles and sporting rifles which, at the comparatively modest prices at which they were sold, were meeting with a very encouraging demand. They made cycles and they exported them to many countries. They were the largest motor cycle manufacturers in the world and had been able to take a full share in earning dollars.

It seemed likely that at the appropriate time the Corporation formed in accordance with the Iron and Steel Act might exercise the option to acquire the steel interests of the Group. In that event they would lose from the Group one of the most outstanding contributors in the country to the development and production of special steels. He looked with alarm on the passing of that fine and progressive business into the hands of a National Board.

The report was adopted and the ordinary dividend of 10 per cent. was approved.